



## Audit and Risk Management Committee

<b>Date:</b>	<b>Monday, 23 June 2014</b>
<b>Time:</b>	<b>6.00 pm</b>
<b>Venue:</b>	<b>Committee Room 1 - Wallasey Town Hall</b>

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### AGENDA

**1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST**

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

**2. MINUTES (Pages 1 - 8)**

To approve the accuracy of the minutes of the meeting held on 18 March 2014

**3. ANNUAL GOVERNANCE STATEMENT 2013/2014 (Pages 9 - 26)**

**4. CHIEF INTERNAL AUDITORS ANNUAL REPORT 2013/2014  
(Pages 27 - 58)**

**5. AUDIT AND RISK MANAGEMENT COMMITTEE ANNUAL REPORT  
2013/2014 (Pages 59 - 76)**

**6. ANNUAL SELF ASSESSMENT 2013/2014 (Pages 77 - 94)**

**7. INTERNAL AUDIT UPDATE (Pages 95 - 110)**

**8. INTERNAL AUDIT COUNTER FRAUD UPDATE (Pages 111 - 116)**

**9. STATEMENT OF ACCOUNTS 2013/2014 (Pages 117 - 120)**

- 10. MANAGEMENT OF INSURANCE AND CORPORATE RISK  
(Pages 121 - 124)**
- 11. INSURANCE FUND ANNUAL REPORT 2013/2014 (Pages 125 - 136)**
- 12. CORPORATE RISK REGISTER (Pages 137 - 172)**
- 13. AUDIT PLAN FOR WIRRAL COUNCIL (Pages 173 - 188)**
- 14. CONTRACT EXTENSION FOR THE SUPPLY OF THE WORKING  
WIRRAL PROGRAMME (Pages 189 - 194)**
- 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)**

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

Tuesday, 18 March 2014

<u>Present:</u>	Councillor	J Crabtree (Chair)	
	Councillors	J Hale S Kelly	J Walsh J Williamson
<u>Deputies:</u>	Councillors	P Glasman (In place of RL Abbey) S Mountney (In place of K Hodson) J Salter (In place of S Foulkes) G Watt (In place of A Cox)	
<u>Cabinet Member:</u>	Councillor	AER Jones	

### 55 **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.

### 56 **MINUTES**

**Resolved – That the minutes of the meeting held on 28 January 2014, be approved.**

### 57 **INTERNAL AUDIT UPDATE**

The Chief Internal Auditor presented a regular report which provided Members with information related to the delivery of the Internal Audit Service for the period 1 January to 20 February 2014. The report focused upon –

- identifying any items of note or items escalated from monthly reports that required the attention of or action by Members;
- performance data relating to the IA Service;
- developments being undertaken to improve the effectiveness of the Internal Audit Service.

Members' attention was drawn specifically to a number of items of note that had been identified, which included:

- The findings of an audit conducted to assess the adequacy and effectiveness of the arrangements in place to manage Corporate Procurement. It included an evaluation of:
  - Procedure Rules and Policies
  - Utilisation of iProcurement
  - Processes for Completion of Contracts
  - Contract Management and Performance Monitoring

The work had identified some areas of good practice however the overall opinion provided was that systems of control and compliance were rated as providing 'minimum' assurance. Four High priority recommendations were included in a report for management and the Strategic Director, the Director of Resources and the Head of Procurement had responded very positively and were currently coordinating the implementation of agreed actions within an agreed timescale.

Follow up work was scheduled for May 2014 and the findings would be the subject of an update reported.

- The findings of follow up work being undertaken on systems in operation at Central Libraries and Income Control where significant issues had been identified in earlier audits and reported to this Committee in November 2013. However, it was encouraging to note that good progress was identified as having been made to address agreed actions and in the case of Income Control all of the agreed actions had now been implemented.
- An update on the work of the Information Governance Board and the outcome of the meeting held on 6 February 2014.

Members attention was also drawn to a table appended to his report, which identified information related to audits where recommended actions included in audit reports had not currently been implemented. He advised that with the exception of one item, all of the recommendations were currently Amber rated as being in progress and expected to be completed within the agreed timescales. The one Red rated item concerned compliance with the Payment Card Industry Data Security Standard and was one that had been discussed previously by the Committee. He confirmed that actions were in hand and progress reports would continue to be provided to Members.

Information was also provided in relation to the performance of the Internal Audit Service, which was on target to deliver the Internal Audit Plan. Feedback from clients and management remained good with all key actions identified in audit reports being agreed and client satisfaction levels remaining consistently high. The Chief Internal Auditor commented also upon continuing Improvements that had been made to the delivery of the Internal Audit Service as part of our overall improvement plan. Good progress continued to be made to deliver the program within the agreed timescale and he commented that 16 of the 18 actions had been implemented with work progressing well in the outstanding areas.

In response to questions from a Member with regard to outstanding audit recommendations in respect of Libraries cash systems, the Chief Internal Auditor confirmed that the disparity had not been as a result of theft or fraud but in relation to recording procedures. There had been a positive response from the Principal Librarian and improved procedures had been rolled out to all libraries.

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

The Chief Internal Auditor presented the Internal Audit Plan 2014/2015, which was effectively year 2 of the Strategic Audit Plan for 2013/2016, approved by the Committee on 10 June 2013 (minute 10 refers), updated to reflect the changing risk profile of the organisation. He provided an explanation of how the Audit Plan for 2014/2015 was prepared and indicated the list of proposed areas to be audited during 2014/2015.

The Chief Internal Auditor highlighted the main changes to note and commented that Wirral Internal Audit Service operated a three year Strategic Internal Audit Plan – the rationale being 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 number of control and governance issues were presented that required the attention of senior management across the organisation as well as many fundamental changes to what and 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,

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,

He indicated that the Audit plan had been devised following a risk based approach in line with the public sector audit standards using the following sources:

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

The Audit Plan would remain flexible, and would be reviewed on a quarterly basis to ensure it was in line with emerging risks. In response to a number of questions from Members, the Chief Internal Auditor confirmed that issues associated with the new Business Rates Retention Scheme and the write-off of Highways Maintenance debts had not been overlooked. Auditors were fully aware of the risks that were highlighted and more detail would be provided in future reports to Committee.

In response to a further question, he provided a summary of the allocation of audit days, which had been adjusted to reflect the establishment resource currently available. He anticipated that, barring any unforeseen significant

issues arising, the resource would be sufficient to enable delivery across all areas of the plan and provide the required annual audit assurance opinion.

**Resolved – That the delivery of year 2 of the Strategic Internal Audit Plan for 2013/2016 be endorsed.**

59 **ANNUAL GOVERNANCE STATEMENT 2013/2014**

The Chief Internal Auditor presented a report, which identified and explained the planned approach for the production of the Council's Annual Governance Statement for 2013/2014. It provided an outline of the work required to prepare the Statement in compliance with statutory requirements set out in the Accounts and Audit Regulations 2011 and the principles identified in the CIPFA SOLACE Framework – Delivering Good Governance in Local Government.

The report also outlined the role of the members and senior officers in the production of a robust and accurate Statement and highlighted indicative timescales.

**Resolved – That the approach outlined in the report now submitted with regard to the production of the Annual Governance Statement 2013/2014, be endorsed and supported.**

60 **LOCAL AUDIT AND ACCOUNTABILITY ACT 2014**

The Strategic Director for Transformation and Resources provided a detailed summary of the key provisions of the Local Audit and Accountability Act 2014 ("the Act"), which received Royal assent on 30 January 2014. He explained the impact on the Council, specifically in relation to the appointment of a local auditor (external auditor) and the establishment of an independent audit panel to advise the Council on the appointment of a local auditor.

The Act abolished the Audit Commission and established new arrangements for the audit and accountability of local public bodies in England. It amended the legislative framework for council tax referendums and provided measures to ensure local authority compliance with the Code of Recommended Practice on Local Authority Publicity. Section 39 of the Act gave the Secretary of State power to direct a local authority to comply with the Code of Practice and would come into force on 30 March 2014.

The Act also introduced greater transparency and openness to meetings of local government bodies by allowing local residents to film, blog, tweet and access information related to the decisions made in those meetings. Section 40 of the Act gave the power to the Secretary of State to make Regulations allowing persons to film, photograph or make sound recordings of proceedings. The power to make Regulations would also come into force on 30 March 2014.

He commented that, it was therefore essential that the Council put in place appropriate measures to ensure the provisions of the Act were adhered to.

**Resolved –**

- (1) That Committee notes the report and the detailed explanatory note at appendix 1, concerning the changes being introduced by the Audit and Accountability Act 2014 and its implications.**
- (2) That the Strategic Director for Transformation and Resources be authorised to undertake a recruitment exercise, necessary to appoint independent members to the Audit and Risk Management Committee, pursuant to the Audit and Accountability Act 2014, once relevant Regulations and/or guidance are issued.**

**61 CORPORATE RISK REGISTER**

The Director of Resources presented the first of a series of reports on the Corporate Risk Register as indicated in the Council's new Corporate Risk Management Policy. It outlined how the Register was developed, the outcome of subsequent reviews and future action. A full copy of the current document was appended for Members' consideration and she indicated that future reports would focus on changes to the topics on the Register and progress in implementing controls.

A Member commented that the Director of Adult Social Services should also share responsibility for the controls associated with the identified risk 'Inadequate safeguarding arrangements exposing children or vulnerable adults to greater risk of abuse or exploitation' (CU1). The Director agreed to take the comment back to the Chief Executive's Strategy Group for consideration.

**Resolved –**

- (1) That, subject to comments from Members, the Corporate Risk Register be noted.**
- (2) That further reports be presented to future meetings of the Committee.**

**62 MANAGEMENT OF INSURANCE AND CORPORATE RISK**

The Director of Resources reported upon key actions to be taken in relation to corporate risk and insurance management during 2014/2015. The report highlighted key decisions which needed to be made and also included progress made since January 2014 in relation to key actions planned for 2013/2014.

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

**63 AUDIT COMMITTEE UPDATE**

The Director – Assurance (Grant Thornton UK LLP) presented the Audit Committee Update for the year ended March 2014, which provided a report on progress in the delivery of external auditor responsibilities. The report also included a summary of emerging national issues and developments that may

be relevant to the Council and posed a number of challenge questions in respect of the emerging issues for the Committee's consideration.

A Member referred to challenge questions associated with the Grant Thornton report '2016 Tipping Point? Challenging the Current', which assessed whether English local authorities had the arrangements in place to ensure their sustainable financial future and indicated that some authorities were predicting reaching tipping point, when the pressure becomes acute with financial failure a real risk. The Director – Assurance indicated that the risk of local authorities going into administration was not a scenario that had had to be dealt with in the UK. However, more imaginative delivery models were now having to be considered to meet statutory responsibilities.

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

64 **AUDIT PLAN FOR MERSEYSIDE LOCAL GOVERNMENT PENSION SCHEME**

The Director – Assurance (Grant Thornton UK LLP) presented the Audit Plan for the Merseyside Local Government Pension Scheme for the year ended 31 March 2014. He highlighted the need to understand the challenges and opportunities the Pension Fund was facing and set out the impact on the Fund of key developments in the sector. He provided a summary of the audit approach, referred to the significant and other risks that had been identified and provided an indication of fees.

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

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

The Head of Legal and Member Services reported that the Regulation of Investigatory Powers Act 2000 (RIPA), which governed how public bodies used surveillance methods, required a quarterly report on the use of covert surveillance.

He confirmed that there had been no use of such surveillance by the Council between 1 January 2014 and 1 March 2014.

Since the Protection of Freedoms Act 2012 came into force on 1 November 2012, there had been a steep decline in the use of covert surveillance, leading to less effective action being taken in response to anti-social behaviour and he indicated that persistent anti-social behaviour may now only be detected by the use of directed covert surveillance if it had the prior approval of a magistrate and if it consisted 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 was no longer capable of being detected by covert surveillance unless they amounted to acts of harassment targeted at a particular individual which may then amount to an offence under the Protection from Harassment Act 1997.

He reported also that following a strategic service review of Community Safety (including anti-social behaviour) an assessment would be undertaken of all current cases managed by the Anti-Social Behaviour Team to determine



whether an application for authorisation of covert surveillance could be made, having regard to the statutory components of the offence of harassment. It was intended that an application would be made in due course for magistrate approval of covert surveillance where there was strong evidence of behaviour which met the definition of the criminal offence of harassment. Depending upon the outcome, this could be a prelude to a more robust use of covert surveillance to tackle serious anti-social behaviour. A Member commented that offences of harassment were also covered by the Public Order Act.

He reported also upon and provided a summary of the Government's proposals to amend its Code of Practice on covert surveillance. He indicated that although most of the proposals had been anticipated by the Council's Policy and Procedure Document, which was adopted on 18 September 2013 a number of minor changes were suggested.

**Resolved –**

- (1) That the report on the use of covert surveillance and the updated Policy and Guidance Document be noted.**
- (2) That officers be authorised to take part in the consultation on updating the Home Office Code of Practice by making the following suggestions:**
  - That paragraph 2.29 of the proposals be re-worded to make it clear that no RIPA authorisation is required to monitor shouting from a property which is audible in the street outside or adjoining property.**
  - That paragraph 3.31 the third bullet point should include as an example of the use by a local authority of directed surveillance, the investigation of behaviour which would constitute the offence of harassment of e.g. a neighbour.**

**66 CODE OF PRACTICE FOR THE OPERATION OF CCTV**

The Head of Legal and Member Services presented for approval a Code of Practice for the operation of closed circuit television (CCTV), which was derived from the Home Office Surveillance Camera Code of Practice, issued in June 2013. He indicated that sections 30 and 33 of the Protection of Freedoms Act 2013 required every local authority to have due regard to its contents in carrying out its functions. The proposed Code of Practice also incorporated the guidance issued by the Information Commissioner in 2008 on how CCTV systems should be operated in order to comply with the Data Protection Act 1998 and the Human Rights Act 1998.

He commented that, if adopted by the Committee, the proposed Code of Practice should demonstrate the Council's compliance with the legislation, provided of course that its provisions were implemented.

**Resolved –**

- (1) That the Code of Practice on overt CCTV be approved and adopted.**
  - (2) That management be instructed to put systems in place to ensure compliance with the Code of Practice.**
  - (3) That management be instructed to ensure annual reviews of all existing CCTV systems are undertaken, with priority being given to reviews of systems in buildings and places to which the public have access, to be completed by no later than the end of June 2014.**
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## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

23 JUNE 2014

<b>SUBJECT:</b>	<b>ANNUAL GOVERNANCE STATEMENT 2013-14</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>CHIEF EXECUTIVE</b>
<b>KEY DECISION</b>	<b>NO</b>

#### 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 on 17<sup>th</sup> September 2014.

#### 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 2013-14

##### 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.

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).

## 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 Consultation has taken place with members of the Council's Chief Executive Strategy Group and External Audit 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 a final Annual Governance Statement is presented to Audit and Risk Management Committee in September 2014.

## **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).

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## **APPENDICES**

1. Annual Governance Statement 2013-14

## 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 2013-14	18 <sup>th</sup> March 2014

## **ANNUAL GOVERNANCE STATEMENT 2013-14**

### **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, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, including as accountable body for the Merseyside Pension Fund, 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 authority's code is available on our website at [www.wirral.gov.uk](http://www.wirral.gov.uk). This statement explains how Wirral Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4 (3), which requires all relevant bodies to prepare an annual governance statement.

### **2. The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, 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 and potential impact of those risks being 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 2014 and up to the date of approval of the annual statement of accounts.

### **3. Progress made during 2013-14**

The Council made significant progress during 2013-14 to address weaknesses in its governance arrangements. This progress is evidenced through the withdrawal of the Wirral Improvement Board in November 2013 based on the rapid progress the Council made to tackle some of its most significant challenges and implement the recommendations made by the Improvement Board.

The improvements were endorsed by the Improvement Board and are regarded as an example of best practice for sector led improvement. A case study published by the Local Government Association highlights that the Council has been transformed to one that is stable, well-led, open and far more inclusive.

The 2012-13 annual governance statement identified fifteen significant issues relating to the Council's governance arrangements. An action plan was developed to ensure implementation of key recommendations that is monitored on a regular basis by Internal Audit with a regular report provided to the Council's senior management team.

The monitoring of the action plan demonstrates that significant progress has been made during the year to address important governance issues. Eight governance issues have been completed or significant progress has been made during 2013-14; these include improvements to governance arrangements, information assets, procurement, debt, freedom of information requests, managing workforce costs and business planning.

Progress has been made on a further four issues which were identified as significant in the 2012-13 Annual Governance Statement, however further actions are required in relation to risk management, embedding policies for confidential reporting and grievances, responsibilities in relation to contract procedure rules and ensuring the Council maintains an up to date partnership register. Actions in relation to these issues will continue to be monitored however on the basis of the progress made they are no longer considered to be significant.

There are three governance issues which are considered to continue to be significant and have therefore been included in the 2013-14 statement to ensure that they are addressed. These are regularly reported to senior management and elected members. These issues relate to essential training for staff, asset management and absence management. An overview of the progress that has been made on these issues and future planned activity is provided at appendix 1.

#### **4. 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 focussing on outcomes for the community and on a longer-term vision for the area. The Council agreed a new three-year corporate plan setting out a clear vision and set of priorities to guide the allocation of the Council's resources.

***"Wirral will be a place where the vulnerable are safe and protected, where employers want to invest and local businesses thrive, and where good health and an excellent quality of life is within the reach of everyone who lives here.***



***“We pledge to support this vision and serve our residents, by further improving our organisation and becoming the outstanding Council that the people of Wirral deserve.”***

The Council’s vision is underpinned by the following priorities which were subject to extensive consultation with local residents:

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

The Council has demonstrated strengthened financial management through its delivery of the challenging budget set for 2013/14 which included £48 million savings. £36 million savings have been agreed for 2014-15, with a balanced budget achieved. The early decisions made in December 2013 have placed the Council in the position of being able to implement and realise these savings during the 2014-15 financial year.

As part of the budget-setting process for the next two years, in January 2014 Wirral began on an ambitious programme of transformation designed to identify £45m of savings and completely remodel the authority in line with the organisation’s values. The Future Council programme is designed to review all services to ensure that they deliver the Corporate Plan vision and meet the needs and outcomes of Wirral’s community, whilst at the same time identifying the savings that the Council must make in future years. Challenge has been embedded at all stages of the Future Council programme through external expertise to ensure that the Council’s transformation plans are robust to identify the required savings the Council must deliver.

A business planning framework and performance management policy have been finalised and approved by Chief Executive’s Strategy Group. The Council’s directorate plans were reviewed and refreshed for 2013/14 to reflect the corporate plan priorities and the Council’s vision. The Chief Executive’s Strategy Group review performance of the Corporate Plan on a monthly basis with regular reports also provided to our Member led Policy and Performance committees.

A new performance appraisal process has been undertaken for senior managers and will be rolled out during 2014/15 to all staff with targets set for completion agreed by Chief Executive’s Strategy Group.

The Council is working closely with its partners to establish a long term vision for the borough through the Public Service Board. The Board meets regularly to discuss issues relevant to a wide range of public sector partners, including service redesign and improved integration.

The Council has a partnership register and toolkit in place and a comprehensive review of partnerships has been completed and reported to the Public Service Board in October 2013. This review will inform a revised partnership register to ensure that it remains up to date and fit for purpose.

In 2013, Wirral was selected as one of nine areas to participate in the Public Service Transformation Network to deliver a multi-agency approach to public service reform.

The Council is working closely with partners through the Health and Wellbeing Board to develop a Vision 2018 approach for health and social care integration.

On 1st April 2014 Wirral joined the five other Merseyside local authorities to form Liverpool City Region Combined Authority to promote the economic development of the region, draw down support from central government and European funding streams and work in a targeted and integrated fashion on transport-related initiatives. Wirral's Council Leader Phil Davies was elected as the first Chair of the Combined Authority.

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

Ensuring that members are fully engaged in working together to deliver the transformation of the Council has been a key focus for the organisation. During 2013-14 the Council has held a series of improvement and transformation sessions designed to enable all elected members to take part in discussions to develop the Council's long term vision which is set out in the Corporate Plan.

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.

Three Policy and Performance Committees are in place aligned to the three strategic directorates, and supported by a team of dedicated Scrutiny officers. The Committees 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 responsible for overseeing arrangements and allocating cross cutting activities.

Member surveys carried out in early 2014 gave all councillors the opportunity to comment on changes to the Constitution and committee structures, as well as cultural issues related to individuals' responsibilities to treat each other with respect and promote high standards of political conduct. The survey attracted a strong two-thirds, cross-party return and all proposed amendments to the Council's Constitution were supported by the majority of respondents.

The findings of the surveys were discussed by the Standards Working Group and reported to the Standards and Constitutional Oversight Committee in February 2014 with all party support for the recommended amendments to the Constitution.

Subsequent work will focus on developing an agreement between officers and members in order to positively impact on joint working.

The Leader of the Council has reviewed his Cabinet portfolios to highlight the role of Cabinet in promoting and delivering the Council's new corporate plan and its budget, and to ensure that Cabinet Members champion and deliver activities which will result in transformed service areas and create a Council fit for the future. The portfolios now include a revised Governance, Commissioning

and Improvement portfolio which is held by the deputy leader and includes a strengthened focus on governance and compliance.

Portfolio briefings are working effectively to ensure that Cabinet Members and Strategic Directors meet on a regular basis to discuss items relevant to the portfolio area including performance of services, budget and risk management issues. Dedicated planning sessions take place with Cabinet and Chief Executive Strategy Group to develop the future direction of the Council.

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

During 2013/14, Wirral Council completed a process of sector-led improvement in partnership with representatives of the Local Government Association to address specific issues around corporate governance, including the need to agree a clear framework to deliver the Council's vision supported by strategic financial planning.

At its meeting of 29th November 2013, the Improvement Board considered a wide range of evidence including how the Council had addressed weaknesses in leadership, governance and decision-making and concluded that the Improvement Board was no longer required as the Council has the capability and capacity to manage its own improvement process. The Council invited the board back to a meeting in March 2014 to demonstrate the further progress that had been made to define the future shape of Council services, address significant financial challenges and strengthen decision making.

The Code of Corporate Governance together with evidence supporting compliance was considered by the Audit and Risk Management Committee and has been incorporated into the Council's Constitution and further work is now being undertaken to fully communicate the Code of Corporate Governance to Elected Members and the Council's workforce.

The Council's Constitution sets out a Code of Conduct for Members to ensure there is clear accountability and clarity.

The Council has refreshed its grievance and confidential reporting policies and the Council has launched a new intranet which gives prominence to these policies and others including information security.

Work has also been undertaken with staff across the organisation to develop the Council's new organisational values of integrity, efficiency, confidence and ambition. These will help inform and shape how staff across the Council delivers services to Wirral residents, businesses and other stakeholders.

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

Cabinet has formally adopted a Corporate Risk Management policy setting out clear roles, responsibilities and reporting lines within the Council. The strategy gives a detailed analysis of the role every officer and member of Wirral Council has to play in managing risk, and aims to turn the authority from risk averse to risk aware, incorporating risk management considerations into Service

and Business Planning, Commissioning, Project Management, Partnerships, Alternative Service Delivery Vehicles & Procurement Processes.

The Council has developed new procedures for managing risk and ensuring effective scrutiny via its new constitutional working arrangements. Clear roles and responsibilities are set out in the Council's Corporate Risk Management policy and governance issues are routinely reported to Chief Executive's Strategy Group and regularly presented to the Audit and Risk Management Committee for their review of assurance requirements.

The Audit and Risk Management Committee also has responsibilities to oversee and agree appropriate robust arrangements for Financial Regulations and Contract Procedure Rules. In September 2013, the Committee has agreed a revised set of contract procedure rules and financial regulations to ensure transparent and robust arrangements are in place.

Plans are also in place to strengthen the independent nature of the Audit and Risk Management Committee through the appointment of a majority of external members. Role and person descriptions have been developed for the co-opted members, describing their key roles and responsibilities, duties they will be expected to undertake and a detailed list of criteria including relevant experience, required education or training attainments, knowledge, skills and abilities.

During 2013-14 the Council also established a Commissioning and Procurement Board which includes representation from the three strategic directors to provide the strategic direction for ensuring that the Council is commissioning and procuring services that are delivered in accordance with the authority's objectives and represent the best use of resources and provide value for money. The deputy leader holds the portfolio for Governance, Commissioning and Improvement and reports to Cabinet and Council on a regular basis regarding matters within the portfolios responsibilities.

The Council has made considerable progress during 2013-14 in the implementation of External Audit recommendations outlined in the 2012-13 financial resilience report. It is anticipated that this progress will be reflected through a more positive VFM conclusion in the 2013-14 financial resilience report.

The Council is the administering authority for the Merseyside Pension Fund which received an unqualified audit opinion in 2012-13 for its accounts on the basis that the financial statements and supporting working papers were prepared to a good standard. This demonstrates that effective arrangements are in place.

***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.***

Chief Executive Strategy Group continues to provide the strategic direction for the delivery of the long-term vision of the Council, working closely with the Council's administration. Appointments to permanent statutory posts are complete providing a stabilised management team for the Council.

The Authority offers members, including the newly elected, a programme of training covering the Code of Corporate Governance, Whistle-blowing, Safeguarding, Organisational Excellence and Risk Management, as well as Personal Development opportunities and Leadership. These sessions are

supported by North West Employers, the Centre for Public Scrutiny and the Local Government Association.

Work has also been undertaken with elected members to agree standards and behaviours and ensure engagement with changes to the Council's Constitution, oversight and scrutiny.

The Council has launched its Leadership Development Programme for senior managers from across the organisation which focuses on the Wirral vision, leadership in a changing context, and how to apply their learning in the leadership of the organisation.

Two cohorts of Change Agents have been trained to drive change across the organisation. The agents are helping to support change initiatives within their departments, attending and delivering key change messages at team meetings and supporting senior manager briefings.

The Council also has a 'Skills for Wirral' training and development programme for managers and employees with regular sessions held every month on subjects including demystifying stress, resilient leadership, coaching skills and Wellness and Recovery Action Planning.

An essential 'Wirral Management Development Programme' is in place to provide all managers with the learning, development and support they need. The Framework has nine essential modules which contain a mixture of workshops and e-learning modules. A calendar of upcoming training sessions is advertised prominently on the new intranet. Work is still required to ensure that essential training is carried out throughout the organisation.

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

As set out in the Corporate Plan 2013-16, the Council is committed to engaging and empowering individuals and communities in both the design and delivery of local services. The Council's major budget 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 savings. Over 6,000 responses were received on a range of budget options during a 12-week consultation process and in December 2013, the results of the consultation were reported to Cabinet for recommendations to be approved at Council. The consultation achieved amongst the highest levels of participation in the UK compared to similar exercises and informed the decisions recommended for approval by Council.

The Council is moving forward with its plans for Neighbourhood Working via four constituency areas which are designed to bring communities closer to the decision-making process and to enable services to be offered in a targeted way. All elected members are represented on the four constituency committees which held their inaugural meetings in Autumn 2013. Constituency Managers have been appointed to work in partnership with the Police, Fire and Rescue, Health and social care sectors. Each constituency committee has been funded with an initial 'start up' grant and the Council is currently reviewing which services will be devolved to the constituency areas.

## **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.

On the basis of the programme of work undertaken, the Chief Internal Auditor has concluded that there is a substantively sound system of internal control, designed to meet the Council's objectives, and that controls are generally being applied consistently.

### **Corporate Management Assurance**

The Council's Chief Executive Strategy Group has managed the development of the Annual Governance Statement to ensure a high level of corporate engagement and ownership. A quarterly review of performance management, audit and risk takes place to review and consider emerging governance issues and ensure that appropriate action is in place.

A Corporate Governance Group is also established and led by a Strategic Director with strategic leads for Performance, Risk, Internal Audit, Improvement and Strategy to ensure it has an appropriate profile within the organisation and significant governance issues are responded to in a timely manner.

Arrangements are in place to ensure the Head of Paid Service and Monitoring Officer role and functions are discharged effectively and these functions are set out in the Council's Constitution. This ensures that there is compliance with relevant laws and regulations and internal policies and procedures.

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.

### **Council**

Council sets the authority's overall policies and budget each year and holds the Cabinet to account. Annual Policy Council meets in November to discuss, debate and further shape the future purpose of the organisation and its response to key national and local drivers. Policy Council plays a direct role in informing the annual review of the Corporate Plan and future savings for the Council.

### **Cabinet**

Cabinet has a leading role in ensuring good governance arrangements are in place to drive forward transformation and improvements across the Council. The deputy leader holds the Governance,

Commissioning and Improvement portfolio to ensure that there is a strong and robust leadership approach to governance and compliance across the organisation.

### **Audit and Risk Management Committee**

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.

### **Standards and Constitutional Oversight Committee**

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.

### **Merseyside Pension Fund**

Wirral Council is also the administering authority for the Merseyside Pension Fund which publishes its own statement of accounts on an annual basis and includes a "Governance Compliance Statement". The statement outlines compliance to industry specific governance principles.

## **6. Significant Governance Issues**

The following governance issues have been identified as 'significant' during 2013/14 and will be addressed during 2014-15 through appropriate actions.

- ICT Business Continuity and Disaster Recovery Plans
- Corporate Procurement Arrangements
- Absence Management (**carried forward from 2012/13**)
- Asset Management (**carried forward from 2012/13**)
- Essential Management Training (**carried forward from 2012/13**)

Issues identified in this statement are already being addressed through robust and planned activity. Over the coming year we will continue to ensure that these actions continue to be delivered to further enhance our governance arrangements, and ensure that we are satisfied that they will address the improvements required.

The Council will monitor their implementation and operation as part of our next annual review.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Chief Executive

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Leader of the Council



## Appendix 1 – Significant Governance Issues 2013-14

Governance Issue identified	Progress and Planned Activity	Lead Officer
<p>Internal Audit identified during 2013-14 that the Council's overarching business continuity arrangements are not robust and that business resilience may be susceptible due to not having in place:</p> <ul style="list-style-type: none"> <li>i) up to date and effective ICT business continuity plans, and</li> <li>ii) ICT disaster recovery plans which reflect the business critical service requirements as documented in Corporate, Departmental and/or Service business continuity plans.</li> </ul>	<p>The Council has enhanced its capacity to address this governance issue and has taken action to resolve the immediate issues that have impacted on the Council's ICT business continuity arrangements.</p> <p>Significant IT infrastructural work has been undertaken to strengthen the robustness of the IT disaster recovery plan.</p> <p>Further work is planned to improve the underlying IT business continuity, and ensure that it supports business priorities</p>	<p>Head of IT Services / Director of Resources</p> <p>Assistant Chief Executive / Head of Universal Services &amp; Infrastructure Services / Senior Manager – Health, Safety &amp; Resilience</p>
<p>Internal Audit identified during 2013-14 that the Council has significant weaknesses in relation to its corporate procurement arrangements including the process required to ensure all formal tender exercises are promptly progressed to completion with a formal contract drawn up and signed / sealed accordingly</p>	<p>Arrangements, including training for key Legal staff members, are in place with regards to the use of the Council's CHEST system as the Council's Central Contracts Register. This will enable more robust arrangements to be established for the drafting, agreement and execution of contracts.</p> <p>The Council is taking the following actions to address this governance issue:</p> <ul style="list-style-type: none"> <li>▪ Review the contract procedure rules and ensure they are fully embedded across the organisation</li> <li>▪ Fully implement a disciplined and corporate approach to procurement through category management, reducing manual invoicing and rationalising procurement activity</li> <li>▪ Identify an effective approach to achieve maximum advantage from a centralised approach and move towards no purchase order no pay</li> </ul>	<p>Strategic Director – Transformation &amp; Resources</p>

**Significant Governance Issues carried forward from 2012-13**

Governance Issue identified	Progress and Planned Activity	Lead Officer
<p>The Annual Governance Statement 2012-13 identified that absence monitoring statistics revealed a calculated year end figure of 10.28 days against a target of 9.5 days. This remained 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.</p>	<p>The introduction of a new performance report has improved the targeting of resources and management action and support.</p> <p>The target for 2014/15 is 10.5 days. The projected position is currently 9.49 days. This is an improvement, on previous year's performance of 10.3 days, however there remains further work to do to improve this position.</p>	<p>Head of Human Resources and Organisational Development</p>
<p>The Annual Governance Statement 2012-13 identified that 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.</p>	<p>A new, draft Asset Management Plan has been produced, consulted on within the council and will be presented to Cabinet in June 2014. Following approval of this document, work will progress on a suite of sub-documents in relation to specific asset issues and policies.</p> <p>A new form of consultation with the community and partners in relation to asset matters is being trialled in Moreton. The intention is to secure greater involvement and improve communications with regard to asset issues. The trial will be evaluated and a decision taken on whether to extend to other areas.</p> <p>Work is proceeding in terms of disposal of surplus assets and a total of £2.5m was raised through disposals in 13/14, ahead of the target figure. Work is proceeding on the disposal of the first of three major sites, the Acre Lane Centre, with staff re-location underway.</p>	<p>Assistant Chief Executive / Head of Universal &amp; Infrastructure Services</p>

Governance Issue identified	Progress and Planned Activity	Lead Officer
	<p>The office rationalisation project, which will continue over the next two years has begun with staff being re-located within Wallasey Town Hall, Cheshire Lines and Birkenhead Town Hall, starting a process of having more staff in fewer locations, to generate savings. Appropriate desking to support replacement IT and telephone equipment is being implemented on a phased basis</p> <p>A specialist company has been appointed to deal with the disposal of the large sites identified in a report to Cabinet in November 2013 which will provide the Council with substantial Capital receipts which will form part of the Council's Capital Programme.</p>	
<p>The Annual Governance Statement 2012-13 identified that 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.</p>	<p>A reporting process is in place to monitor the completion of essential programmes. Steps have been taken to improve the ability to monitor and ensure training (essential and statutory) is undertaken.</p> <p>It is expected that completion of the key aspects of the training will have reached an acceptable level by Summer 2014.</p>	<p>Head of Human Resources &amp; Organisational Development</p>

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## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

23 JUNE 2014

<b>SUBJECT:</b>	<b>CHIEF INTERNAL AUDITORS ANNUAL REPORT 2013/14</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>
<b>KEY DECISION</b>	<b>NO</b>

#### 1 EXECUTIVE SUMMARY

- 1.1 The Internal Audit Service plans and completes audits to review all relevant areas of risk.
- 1.2 Reports, including recommendations produced following audits are presented to managers. An overall report is produced annually.
- 1.3 This report presents the Chief Internal Auditors Annual Report for 2013/14.

#### 2. BACKGROUND

- 2.1 The Accounts and Audit Regulations require that a local authority “shall maintain an adequate and effective system of internal audit”.
- 2.2 In order to meet the statutory requirements the Internal Audit Section has conducted audits to review the operation of the internal control systems. The work has been conducted in accordance with professional standards set by the Audit Practices Board, CIPFA and the Institute of Internal Auditors.

#### 3. ANNUAL INTERNAL AUDIT REPORT 2013/14

- 3.1 The attached report specifies the Internal Audit assurance opinion on key areas of the Council’s activity for 2013/14.
- 3.2 The audits conducted during the year were principally planned to review the financial control systems in compliance with the requirements of the Accounts and Audit Regulations. However significant attention was also paid to key risks in the following areas:

Performance Management,  
Anti Fraud and Corruption  
Corporate Governance,  
Risk Management,  
ICT Systems,  
Service Delivery.

- 3.3 The Audit Plan was compiled on a risk assessment basis that included consideration of the sensitivity and complexity of all risks identified. Client requests, systems being developed and the availability of resources were also other factors also taken into account during the year.
- 3.4 The Internal Audit Plan for 2013/14 was approved by this Committee in March 2013.

### **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 Annual 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?

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

### **10.0 CARBON REDUCTION IMPLICATIONS**

10.1 There are none arising from this report.

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

11.1 There are none arising from this report.

### **12.0 RECOMMENDATION**

12.1. That the report be considered by the Members and 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  
Chief Internal Auditor  
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email: markniblock@wirral.gov.uk

**APPENDICES**

Appendix 1: Chief Internal Auditors Annual Report 2013/14

**REFERENCE MATERIAL**

Internal Audit Plan 2013/14

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Audit and Risk Management Committee	Annual report presented to June meetings of this Committee every year.

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**Wirral Council  
Internal Audit Service**

**Chief Internal Auditor's  
Annual Report and Opinion on the  
System of Internal Control  
2013/2014**

**May 2014**

Mark P Niblock  
Chief Internal Auditor  
Wirral Internal Audit Service

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## 1 Management Summary

### 1.1 Head of Internal Audit Opinion

Significant steps have been taken during the year by the Chief Executive and his management team to develop and implement more effective control and governance arrangements and embed an organisational infrastructure to serve the organisation more effectively and prevent a recurrence of previously reported control and governance issues.

This is something that is clearly acknowledged by the Improvement Board who concluded within their review report that “The Improvement Board recognises the significant progress made by the Council but also recognises there is still significant risk going forward. However, taking into account the progress we have seen and the public consultation, it recommends that an Improvement Board in its current form is no longer needed as the Council has the capability and capacity to manage its own improvement process”.

### 1.2 My Overall Opinion is that:

*Assurance can be given that there is a substantively sound system of internal control, designed to meet the Council’s objectives, and that controls are generally being applied consistently.*

### 1.3 Basis of the Opinion

My opinion has been based on:

- Our assessment of the governance arrangements;
- Our assessment of the risk management arrangements and the framework of assurance; and
- The outcomes of our risk-based assignments.

### 1.4 Corporate Governance

A revised Code of Corporate Governance was approved by the Audit and Risk Management Committee in September 2013 which reflected the revised guidance issued by CIPFA/SOLACE.

Input was provided by Internal Audit and the Planning, Risk and Governance Group who have identified areas for development that include promoting and raising awareness of the Code across the organisation.

Significant progress has been made during the year to address issues arising from the 2012/13 annual governance statement with

none of the items identified now being rated as red and in need of urgent attention.

#### 1.5 **Risk Management Arrangements**

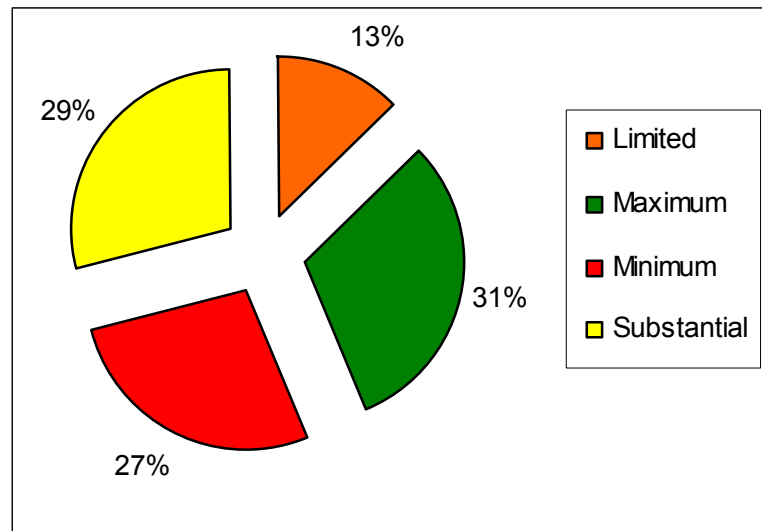
The review identified that during 2013/14 the Corporate Risk Register was populated with risks to the achievement of the Council's corporate objectives. All risks are categorised and allocated to a responsible Lead Officer. The Strategic Risk Register was developed during the year to include emerging risks such as Safeguarding and ICT Disaster Recovery. The register is reviewed by the Planning, Risk and Governance Group, the Chief Executives Strategy Group, and is regularly presented to the Audit and Risk Management Committee for their review of assurance requirements. During the year a new Risk Management Policy was produced and approved by Cabinet and workshops and training sessions undertaken with Officers and Members, with more scheduled. The audit review identified some areas for action that included ensuring that effective risk management processes are embedded across the Council and attention will now focus on this. Plans for comprehensive training in this area are in hand.

#### 1.6 **Framework of Assurance**

The officer Planning, Risk and Governance Group chaired and supported by the Strategic Director for Transformation and Resources, a member of the Chief Executives Strategy Group, met regularly during 2013/14, using the comprehensive framework of assurance to demonstrate how assurance is provided to the Chief Executives Strategy Group and the Audit and Risk Management Committee. Regular updates were provided to this group during the year on all of these key assurance components and action plans covering key areas for development and improvement monitored. This included the comprehensive action report covering the Significant Governance Issues arising from the 2012/13 Annual Governance Statement and on which good progress has been made with eight of the fifteen actions now rated as blue or green and seven as amber with none now rated as red and requiring urgent action.

#### 1.7 **Risk Based Assignments**

Arising from the agreed plan of work a total of 94 individual pieces of work including reports, actions plans, briefing notes and memos have been issued. All of the work undertaken contributes to my overall opinion on the control environment; 66 of the reports issued contained formal assurance opinions and have informed the opinion in this report as noted in the chart below. The graph illustrates the opinions provided in audit reports during the year.



A number of individual assignments identifying minimal assurance opinions were reported to the Chief Executives Strategy Group and the Audit and Risk Management Committee during the year due to their significance and have influenced my overall opinion. In the majority of these cases all of the issues arising have been attended to by senior management in year and the follow ups have indicated a strengthening of controls in these areas. For those items that remain outstanding management have been able to demonstrate sufficient progress towards the issues and further work will be conducted by Internal Audit in 2014/15. More detail on this is provided at Section 2 of this report.

### 1.8 Key Control Developments in year that support the Opinion

- There have been a number of significant improvements to the organisation's governance and control environment and therefore reduced exposure to controllable risk,
- The Senior Management Team are now all permanent appointments who are therefore able to shape their directorates with a long term vision,
- The new Wirral vision and values of the organisation have been further embedded,
- The Councils corporate and directorate plans have been reviewed and refreshed to take account of and adapt to emerging priorities and highlight the Councils vision,
- A significant amount of work continues to be undertaken to strengthen the Council's Commissioning and Procurement procedures,
- The organisation has a revised Risk Management process and work is currently being undertaken to embed this into the culture of the organisation. Corporate and Departmental risk registers are regularly reported and discussed at the Planning Risk and

Governance Group, the Chief Executives Strategy Group and the Audit and Risk Management Committee,

- Further developments to the Budget setting process have been implemented which will help to mitigate the effects of the continuing funding cuts,
- A new streamlined Performance Management framework and policy has been produced and communicated, including a performance appraisal process for all senior management,
- Enhanced engagement with all stakeholders including the Council's major consultative initiative "What Really Matters" has taken place,
- A corporate Information Governance Board has been set up to drive improvements in information governance,
- The Improvement Board formally ceased its activity at Wirral during the year reporting that it recognised the significant progress made by the Council,
- The Council reviewed and revised its Constitution to ensure fitness for purpose and lawfulness,
- All Internal Audit reports issued with a limited opinion in 2012/13 have had follow up work undertaken and significant improvements have been made in these areas.

As the risk profile of the organisation continues to change due to the reduced funding and subsequent reduced staffing levels, the requirement to have robust proportionate governance arrangements in place will increase. Internal Audit will continue to play a proactive role in further strengthening the Council's control and governance arrangements.

## 2. **Opinion**

### 2.1 **Roles and Responsibilities**

The Council is accountable collectively for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Annual Governance Statement (AGS) is an annual statement by the Council setting out:

- How the responsibilities of the Council are discharged with regard to maintaining a sound system of internal control that supports the achievement of policies, aims and objectives;
- The purpose of the governance arrangements as evidenced by a description of the risk management and review processes; and
- The conduct and results of the review of the effectiveness of the system of internal control including any disclosures of significant control failures together with assurances that actions are or will be taken where appropriate to address issues arising.

The Council's framework of assurance should bring together all of the evidence required to support the Annual Governance Statement.

The role of the Head of Internal Audit (HIA), in accordance with the CIPFA Code, is to provide an annual opinion, based upon (and limited to) the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes i.e. the organisation's system of internal control. This is achieved through a risk based plan of work, agreed with management and approved by the Audit and Risk Management Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that internal audit have reviewed all risks and assurances relating to the Council. The purpose of the opinion is to contribute to the assurances available to the Council which underpin the Council's own assessment of the effectiveness of the organisation's governance arrangements and system of internal control. My opinion is one component that the Council takes into account in compiling its Annual Governance Statement.

## 2.2 Head of Internal Audit Opinion

My overall opinion is that:

*Assurance can be given that there is a substantively sound system of internal control, designed to meet the Council's objectives, and that controls are generally being applied consistently.*

## 2.3 Basis of the Opinion

The basis for forming my opinion is as follows:

- An assessment of the Code of Corporate Governance and its operation including underpinning processes;
- An assessment of the risk management arrangements and the framework of assurance; and
- An assessment of the range of individual opinions arising from risk based audit assignments, contained within the internal audit risk based plan that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses. A number of reports have identified Limited and Minimum opinions during the year however all of these reports have recommended actions which when implemented will increase the level of assurance. Internal Audit perform work to gain assurance that the recommendations have been implemented and report the findings to the Chief Executives Strategy Group and Audit and Risk Management Committee Members each month; and progress to date in year is good.

## 2.4 The Code of Corporate Governance and associated processes

An assessment against the Code of Corporate Governance was undertaken by Internal Audit against the CIPFA/SOLACE Good Governance Framework. Overall design of controls was seen to be satisfactory and compliant with the requirements of the framework. It was confirmed that the code had been reviewed, refreshed and presented to the Audit and Risk Management Committee in September 2013 for approval. It was noted that the refreshed code incorporated changes required by the revised CIPFA/SOLACE guidance issued in late 2012. An action was identified during the audit relating to the inclusion of the Code in the Constitution and subsequent awareness and training sessions for members and officers. An action plan is in place, maintained by the Monitoring Officer and overseen by the Planning, Risk and Governance Group, to ensure that the issue is addressed as required. Further work will be undertaken by Internal Audit during 2014/15 to ascertain progress in this important area of operations.



### Significant Governance Issues from 2012/13

An action plan identifying fifteen actions from the previous annual governance statement has been implemented during 2013/14 and the progress made indicates that eight of the items are identified as being either blue or green and seven as amber with none identified as being red rated. This indicates that significant progress has been made during the year to address important issues that include management and governance, procurement and debt.

### ICT

Internal audit have continued to work with ICT managers during 2013/14 to identify key risks in this area of operations that has been subject to significant change during the year.

### Corporate Business Continuity and Resilience

Internal audit reports in relation to ICT Business Continuity and to Disaster Recovery issued during the year identified some critically significant areas for development and identified minimal assurance opinions regarding the recovery and business continuity arrangements and an action plan has been agreed with senior management to address these issues in a reasonable and risk proportionate timescale. The departmental and corporate risk registers were subsequently updated to reflect the risks in this area and senior management in conjunction with Internal Audit will continue to monitor this area of operations during 2014/15.

### Information Governance

Continuing a theme from last year's Annual Audit Report, Information Governance remains an area which requires improvement. The results of a pan-Authority survey conducted by Internal Audit showed that there are pockets of good practice but that information management responsibilities are not always clear or embedded within standard working practices.

The officers Information Governance Board was formed during the year to address issues in this area, is chaired by the Strategic Director for Transformation and Resources, a member of the Chief Executives Strategy Group and demonstrating the support of this group, and has a formally agreed membership and terms of reference that are designed to address all issues of this nature. The Board has overseen a managers' Information Governance Checklist exercise that has identified a number of key actions and the delivery of these are being managed by the Board. In addition, specialist external resources have been commissioned by the Board to ensure that Wirral meets its obligation to comply with the NHS Information Governance Toolkit and other related information governance issues. Internal Audit are standing members of this board and through this are able to ensure that any associated risks identified during audits are brought to the attention of and included within action plans arising from the board.

**2.5 The design and operation of the Risk Management arrangements and the framework of assurance**

The Corporate Risk Register is intended to be a critical means by which the Council assures itself that risks to its corporate objectives are being managed. As such it is also central to the methodology by which the Council conducts its assessment of its governance arrangements and its review of the system of internal control.

The Audit and Risk Management Committee is presented with regular updates on the Corporate Risk Register at its scheduled meetings including summary reports of all risks together with new risks added during 2013/14.

The Planning, Risk and Governance Group and the Chief Executives Strategic Group received the Corporate Risk Register on a quarterly basis during 2013/14. Strategic and departmental management teams also discuss regularly the key risks on the register including reports identifying finance, audit and activity reports and performance management reports that highlight key risks to the achievement of the Council's corporate objectives.

The Risk Management policy and strategy was revised during 2013/14 and was approved by Cabinet in March 2014.

An Internal Audit review during the year identified that attention is now required to be focussed on ensuring that effective risk management processes are embedded across the Council. Actions are in hand to address this issue and training and awareness sessions for officers and Members are continuing. More audit work is scheduled in this area during 2014/15 to review compliance with the policy within directorates and within projects.

**2.6 The range of individual opinions arising from risk-based audit assignments contained within the internal audit plan that have been reported throughout the year.**

This element of the opinion is based on an assessment of the range of individual opinions arising from risk based audit assignments, contained within the internal audit plan that have been reported throughout the year. On 19 March 2013 the annual internal audit plan was agreed by the Audit and Risk Management Committee. During the year regular updates including any necessary changes to the plan were reported to, and agreed by, the Audit and Risk Management Committee. Arising from the agreed plan of work a total of 94 reports, action plans, memos and briefing notes have been issued. All of the work undertaken contributes to my overall opinion on the control environment; all of the reports issued contained a formal assurance opinion and have informed the opinion in this report. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses. The outcomes section of this report gives fuller details of:

- Performance against plan;
- Unplanned work undertaken;
- Key points arising where our overall assurance opinion was 'limited' or 'minimal'; and
- Follow up work undertaken.

### Fundamental Financial Systems

The internal audit plan included reviews of the fundamental financial systems in 2013/14 along with detailed testing to support the work of External Audit in their review of the Statement of Accounts. These are the major systems which underpin the systems of internal control and financial reporting.

This work significantly informs the Head of Internal Audit's opinion and a summary of the outcomes of these audits for these systems for the year is identified below:

<b>Audit</b>	<b>Opinion</b>
Accounts Receivable (central system)	Substantial
Accounts Payable	Substantial
Income/Cash Management (after follow up completed)	Substantial
Council Tax	Substantial
NNDR	Maximum
Budgetary Control (Financial Management)	Substantial
Payroll	Substantial
Pensions	Maximum
Treasury Management	Maximum
General Ledger	Substantial

### Pension Fund

Given the nature of the Pension Fund operations and the significance of the finances involved, its inherent risk level is significant. The Pension Fund management continues to pay attention to ensuring that these risks are effectively managed, assisted by the significant Internal Audit work completed during 2013/14 which covered the Benefits, Payroll, Member Services and Investment risk areas. The review of the

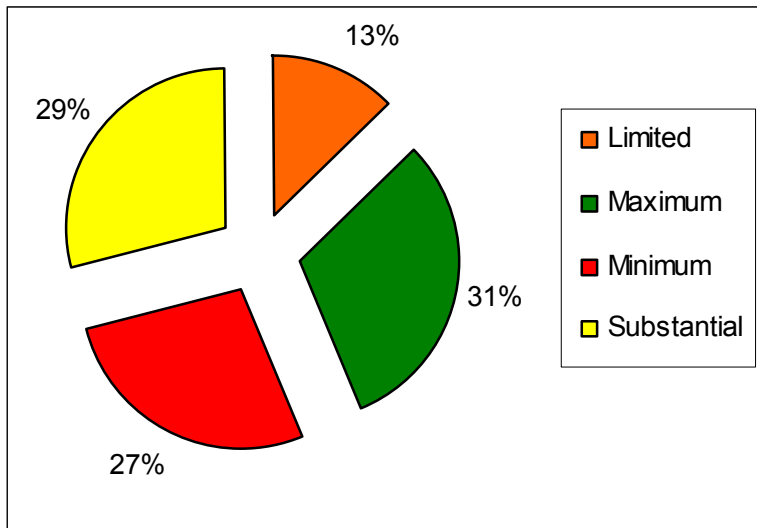
Benefits system focused on providing assurance on the payment of retirement benefits and again supported the co-operative arrangement with the external auditors by incorporating a programme of compliance tests on a sample of transactions pre-selected by Grant Thornton. The Investment audit did identify an advisory arrangement with an external service provider that did not comply with the Contract Procedure Rules which the Pensions Fund have now included within their annual business plan for resolution via re-tender in 2014/15

### 3. Audit Outcomes 2013/14

#### Assurances Issued During 2013/14

My opinion has taken account of the relative materiality of areas reviewed and management's progress in respect of addressing control weaknesses. Whilst all audit outcomes have contributed to the overall opinion, the following reviews and their outcomes are considered particularly relevant in determining my overall opinion.

#### 3.1 Audit Opinions Provided



A key to these opinions is provided at Appendix B.

#### 3.2 Maximum Assurance

Maximum assurance opinions were provided for the following audits:

- Investments
- Business Rates - New Scheme
- MPF Benefits & Payroll
- MPF Retirement Benefit Payments
- Regional Growth Fund
- Directorate Management
- Contract Tender Arrangements (sample)
- Final Account - Demolition of Poulton Primary School
- Fuel Poverty Fund Grant

- Member Services
- CREES
- Greenleas Primary
- Wallasey School
- Mendell Primary School: Accountability, Security of Assets & Budgets
- Bidston Avenue Primary School
- Woodlands Primary School: Income & Voluntary Funds

### 3.3 **Substantial Assurance**

Substantial assurance was provided for the following reviews indicating that key controls were in place and actions to further improve controls agreed as appropriate:

- Benefits - Discretionary Housing Payments
- Safeguarding Adults
- Revenue Budget Cycle
- Payroll Core System (EAT)
- Car Parking
- Civica DIP - access controls
- Contract Final Account - Greasby Children's Centre
- Early Years Services
- Financial Savings Delivery
- Greasby Infant School - Thematic: Income & Budgets
- Grievances
- Independent Foster Care
- MPF - Investments, Governance and Strategy
- Official Use of Private Vehicles
- Residential care – Quality
- Youth Offending Team

### 3.4 Limited or Minimal Assurance

The schedule below identifies those reports containing 'Limited' (L) or 'Minimal' (M) assurance where the risks presented are identified as having potentially significant impact on the achievement of systems objectives. A number of these assignments were identified by Chief Officers from individual directorates in year, commissioning audit work in these areas. In all cases management action to address reported weaknesses was agreed and appropriate actions taken during the year year as indicated.

Subject	Outcome
Training and Development (L)	Significant progress has been made to update the training and development policy, implementing all of the recommendations and effectively communicating this to the workforce via a variety of media including the Intranet.
Performance Management (M)	Significant progress has been made in the implementation of the recommendations made in respect of Performance Management. In the areas of performance management and business planning, new policies and frameworks are in place. Work is to continue, via training sessions, to help further embed these areas into the culture of the organisation. Further audit work is planned for 2014/15 to obtain assurance of these continuing developments and how these have manifested themselves in the 2014/15 corporate planning process.
Risk Management (M)	The review identified that during 2013/14 the Corporate Risk Register was populated with risks to the achievement of the Council's corporate objectives. All risks are categorised and allocated to a responsible Lead Officer. The Strategic Risk Register was developed during the year to include emerging risks. The register is reviewed by the Planning, Risk and Governance Group, the Chief Executives Strategy Group, and is regularly presented to the Audit and Risk Management Committee for their review of assurance requirements. During the year a new Risk Management Policy was produced and approved by Cabinet and workshops and training sessions undertaken with Officers and Members, with more scheduled. The audit review identified some important areas for action that included ensuring that effective risk management processes are embedded across the Council and attention will now focus on this. Plans for comprehensive training in this area are in hand.
Shared Lives Scheme (L)	Specific risks regarding this contract relating to the fee structure for differing types of care provided, the programming of meetings with the contractor and carers, and the verification of payment schedules received

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	identified at the original audit were found to have been satisfactorily improved at the follow up review, with regular meetings taking place and relevant financial information from the contractor being promptly received. It should be noted that a new contract with a new provider commenced early in 2014/15, and this will be subject to audit testing during the year.
Libraries (M)	A report went to Audit and Risk Management Committee in March 2014 indicating the significant progress made by Libraries to address the issues identified at the audit earlier in the year involving Income, Cash, Security and Asset Management, as evidenced at the follow up audit. More audit work is scheduled during 2014/15.
Policies and Procedures (M)	Initial audit work identified that work was needed on reviewing, amending and communicating policies. Follow up work has evidenced significant improvements with a number of policies being updated and approved, with recent recommended amendments to specific key policies being discussed in advance with internal audit to allow input to developing processes, which is a positive commitment. Work is currently being undertaken to promote awareness and compliance and Internal Audit will be undertaking more work in 2014/15 to evaluate impact.
ICT Disaster Recovery (M)	Actions agreed with management to address concerns regarding effectiveness of recovery arrangements within a proportionate timescale. The risk registers have been updated to reflect the risk in this area and the issue is being managed by the Director of Resources and management colleagues. Regular update reports on this issue are being provided to the Planning, Risk and Governance Group, CESH and the Audit and Risk Management Committee.
Directorate Plans (M)	Significant progress has been made. A business planning framework and performance management policy have been finalised and approved by Chief Executive's Strategy Group. The Council's directorate plans were reviewed and refreshed for 2013/14 to reflect the corporate plan priorities and the Council's vision. The Chief Executive's Strategy Group review performance of the Corporate Plan on a monthly basis with regular reports also provided to Policy and Performance committees.
Golf Courses (M)	Immediate implementation of actions following the audit. Further work scheduled in 2014/15 to test controls.
Corporate Procurement (M)	The audit highlighted key recommendations regarding the delivery of the 'no purchase order-no pay' policy, tender exercises being promptly progressed to completion with a



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	formal contract being drawn up and signed/sealed accordingly, and the method for calculating procurement savings being approved and applied in all calculations. Progress has been made to address these issues and a detailed action plan is in place. Implementation of these recommendations will be overseen by the Commissioning and Procurement Board and will be followed up in 2014/15 by Internal Audit.
Income Control (L)	Uncertainties over access rights to an on-line bank account and internal control checks have been significantly improved and overall controls have now been strengthened in this area.
Confidential Reporting (L)	The follow up work in year revealed a much improved position with a revised policy and enhanced communications being developed. This will be the focus of attention going forward along with relevant training across the Council We are advised that this will be undertaken via a series of essential workshops regarding key Council policies that is being developed for delivery to all managers. Further audit work is scheduled in this area during 2014/15 to monitor progress.
Learning Disability (M) (Involving continuity of service, transitions and incentive payments)	Initial follow-up audit work undertaken indicates progress in the implementation of the recommendations There have been positive developments in relation to Incentive Payments and, in broader terms, in relation to the response of the Department to Internal Audit recommendations. It is anticipated that the forthcoming follow-up audit will obtain evidence of positive progress in other areas, particularly around managing streamlined and inclusive transitions. This work is scheduled for early 2014/15.
Data Loss Prevention (M)	The Information Governance Board has delegated responsibility for overseeing implementation of actions identified in this area and is currently making good progress to address all information and data management issues across the Council. Active monitoring of progress is being undertaken as part of the remit of the board as defined in its terms of reference. IA will be inputting to this process and monitoring progress during 2014/15.

### 3.5 Additional Work during 2013/14

Additional work by internal audit during the year has included involvement in investigation work, input to developing systems and a separate programme of work for Counter Fraud, including policy development and awareness raising.

### Counter Fraud

An exercise has been undertaken to assess the Council's measures to counter fraud and corruption against current industry best practice and suggested measures, as reported by a number of public sector organisations, which include the Audit Commission, CIPFA, The National Fraud Authority and Fighting Fraud Locally. The subsequent findings indicate that overall good practice advocated by these and other organisations was being followed, where appropriate, and that the necessary policies and procedures were in place to support this approach.

The Counter Fraud Team within the Internal Audit section has used this evaluation to develop their approach and strengthen procedures accordingly. Having undertaken this analysis the team has also looked to update its business plan where these publications have identified new and emerging trends in abuses targeted at similar organisations. This is a constant and ongoing development of the organisation's approach to limiting the potential and actual abuse through fraud and corruption.

During the year the team saw an increase in the number of investigations that they were asked to both undertake or to provide advice and support with. This clearly demonstrated that the work to raise the profile of the team, and the support that they can provide has been successful, in that more requests for assistance were now being received.

### National Fraud Initiative

The Audit Commission requires all local authorities and other public bodies including the NHS, Paymaster Generals Office, Student Loans Company, The Department for Work and Pensions and the UK Border Agency to participate in its biennial National Fraud Initiative (NFI), which is a national exercise using computer assisted data matching techniques. The NFI exercise consistently generates significant savings for participating organisations, arising largely from payments recovered or stopped.

In addition, a more robust reporting mechanism has been introduced to identify potential opportunities to recover any monies owed to the Council earlier in the process and to instigate necessary recovery proceedings.

### Investigations

For the financial year 2013/14 Internal Audit received 16 referrals via a number of sources. This represents an increase of 30% from 2012/13. The type of issues covered a broad spectrum of the Council's activities.

New automated arrangements have been introduced during the year to facilitate more effective and efficient reporting of these types of issues.

### Developing Systems

During the year Internal Audit has had input to a number of systems being developed that includes the following, advising on the control environment and proportionate risk responses:

- Pensions
- Liquid Logic
- Better Care Fund
- Welfare Benefits System
- Endpoint Security

### Value for Money work

Whilst value for money work is implicit within all audit work, a limited number of specific exercises have been undertaken during the year as detailed below. Time has been included within the three year Strategic Audit Plan to develop this approach and increase our focus in this area on proactive, value adding reviews to support the organisation in delivering increased budget savings and managing service redesign. Work in this area will increase and this has been reflected in the plan. Some work has been undertaken to date to shape our approach to this kind of review and to develop a work programme to enable us to deliver reviews of this nature during 2014/15.

- Financial Savings Delivery
- Shared Services
- Parks and Countryside – Budget Reductions
- Highways Procurement Exercise – Health check

## **3.6 Schools Work**

The objective of the schools audits was to form an opinion on the effectiveness of the controls within schools in ensuring appropriate levels of governance are exercised by the governing body and schools management over the delegated budget. The reviews consisted of 21 schools selected on a risk assessed basis. This included risk factors such as the individual schools budget, historic and reported issues and time elapsed since the previous review. The opinions provided included 5 Maximum and 1 Substantial assurance opinions.

The continuing use of the risk assessment process developed in 2012/13 has allowed Audit resources to be concentrated on those schools which are most in need of independent review and advice. Audits either cover the full spectrum of risks or are tailored to focus on specific areas of internal control such as governance or financial management.

A good working relationship between Internal Audit and the LMS section of CYPD has led to better sharing of information and a swifter response to control issues identified in schools.

### 3.7 **Other Work**

The internal audit team's resources have been applied in several other respects:

- Support to the Audit and Risk Management Committee;
- Attendance at monthly meetings with the Chair of the Audit and Risk Management Committee;
- Attendance at the Planning, Risk and Governance Group;
- Support to and attendance at the Information Governance Board;
- Attendance at the Corporate Procurement Board;
- Attendance at regular meetings with the Chief Finance Officer;
- Attendance at regular meetings with the Strategic Director for Transformation and Resources;
- Regular attendance at the Chief Executive Strategy Group;
- Attendance at Departmental Management Team meetings
- Regular meetings with Strategic Directors
- Grant claims;
- Provision of ad-hoc advice;
- Annual planning and reporting and;
- Collation of evidence for the preparation of the 2013/14 Annual Governance Statement.

## **4 Effectiveness of Internal Audit**

### **4.1 Internal Audit Standards**

Internal Audit complies with the CIPFA Code of Practice for Internal Audit. A self assessment was undertaken in June 2013 by the Chief Internal Auditor and confirmed compliance with the code in all material aspects.

For 2013/14 and beyond Internal Audit are required to adhere to the new Public Sector Internal Audit Standards, as reported to Audit and Risk management Committee in March 2013, with subsequent updates during the year. A self assessment has been undertaken against these new standards that introduce more demanding targets for internal audit in the public sector and a small number of areas have been identified for development. A report on this incorporating any actions required and implemented is scheduled to be presented to the Audit and Risk management Committee in September 2014.

The new Public Sector Internal Audit Standards (PSIAS) which are to be adopted by all public sector bodies from 1 April 2013, note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The PSIAS require an external assessment of the service at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The scope of the external assessment will be agreed with the Section 151 Officer and the Chair of the Audit & Risk Management Committee as well as with the external assessor or assessment team. It is the intention of Wirral Council to adopt the peer challenge assessment approach currently being developed by the Greater Manchester and North West Chief Internal Auditors Group and supported by CIPFA, the CIIA and External Audit colleagues to satisfy these requirements during 2014/15.

In May of this year Grant Thornton presented its draft Audit Plan to the Council and within it acknowledged that “the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment to the Council”:

### **4.2 Internal Audit Developments**

Good progress has been made during the year 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 16 have now been fully implemented and good progress has been made in respect of the remaining actions within the agreed timescales. Actions undertaken to date include:

- 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 implementation of a revised Internal Audit Charter;
- The introduction of a Training and Development Program for audit staff linked to core competencies for professional auditors;
- Developed reporting arrangements for Chief Officers and Members;
- The implementation of a three year risk based 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;
- Improved reporting arrangements for ARMC members including monthly RAG rated update reports;
- Developed collaborative arrangement with Liverpool Council's Internal Audit services,
- Significantly restructuring and refocusing the service in line with other best practice providers;
- Regular scheduled attendance at departmental management meetings and the Chief Executives Strategy Group by the Chief Internal Auditor;
- The implementation of a RAG ratings system for audit opinions and action progress;
- The development and implementation of an IA Code of Ethics;
- 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.

Ongoing developments to be carried forward into 2014/15 include the following:

- Continued development of the Internal Audit Intranet facility as a vehicle for communicating audit and risk related issues to clients.
- Implementation of developed planning and management system incorporating automated working papers;
- The implementation of a fully automated 'paperless' working environment and increased use of mobile technology and flexible working to increase efficiencies;

- Development of more proactive counter fraud working to raise awareness across the organisation;
- Development of more collaborative working arrangements with colleagues from other organisations to address skills and capacity requirements,
- Further developments in the corporate reporting arrangements.

The ultimate aim of these initiatives is to make the very best use of resources and to continue to deliver a cost effective, value added service.

#### 4.3 Performance Indicators

For 2013/14 the internal audit service continued to set some challenging targets for all of its key measures, but particularly 'plan delivery' and 'acceptance of High priority recommendations'.

These indicators form part of the overall service performance reporting information for senior management and the Audit and Risk Management Committee.

For 2013/14 summaries of the post audit feedback forms indicate an overall satisfaction rate of 96% with the audit service, with 38% of respondents noting that they were 'very satisfied' with the service provided.

The table below details the key performance measures relating to Internal Audit and actual performance for 2013/14:

IA Performance Indicator	Target	Actual
Percentage delivery of IA Plan 2013/14	100	100
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms indicating satisfaction with the IA service.	80	96
Percentage of internal audit reports issued within 10 days of completion of fieldwork.	100	97

Completion of the audit plan for 2012/13:

The plan was 96% complete as at the 31 March with 4% carried over into 2014/15 with completion during early April 2014. At the time of writing this report the IA Plan for 2013/14 was 100% complete. All of the contingency days were used in investigations work, this equates to 9% of the audit days available.

Final reports issued within 10 working days of completion of fieldwork:

The average delay on top of this was 2 days and the majority were delays in obtaining management responses to the reports. Benchmarking by the other AGMA internal audit teams against this KPI contained information from 5 teams with % figures ranging from 50% to 68%.

Comments received on the Customer Survey Feedback Questionnaires:

*“the audit was carried out in a very professional manner”*

*“the report identified clear concise recommendations”*

*“the support provided was excellent”*

*“the recommendations will certainly ensure that improvements can be made”*

*“draft and final reports all qualitative, adding value”*

#### 4.4 Follow up Procedure

Internal audit undertake a follow up audit of every completed assignment and report the findings to senior management, the Chief Executives Strategy Group and the Audit and Risk Management Committee. A summary of all recommendations made for each report is provided for the Audit and Risk Management Committee Members each month identifying:

- The actual number of recommendations made for each report and the narrative for each High risk recommendation made;
- The opinions provided in each audit report;
- The position statement for each recommendation;
- RAG ratings indicating actions required and follow up status.

Where there is a failure to implement agreed critical or high priority recommendations by the due date, without any justification for not doing so, a formal process of notification to the Chief Officer and CESG followed by referral to the Audit and Risk Management Committee.



#### **4.5 Working with External Audit**

The Government introduced new legislation for local audit during 2012/13. The legislation abolishes the Audit Commission and in line with the government changes the Audit Commission appointed Grant Thornton as the Council's external auditors for 2013/14. The close links with External Audit continue to be important particularly given this change and we have liaised during the year with External Audit to ensure that we avoid unnecessary duplication and use resources to the best effect. Close links with External Audit have been evidenced by:

- Provision of our plan to them for comment,
- Sharing of our reports and working papers,
- Local progress meetings on a regular basis; and,
- The development and implementation of a formal working protocol.

#### **4.6 Working relationships**

Internal audit have continued to enjoy positive working relationships with staff at all levels of the Council. This assistance is acknowledged and welcomed.

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

### **1.1 Approach**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

23 JUNE 2014

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

#### 1.0 EXECUTIVE SUMMARY

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

#### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Department for Communities and Local Government (DCLG) issued amended regulations in 2006, to the 2003 Accounts and Audit Regulations – ‘The Accounts and Audit (Amendment) (England) Regulations 2006.
- 2.2 One of the amended regulations impacts on the process for preparing the Statement of Internal Control (SIC) which is subsumed within the Annual Governance Statement (AGS) and relates specifically to the the systems of internal audit in operation. This is:-
- Regulation 6 requires bodies to regularly review their system of internal audit, and for the findings to be considered by a committee of the body, or by the body as a whole.
- 2.3 Advice from CIPFA includes the assertion that the “systems of internal audit” can be considered to include the role and effectiveness of the Audit Committee which therefore should be assessed and evaluated.
- 2.4 To assist Councils in this evaluation exercise CIPFA has provided a self assessment checklist and recommended that this be completed annually by the Committee.
- 2.5 An annual report for 2013/14 has been prepared by the Chair in consultation with Internal Audit and is attached at Appendix A for consideration and approval by the Members.

#### 3.0 RELEVANT RISKS

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

#### 4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options considered.

## **5.0 CONSULTATION**

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

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

6.1 There are none arising from this report.

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

7.1 There are none arising from this report.

## **8.0 LEGAL IMPLICATIONS**

8.1 There are none arising from this report.

## **9.0 EQUALITIES IMPLICATIONS**

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

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

## **10.0 CARBON REDUCTION IMPLICATIONS**

10.1 There are none arising from this report.

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

11.1 There are none arising from this report.

## **12.0 RECOMMENDATION**

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

## **13.0 REASON FOR RECOMMENDATION**

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

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## **APPENDICES**

Audit and Risk Management Committee Annual Report 2013/14

## **REFERENCE MATERIAL**

CIPFA Publication 'A Toolkit for Local Authority Audit Committees'

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

<b>Council Meeting</b>	<b>Date</b>
Audit and Risk Management Committee	Annual Report

**DRAFT**

**AUDIT AND RISK MANAGEMENT  
COMMITTEE**

**ANNUAL REPORT 2013/14**

**Councillor J Crabtree, Chair**  
**Councillor R Abbey, Vice-Chair**

# **AUDIT AND RISK MANAGEMENT COMMITTEE:**

## **ANNUAL REPORT 2013/14**

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## 1. FORWARD

By the Chairman of the Audit & Risk Management Committee 2013/14

Councillor Jim Crabtree

*I am pleased to present the Audit and Risk Management Committee's Annual Report. It records our progress in providing the degree of independence, questioning, and thoroughness required across a wide range of control and corporate governance matters*

*During the year, the Committee met on six occasions and received reports in connection with the full range of issues that fall within our remit.*

*This report indicates the breadth of the Audit and Risk Management Committee's work in ensuring that every aspect of the council's work should be compliant with standards and transparent to its stakeholders. Increasingly, the Committee is receiving report on items such as the new Public Sector Internal Audit Standards which ensure that we are being kept up to date on recent internal audit developments as well as dealing with relevant council business. I believe that this Annual Report demonstrates our value to the Council and the public in ensuring that improvements to the governance of the authority are being delivered.*

*As Chair, I believe that the Audit and Risk Management Committee has provided a valuable contribution to the development of standards and protocols across a wide range of governance areas during what has been a challenging year and has proved its worth in helping to ensure that these are implemented across the Council in an effective and compliant way.*

*Looking forward the Council is facing a period of unprecedented change in order to continue to achieve the required budget savings and comply with new statutory requirements. The need to maintain effective controls and standards in our public services is vital and I believe that a strong Audit and Risk Management Committee is essential to ensure that the Council achieves its objectives effectively in these areas. It is my intention in the future that the Audit and Risk Management Committee will operate in a more proactive manner regarding risks to the organisation, in conjunction with officers, identifying key risks and ensuring that appropriate actions are taken in direct response to these in a timely manner.*

*Finally, I would like to acknowledge the sterling work of the Members of the Audit and Risk Management Committee and the supporting officers, during the past year.*

## **2. BACKGROUND**

### **2.1 What drives Governance Policy?**

The 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. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

Effective corporate governance is a fundamental feature of any successful public sector organisation. Corporate governance initially became a major issue after several high profile failures in the private sector, such as Enron and Worldcom. As a result there were several reviews, the Cadbury and Hempel Committees for example, directed at improving governance specifically in the private sector.

The trend for strengthening governance arrangements then spread from the private sector to the public sector and resulted in the joint Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) document Delivering Good Governance in Local Government - a Framework. The Framework was structured around the six core principles found in the Good Governance Standard for Public Services drawn up by an independent commission established by CIPFA, the Office for Public Management (OPM) and the Joseph Rowntree Foundation.

A sound corporate governance framework involves accountability to service users, stakeholders and the wider community, within which authorities take decisions, and lead and control their functions, to achieve their objectives. It thereby provides an opportunity to demonstrate the positive elements of an authority's business and to promote public confidence.

Wirral Council has adopted the revised local Code of Corporate Governance based on the following six core principles which underpin and define the meaning of good governance:

- (i) Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- (iii) Promoting the values of the authority and demonstrating the values of good governance through behaviour;

- (iv) Taking informed and transparent decisions that are subject to effective scrutiny and managing risk;
- (v) Developing the capacity and capability of Members to be effective and ensuring that officers, including statutory officers, also have the capability and capacity to deliver effectively; and,
- (vi) Engaging with local people and other stakeholders to ensure robust local public accountability.

## 2.2 Why do we need an Audit Committee ?

While there is no statutory obligation to have such an arrangement, Audit Committees are widely recognised as a core component of effective governance and therefore reflect good practice. Wirral's Audit and Risk Management Committee is properly constituted and, as such, is given sufficient authority and resources by the Council. In effect, the Committee has the right to obtain all the information it considers necessary and to consult directly with senior managers. In line with best practice from both the public and private sectors, the Audit and Risk Management Committee can report its observations and concerns directly to the Council.

A local authority has a duty to ensure that it is fulfilling its responsibility for adequate and effective internal control, risk management, and governance, as well as the economy, efficiency and effectiveness of its activities. The Audit and Risk Management Committee has a key role in overseeing and assessing the internal control, risk management, and corporate governance arrangements and advising the Council on the adequacy and effectiveness of these arrangements.

Good corporate governance requires independent, effective assurance about the adequacy of financial management and of management arrangements for achieving the organisation's objectives. These responsibilities require an independent and challenging approach. Through these mechanisms, Committee Members are able to use their skills and experiences to influence the council's governance, internal control processes, and risk management arrangements.

An effective committee can bring many benefits to the Council including:

- increasing public confidence in the objectivity and fairness of financial and other reporting;
- providing additional assurance through a process of independent and objective scrutiny;
- raising awareness of the need for internal control and the

implementation of audit recommendations; and,

- reinforcing the importance and independence of internal audit

### 2.3 **What does an Audit Committee do ?**

The Audit and Risk Management Committee's main responsibilities are to oversee the Council's corporate governance arrangements, the work of internal audit, and the Council's response to external audit and other external inspections.

This purpose is reflected in the committee's terms of reference which are reviewed and adopted each year (Attached at Appendix 1).

The committee advises the Council on all matters relating to its corporate governance. In doing so, the committee receives scheduled reports on the following matters:

- reviewing the operation and compliance with the Council's Code of Corporate Governance and making recommendations on its content;
- keeping the Council's Anti-Fraud and Corruption Policy under review and making recommendations to the Council on the content and operation of that Policy;
- reviewing and approving the Annual Governance Statement and ensuring that;
  - they properly reflect the risk environment;
  - there is reliable evidence to support the disclosures made; and,
  - that any necessary improvement actions are being taken;
- approving the annual Statement of Accounts;
- receiving and reviewing the External Auditor's opinion on the Statement of Accounts, and monitoring management's responses to the issues raised by external audit;
- overseeing internal audit's operations, in particular:
  - receiving any internal audit strategies, codes of practice, audit plans, and considering progress against such plans as necessary;
  - receiving the Annual Report on Counter-fraud and Internal Audit Activities;
  - reviewing the progress and adequacy of management's response to internal audit's recommendations, and matters arising from the
  - internal audit reports; and,

- receiving the External Auditor's Annual Audit Letter, Audit Plans, and any other reports and significant matters deemed necessary by the External Auditor;
- reviewing the progress and adequacy of management's response to external audit recommendations;
- reviewing the progress and adequacy of management's response to matters arising from external inspection reports;
- receiving reports on the monitoring and review of risk management, in order to consider the effectiveness of arrangements;
- monitoring the council's use of its powers under the Regulation of Investigatory Powers Act 2000.

#### **2.4. How do Officers Support the Committee?**

The Audit and Risk Management Committee is supported by:

- The Strategic Director for Transformation and Resources who has overall responsibility for the arrangements in this area;
- The Monitoring Officer who is required by law to ensure that the Council acts within its legal powers at all times; and,
- The Director of Resources, as Section 151 Officer who is responsible under the law for ensuring the proper administration of the council's financial affairs.
- The Chief Internal Auditor who has a key role to play in supporting the Committee because of the importance of the Internal Audit service to governance.
- Any other officer of the Council as required.

### 3. 2013/14 FINANCIAL YEAR

This Annual Report for 2013/14 produced by the Audit and Risk Management Committee has been prepared in accordance with the CIPFA best practice publication 'A Toolkit for Local Authority Audit Committees'. The report demonstrates how the Audit and Risk Management Committee has fulfilled its terms of reference during a very difficult year and how it is fully committed to helping to improve the Council's governance and control environments during what should prove to be a very challenging year ahead.

The committee's activities during 2013/14 were designed to make a positive contribution to the continual improvement of governance arrangements across the Council, as well as performing the statutory roles as identified in the Constitution.

### 4. SOME KEY INFORMATION

#### 4.1. Audit and Risk Management Committee Membership

The Audit and Risk Management Committee has 9 Members:

Councillor Jim Crabtree - Chair  
Councillor Ron Abbey - Vice-Chair  
Councillor John Hale - Spokesperson  
Councillor Stuart Kelly - Spokesperson  
Councillor Steve Foulkes  
Councillor Kathy Hodson  
Councillor Joe Walsh  
Councillor Janette Williamson  
Councillor Tony Cox

#### 4.2. Key Features of the Audit Committee and its Operation

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

Best Practice	Expectation	Met	Comment
Independence	Independent from the executive and scrutiny	√	The Committee reports to the Council
Number of Members	3 to 5 members	√	The Committee has 9 Members
Number of meetings	Aligned to business needs	√	The frequency of meetings, 5 times a year complies with best practice however discussions are currently ongoing regarding whether this enables all Council business to be considered in a timely manner and consideration is being

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

### 4.3. Meetings and Attendance

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

Attendance by Members and approved deputies was over 90%.

## 5. CORE ACTIVITY 2013/14

### 5.1. Terms of Reference

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

#### *Internal Audit*

The Audit and Risk Management Committee:

- Approved the Chief Internal Auditor's Strategic Audit Plan,
- Considered regular reports produced by the Chief Internal Auditor, highlighting internal audit work completed, internal audit performance against key indicators and any significant issues arising during the period,
- Approved amendments to the reporting arrangements to Members including development of the monthly summary reports from Internal Audit,

- Agreed the revised Internal Audit Charter,
- Considered the Chief Internal Auditor's Annual Report and assurance opinion on the Council's control environment,
- Considered reviews of the effectiveness of the systems of internal audit,
- Ensured internal and external audit plans were complementary and provided optimum use of the total audit resource,
- Received updates on the Internal Audit Counter Fraud Teams' remit and activities undertaken,
- Received regular detailed updates on progress towards delivering Internal Audit's Improvement Plan, which is designed to increase overall efficiency and effectiveness of systems of Internal Audit across the Council,
- Received and considered implications of the introduction of the first UK Public Sector Internal Audit Standards,
- Considered reports on audit investigations conducted,
- Considered and approved revisions to Chief Internal Auditors Audit Plan,
- Considered the Chief Internal Auditors Annual Report on the implementation of recommendations identified in Audit Commission reports.

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

#### *External Audit*

The Audit and Risk Management Committee:

- Considered the external auditor's Audit Plan,
- Considered progress against the plan presented by the external auditor
- Received and considered all external audit and inspection reports issued in the year and considered management's response to them, ensuring robust and thorough responses,
- Reviewed the External Assurances report and took appropriate actions in response to risks presented,
- Reviewed the Financial Resilience report and took appropriate actions,
- Reviewed the Council's progress on all external audit and inspection recommendations on a regular basis and asked managers to explain progress where appropriate, thereby holding them to account,
- Received and considered all of the external auditors reports on the Merseyside Pension Fund,
- Considered the external auditors Annual Report on Governance,
- Considered the external auditor's Annual Audit Letter,
- Considered a report on the future of local public audit.

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

#### *Risk Management*

The Audit and Risk Management Committee:



- Received details of the Risk Management system, how it works and arrangements in place for mitigating risks,
- Considered regular reports on the Departmental and Corporate Risk Registers and promoted risk management across the Council,
- Considered reports on Corporate Risk and Insurance Management,
- Considered a report on the Corporate Risk Management Strategy and the Management of Risk and Opportunity'
- Recommended for approval the Councils Risk Management Policy.

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

### *Internal Control and Governance*

The Audit and Risk Management Committee:

- Agreed the Council's Annual Governance Statement and action plans to improve identified weaknesses,
- Considered and supported changes to the Council's Financial Regulations and Contract Procedure Rules,
- Considered a report on Organisational First Aid at Work Training,
- Supported work undertaken as part of the Audit Commission's National Fraud Initiative,
- Considered and supported amendments to the Council's Anti Money Laundering Policy,
- Agreed to undertake skills assessments for Members and introduce an appropriate training programme for Committee Members and deputies,
- Approved the updated Audit and Risk Management Committee self assessment checklist.

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

### *Accounts*

The Audit and Risk Management Committee:

- Agreed the Council's accounting policies,
- Agreed the Annual Statement of Accounts,
- Received and considered the external auditor's report on the accounts, and ensured that the Council responded to the auditor's comments,
- Agreed the annual Merseyside Pension Funds accounts,
- Agreed the Merseyside Pension Fund's Annual Governance Statement and action plans to improve identified weaknesses,
- Considered a report on the Insurance Fund Actuarial Study for 2013,
- Received and reviewed reports on the Insurance Fund Budget and Annual Report.
- Considered a report on the Grant Claims and Returns Certification

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

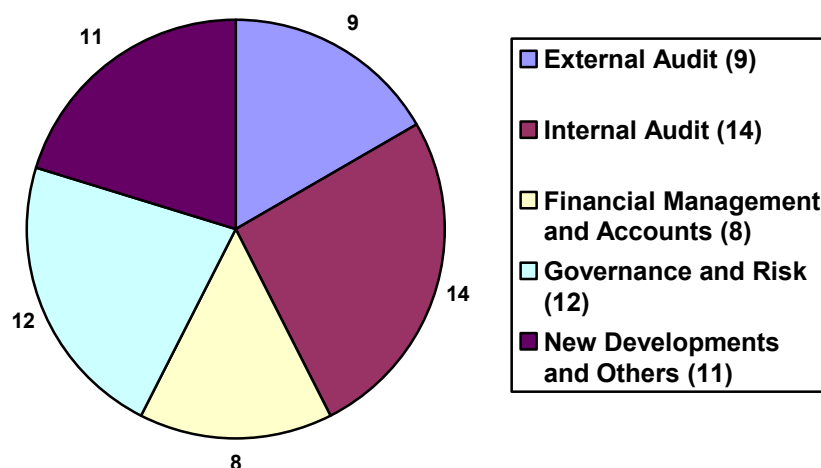
### *Specific Issues*

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

- Regulation of Investigatory Powers Act 2000,
- Insurance arrangements and performance,
- HESPE PIDA Follow Up progress update,
- Wirral Improvement Board Review update,
- Approved and adopted a Code of Practice for the use of CCTV,
- Considered a report on the Local Audit and Accountability Act 2014 and its implications for the Council,
- Emergency Planning arrangements update.

To give a flavour of our business during the year, the following shows the types and numbers of reports considered between April 2013 and March 2014:

### **5.2. Numbers & Types of Reports Considered by the Audit Committee**



### **6. OTHER ACTIVITIES**

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

- i) Authorising amendments to the draft Annual Governance Statement.
- ii) Arranging special meetings and devoting significant resource to addressing governance issues arising.

- iii) Referring several matters to Cabinet for attention.
- iv) Asking Chief Officers to attend as appropriate and present reports on issues identified which affected governance.

## **7. OUTCOMES**

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

- Oversaw work on the Statement of Accounts,
- Encouraged and presided over a strengthening of the control environment, specifically by overseeing various targeted reviews and the production of the Annual Governance Statement,
- Presided over significant changes in the management structure of the organisation including officers with statutory responsibilities to ensure the proper administration of financial affairs and systems of internal control,
- Encouraged and presided over significant developments and improvements to strengthen the delivery of the Internal Audit service, including the implementation of a detailed improvement plan for the delivery of the service,
- Received reports which showed how improvements had been planned, and delivered, to the Statement Of Accounts,
- Oversaw the integration of Public Health into the organisation and approved plans by officers to accommodate work to address associated risks,
- Encouraged a strengthening of the Council' control environment, specifically by overseeing various targeted reviews and the production of and challenge to the Annual Governance Statement,

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

## **8. PLANS FOR 2014/15**

During 2013/14 the Audit and Risk Management Committee has consolidated the progress that has been made in previous years, and going forward will look to develop further and become the recognised champion of good governance for the Council, helping to address many of the reported issues in what promises to be a very challenging and difficult environment. Our priorities for 2014/15 are to continue to meet our duties as specified in the Constitution by developing and building on our current status as well as responding to and implementing any requirements arising out the new Public Sector Internal Auditing Standards and the Local Audit and Accountability Act 2014. For 2014/15 we will:

- Continue to develop the Wirral Council Audit and Risk Management Committee to review all governance issues identified,
- Develop the proactive nature of the Committee to facilitate actions by officers to ensure that risks are identified earlier in the process and remedial actions taken in a more timely fashion in response,
- Oversee the restructuring required of the Audit and Risk Management Committee to comply fully with the requirements of the Local Audit and Accountability Act 2014,
- Continue to drive up standards and meet the demanding requirements of the external inspection and assessment regime,
- Continue to review all governance arrangements to ensure the Council adopts the very latest best practice,
- Continue to support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations,
- Ensure we maintain and further improve our standards in relation to the production of accounts,
- Oversee the implementation of the Public Sector Internal Auditing Standards,
- Continue to help the Council to manage the risk of fraud and corruption,
- Continue to develop the Wirral Council Audit and Risk Management Committee to review risk and partnerships' issues and safeguard public sector interests,
- Oversee the development of audit plans to evaluate and test controls in operation over integrated systems such as Public Health,
- Equip existing and any new Members to fulfil our responsibilities by providing more detailed and effective training on all key areas of responsibility including financial arrangements and risk management, governance and audit planning.

**Councillor Jim Crabtree (Chair)**  
**Wirral Council Audit and Risk Management Committee**  
**May 2014**

## **9. APPENDIX 1**

### **AUDIT AND RISK MANAGEMENT COMMITTEE**

#### **TERMS OF REFERENCE**

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

summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements;

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

## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

23 JUNE 2014

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

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 To comply with best professional practice the Audit and Risk Management Committee is required to complete an annual evaluation of its role and effectiveness as part of the systems of internal audit.
- 1.2 The CIPFA publication 'A Toolkit for Local Authority Audit Committees' recommends the use of a self assessment checklist to achieve this task. The Chair has completed the checklist which is attached at Appendix 1.
- 1.3 Attached at Appendix 2 is a draft Action Plan developed following the exercise and identifying recommendations to improve the existing arrangements and address any risks. Implementation will be monitored by Internal Audit and an update report on this provided to a future meeting of this Committee.
- 1.4 An action arising from the self assessment exercise involves updating the terms of reference for this Committee and the proposed wording for this is included at Appendix 3.

#### **2.0 RECOMMENDATION**

- 2.1. That the self assessment checklist and draft action plan be considered and approved.
- 2.2. That the terms of reference for the Audit and Risk Management Committee be revised to incorporate the wording identified at Appendix 3 in relation to item 1 on the draft Action Plan.

#### **3.0 REASON FOR RECOMMENDATION**

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

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

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

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

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

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

## **5.0 RELEVANT RISKS**

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

## **6.0 OTHER OPTIONS CONSIDERED**

6.1 No other options considered.

## **7.0 CONSULTATION**

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

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

8.1 There are none arising from this report.

## **9.0 EQUALITIES IMPLICATIONS**

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

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

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

10.1 There are none arising from this report.

## **11.0 LEGAL IMPLICATIONS**

11.1 There are none arising from this report.

## **12.0 EQUALITIES IMPLICATIONS**

12.1 There are none arising from this report.

## **13.0 CARBON REDUCTION IMPLICATIONS**

13.1 There are none arising from this report.

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

14.1 There are none arising from this report.



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**APPENDICES**

Audit and Risk Management Self Assessment Checklist  
Self Assessment Action Plan  
Proposed wording for revision to ARMC terms of reference

**REFERENCE MATERIAL**

CIPFA Publication 'A Toolkit for Local Authority Audit Committees'

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Audit and Risk Management Committee	Annual report

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## Audit and Risk Management Committee

## Self-Assessment Checklist

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

Priority	Issue	Yes	No	N/a	Comments/action
2	Does the audit committee make a formal annual report on its work and performance during the year to full council?	X			
<b>Membership, induction and training</b>					
1	Has the membership of the audit committee been formally agreed and a quorum set?	X			
1	Is the chair independent of the executive function?	X			
1	Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risks management, accounting concepts and standards, and the regulatory regime?	X			
1	Are new audit committee members provided with an appropriate induction?	X			
1	Have all members' skills and experiences been assessed and training given for identified gaps?	X			
1	Has each member declared his or her business interests?	X			
2	Are members sufficiently independent of the other key committees of the council?	X			
<b>Meetings</b>					
1	Does the audit committee meet regularly?	X			
1	Do the terms of reference set out the frequency of meetings?		X		The TOR for the Committee should be updated to identify frequency and schedule of meetings when it is next revised during 2014.

Priority	Issue	Yes	No	N/a	Comments/action
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	X			
1	Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?	X			
1	Are members attending meetings on a regular basis and if not, is appropriate action taken?	X			
1	Are meetings free and open without political influences being displayed?	X			
1	Does the authority's S151 officer or deputy attend all meetings?	X			
1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	X			
<b>INTERNAL CONTROL</b>					
1	Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	X			
1	Does the committee have responsibility for review and approval of the SIC and does it consider it separately from accounts?	X			

Priority	Issue	Yes	No	N/a	Comments/action
1	Does the audit committee consider how meaningful the SIC (AGS) is ?	X			
1	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	X			
1	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	X			
1	Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?	X			
1	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	X			
2	Does the audit committee review the authority's strategic risk register at least annually?	X			
2	Does the audit committee monitor how the authority assesses its risk?	X			
2	Do the audit committee's terms of reference include oversight of the risk management process?	X			

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

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



Priority	Issue	Yes	No	N/a	Comments/action
2	Are internal audit performance measures monitored by the audit committee?	X			
2	Has the audit committee considered the information it wishes to receive from internal audit?	X			
<b>EXTERNAL AUDIT</b>					
1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	X			
1	Does the audit committee hold periodic private discussions with the external auditor?	X			
1	Does the audit committee review the external auditor's annual report to those charged with governance?	X			
1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	X			
1	Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?	X			
1	Does the audit committee assess the performance of external audit?	X			Partial compliance, the annual plan delivery is reported, consideration might be given to the introduction of some form of additional performance measures.
1	Does the audit committee consider and approve the external audit fee?	X			

Priority	Issue	Yes	No	N/a	Comments/action
<b>ADMINISTRATION</b>					
<b>Agenda Management</b>					
1	Does the audit committee have a designated secretary from Committee/Member Services?	X			
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	X			
2	Are outline agendas planned one year ahead to cover issues on cyclical basis?	X			
2	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?	X			
<b>Papers</b>					
1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	X			
2	Does the audit committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?	X			
<b>Actions arising</b>					
1	Are minutes prepared and circulated promptly to the appropriate people?	X			
1	Is a report on matters arising made and minuted at the audit committee's next meeting?	X			

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

Completed By: Councillor Jim Crabtree/ Councillor Ron Abbey  
 Assisted By: Mark P Niblock.  
 Date: May 2014

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**DRAFT ACTION PLAN**

**AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT**

**Appendix 2**

**File Ref: ARM/01/05/14**

Ref	Recommendations	Priority	Officer Responsible	Agreed	Planned Action Date	Client Comments	Date Verified (For Audit use only)
R.1	The Audit and Risk Management Committee Terms of Reference should set out the frequency of meetings of the Committee.	Medium	Head of Legal & Member Services	Y	Mar 15	<i>Terms of Reference to be updated..</i>	
R.2	The Audit and Risk Management Committee should regularly review the performance of the External Auditors. Consideration should be given to the introduction of additional performance measures to facilitate this.	Medium	Head of Legal & Member Services/Director of Resources	Y	Mar 15	<i>This will be considered and reported back</i>	
R.3	Ensure that the Terms of Reference for the Audit and Risk Management Committee are included in any induction training for new Members of the Committee.	Medium	Head of Legal & Member Services	Y	Mar 15	<i>To be included.</i>	

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**AUDIT AND RISK MANAGEMENT COMMITTEE**

**TERMS OF REFERENCE**

**PROPOSED ADDITION REGARDING FREQUENCY OF MEETINGS TO  
COMPLY WITH CIPFA BEST PRACTICE GUIDANCE**

The Audit and Risk Management Committee should meet five times in each municipal year unless otherwise determined by Council in the calendar of meetings and at such times as determined by the Chairperson of the Audit and Risk Management Committee.

May 2014

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## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

23 JUNE 2014

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

#### 1.0 EXECUTIVE SUMMARY

1.1. This report identifies and evaluates the performance of the Internal Audit Section and includes details of any issues arising from the actual work undertaken during the period 1 March to 31 May 2014. There is one item of note concerning audit work undertaken that is brought to the attention of the Members for this period and this is identified 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 2014.

#### 2.2. Items of Note

##### 2.2.a. Golf Course Income

The Strategic Director and Head of Sport and Recreation requested an audit review of income maximisation from the operation of the golf courses including an assessment of the terms and conditions of the individuals providing the service. The audit work covered an appraisal of the correct and current fees and charges in operation, analysis of the methodology of reconciling takings to actual bankings, and consideration of potential sources of increased income including the current working practices of the golf professionals and their assistants.

Areas for improvement were identified and actions to strengthen the control environment were discussed and agreed with the relevant senior managers. It could be seen that immediate action was taken regarding five of the nine recommendations made, with significant work ongoing in the other areas. This has resulted in a more effective reconciliation process now being implemented, the facility for payment by direct debit introduced and the Council's cash collection service now including the golf courses, in addition work is ongoing reviewing working practices. The recommendations are

expected to be followed up in full in August 2014 and an update on the outcome of 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. The period covered is for the 2014/15 year, however outstanding recommendations made in the fourth quarter of 2013/14 have been included in the listing for completeness.
- 2.3.b Where items are addressed by officers those entries will be removed from the report on a rolling basis. At the request of Members the date of the original audit as well as the date of the follow up audit has now been included in the table where relevant.
- 2.3.c All of the reports identifying outstanding actions are RAG rated as 'amber' indicating that progress is being made to address identified issues.

### 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
Percentage delivery of Internal Audit Plan 2013/14.	6	6
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms indicating satisfaction with the Internal Audit service. (Numbers returned indicated in brackets)	80 (4)	100 (4)
Percentage of 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 has been 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 16 have now been fully implemented and good progress has been made in respect of the remaining actions within the agreed timescales. Actions undertaken to date include:

- 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,
- Developed collaborative arrangement with Liverpool Council's 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 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.

2.5.b The improvement plan was designed to be delivered in the current financial year and implement some significant and fundamental changes to the nature of the service and its delivery. This has undoubtedly been achieved 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,
- 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 an IA staff development programme incorporating post audit assessments to identify areas for improvement/development.

2.5.c The first UK Public Sector Internal Audit Standards came into force in April 2013 and all local authorities are required to evaluate implementation of the new standards from April and report on intended compliance with these by June 2014 with full implementation and compliance required by 2018. Internal Audit have undertaken a self assessment exercise against the standards and plan to report the findings and any actions undertaken to address issues arising to this Committee in September 2014.

### **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  
Chief Internal Auditor  
telephone: 0151 666 3432  
email: markniblock@wirral.gov.uk

**APPENDICES**

Appendix 1: Audit Recommendations Status Report

**REFERENCE MATERIAL**

Internal Audit Plan 2013/14 and 2014/15

**SUBJECT HISTORY (last 3 years)**

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

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**INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS  
PERIOD: 01 JANUARY to 31 MAY 2014**

<b><u>Summary</u></b>	<b>Total</b>	<b>R</b>	<b>A</b>
<b>1. Completed Audits</b>	<b>7</b>	<b>0</b>	<b>7</b>
<b>2. Follow Up Audits Completed</b>	<b>8</b>	<b>0</b>	<b>8</b>

**INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS**

**PERIOD: 01 JANUARY to 31 MAY 2014**

**1. Completed Audits - RED or AMBER flag**

Audit / Date	Directorate [Service]	Control Environment	Compliance	Organisational Impact	Actual High Priority Recommendations	Total Recs (H)	Timescale / Strategic Director	Follow Up Scheduled	Outcome	RAG Status
Early Years Services 05/02/2014	F&W [DASS]	Substantial	Maximum	Minor	1 medium and 2 low priority recommendations.	3 (0)	April 2014 Strategic Director Families and Wellbeing	Apr 14	Recommendations discussed and agreed with Senior Locality Manager.	A
Civica DIP - access controls 18/02/2014	T&R [Business Processes]	Substantial	Substantial	Minor	2 medium and 7 low priority recommendations.	9 (0)	April 2014 Strategic Director Transformation and Resources	Jun 14	All recommendations agreed.	A
Investments 11/02/2014	T&R [MPF]	Maximum	Limited	Moderate	One high priority recommendation was made which resulted in the limited compliance opinion:  The arrangements for the external provision of fund manager analysis services, currently contracted to Analytics Ltd., should be reviewed to ensure compliance with the corporate contract procedure rules.	2 (1)	December 2014 Strategic Director Transformation and Resources	Dec 14	Reply from Senior Investment Manager at MPF:-  The reason for the December 2014 completion date for recommendation 2 is MPF is currently using Analytics for the tender of the European Manager Mandates; this process is expected to be completed in June 2014. The proposal is that at this stage June 2014 the tender process can commence. MPF is also evaluating whether to include this work within the contract for responsible investment, the responsible investment tender is also up for retender this year	A
Residential care - Quality 27/03/2014	F&W [CYPD]	Substantial	Substantial	Minor	3 medium priority recommendations made.	3 (0)	July 2014 Strategic Director Families and Wellbeing	Jul 14	Recommendations agreed.	A
Debtors Central System 29/04/2014	T&R [Business Processes]	Maximum	Limited	Moderate	a) The write-off procedures should be updated to include the current limit for referral to Cabinet for approval. b) A review of write-off file X should be undertaken to ensure the 25 cases with a value between £1,000 - £5,000 have been reported to cabinet for approval. c) Write-off files should be cross-referenced to the relevant Cabinet reports to evidence appropriate approval and to ensure an effective management trail is evident.	1 (1)	August 2014 Strategic Director Transformation and Resources	Aug 14		A
Golf Course Income 02/05/2014	F&W [Sports and Recreation]	Minimum	N/A	Moderate	1) Reconciliations of the till returns to the actual bankings detailed within the financial codes must recommence, even if staffing resources only allow this on a sample basis. A decision must be made on the requirement for the weekly income sheets to be received centrally to assist in this process. 2) The resource should be made available for the Council's cash collection service to include golf courses on their routes. 3) An evaluation of the possibility of increasing the scope and remit of the role of these golf patrol officers should be performed. 4) A comparison should be performed with similar Councils who operate municipal golf courses as to the viability of the existing terms and conditions of the golf pros. The Future Council payline considerations is an ideal opportunity to effect this comparison.	9 (5)	May 2014 Strategic Director of Families & Wellbeing	Aug 14	Recommendations agreed and immediate implementation of cash reconciliation and cash collection issues. Strong commitment from management who commissioned this work.	A

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Audit / Date	Directorate [Service]	Control Environment	Compliance	Organisational Impact	Actual High Priority Recommendations	Total Recs (H)	Timescale / Strategic Director	Follow Up Scheduled	Outcome	RAG Status
					5) DBS checks must be evidenced for the assistants employed by the golf pros. INET01 forms should also be completed regarding access to relevant Council systems that their job role requires.					
Performance Indicators 07/05/2014	Authority-wide	Substantial	Substantial	Minor	1 Medium and 1 Low Priority recommendations	2 (0)	June 2014  Head of Policy, Performance and Public Health / Strategic Director Transformation and Resources / Strategic Director Families and Wellbeing	Sep 14	Recommendations agreed	A

**INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS**

**PERIOD: 01 JANUARY to 31 MAY 2014**

**2. Follow Up Audits Completed - RED or AMBER flag**

Audit / Follow-Up Date / Original Report date	Directorate [Service]	Control Environment	Compliance	Organisational Impact	Original Recommendations (H)	Original Total Recs (H)	Timescale / Strategic Director	Further Follow Up Scheduled	Outcome	RAG Status
Residential and Nursing Home Care 13/01/2014  Dec 2012	F&W [DASS]	Limited	n/a	n/a	Original review resulted in 2 high and 4 medium priority recommendations.	6 (2)	November 2013  Strategic Director Families and Wellbeing	Jul 14	A second follow up of the recommendations made in December 2012. 5 recommendations remained outstanding following the first follow up. Of the five two medium recommendations have been implemented, and 3 were partially implemented (1 high, 2 medium). The department is committed to the implementation of the remaining 3 recommendations.	A
					To improve data quality and ensure that a consistent approach is applied to the quality assurance process, management checks should be undertaken and used to: quantify the results from the checks; consider the reasons for errors and any impact; monitor performance over time; identify and implement appropriate training and other corrective action. Monitoring and evaluations should be regularly undertaken to assess the system's performance, operations and activities. This information can be used to inform future decisions about the Quality Assurance process, particularly the timescales and coverage of the inspections.				Implemented. Evidenced during the 1st follow up audit.	
					The records of those individuals recorded in the attached appendix should be reviewed and: a care review should be undertaken promptly, where due or; the electronic information system updated to correctly record the date of the last annual review. If investigations reveal that an annual review has been undertaken and incorrectly recorded, the electronic records for all care home placements should be examined to ensure that the correct date of the latest annual review has been recorded. If investigations reveal that an annual review has not been undertaken, all care home placements should be reviewed and action taken to ensure a care review is undertaken in accordance with the minimum annual requirement.					
Shared Lives Scheme 31/01/2014  Sep 2013	F&W [DASS]	Minimum	Minimum	Moderate	Original review resulted in 9 high recommendations and 2 medium recommendations. High priority recommendations where:	11 (9)	May 2014  Strategic Director Families and Wellbeing	May 14	1 medium priority recommendation is in the process of being implemented, and 1 medium priority recommendation has an implementation target date of May 14.	A
					1) i) The Contract should be reviewed in consultation with the Service Provider to ensure that the Contract is suitable for the Shared Lives Scheme. Any legislative change or guidance issued by statutory bodies that have a material impact on the provision or cost of the service should be taken into account. ii) Performance measures should be developed that will ensure all contracts are reviewed annually. iii) A representative from DASS should conduct random inspections of the Service Provider records and the delivery of services to ensure all terms of the contract are being fulfilled. iv) There should be regular monitoring meetings with the Service provider, to discuss any issues.				Due for follow up in May 2014	
					2) i) The system for authorising care provision for Service Users should be reviewed and the following should be considered: • The form of care initiation/order that will be used for future care provision of this type; • If the care initiation/order will be accompanied by a letter to the Service Provider and Home Owner (Carer), and if this is to accompany the care initiation/order form, will the letter still require the Service provider and Home Owners (Carers) signature; • The type of documentation that will be required for any temporary changes to care provision, emergency care and additional expenditure items. ii) The care initiation document should be signed by all parties prior to commencement of the care provision and a copy should be retained by DASS and the Service Provider for the required retention period. iii) The contract should be amended to reflect changes made following the review.				Due for follow up in May 2014	

Audit / Follow-Up Date / Original Report date	Directorate [Service]	Control Environment	Compliance	Organisational Impact	Original Recommendations (H)	Original Total Recs (H)	Timescale / Strategic Director	Further Follow Up Scheduled	Outcome	RAG Status
Page 105		Minimum		Moderate	<p>3) i) The banding structure should be reviewed in consultation with the Service provider to ensure that it is suitable for the service that is currently being provided. The Contract should be amended following the review.</p> <p>ii) A full review should be undertaken of the current cost of care provision provided to all Service Users placed with PSS, to ensure they are receiving the required level of care, and the Council are paying the correct amount towards the cost of care.</p> <p>iii) The banding structure should be reviewed annually taking into account increase/decreases in inflation.</p> <p>iv) The agreed banding structure should be used to calculate the Council's contribution towards the cost of care for all Service Users.</p>				Due for follow up in May 2014	A
					<p>4) The care provision for the Service User should be reviewed by DASS and the following should be taken into consideration:</p> <ul style="list-style-type: none"> <li>• Whether or not the Council should be paying a management fee to PSS for the Service User;</li> <li>• If the Council should recover the payments that have been made to PSS of £61.40 per week.</li> </ul>				Implemented	
					<p>5) The care provision for the Service User should be reviewed by DASS and the following should be taken into consideration:</p> <ul style="list-style-type: none"> <li>• Whether or not the Council should be paying additional expenses for the Service User;</li> <li>• If the Council should recover the £1528.79 surplus which has accumulated from the previous year for additional expenses.</li> </ul>				Partially implemented	
					<p>6) i) The Management Fee should be reviewed in consultation with the Service Provider. The following should be considered when undertaking the review:</p> <ul style="list-style-type: none"> <li>• Management Fee per Carer or Service User;</li> <li>• Amount of fee charged compared to other local authorities;</li> <li>• If variations to the Management Fee are accepted, what evidence is required from PSS to justify the variance.</li> </ul> <p>ii) The Contract should be amended following the review.</p> <p>iii) Regular checks should be undertaken by DASS to ensure that the agreed management fees are applied in all cases.</p>				Due for follow up in May 2014	
					<p>7) i) The Service Provider (not the Home Owner (Carer)) should be required to submit a 4 weekly movement return, showing Service User movements, temporary absences such as for respite care, hospitalisation etc. If there are no movements 'NIL RETURN' should be written across the movement return. Payments should only be made to the Service Provider upon receipt of the four weekly movement returns.</p> <p>ii) The movement return should include the following details as a minimum requirement: Service User name and SWIFT reference; Payment period and date; Date of care commencement and departure; Temporary absences; Any additional expenses; Increase/decreases in Housing Benefit payments.</p> <p>iii) A process should be developed for checking movement returns, to ensure reasonableness, e.g. the schedule is for the correct period and the admissions and/or departures agree to what is detailed on the SWIFT system.</p>				(i) - (iv) Implemented (v) is in the process of being implemented.	
					<p>iv) A guidance note should be compiled detailing the above procedure and a checklist should be used to evidence the verification.</p> <p>v) The Contract should be amended to take into account implementation of the above recommendations.</p>					

Audit / Follow-Up Date / Original Report date	Directorate [Service]	Control Environment	Compliance	Organisational Impact	Original Recommendations (H)	Original Total Recs (H)	Timescale / Strategic Director	Further Follow Up Scheduled	Outcome	RAG Status
		Minimum	Minimum	Moderate	8) i) The current limits of indemnity, as detailed in the Contract should be reviewed to ensure they are still adequate for this type of service provision. If the limits are suitable, the Service Provider should be informed of the requirement to increase treatment liability insurance to £10 million. If changes are to be made to the limits the Service Provider should be informed immediately and the Contract should be amended accordingly. ii) Regular reviews should be undertaken to ensure that all insurances as detailed in the Contract (for example, motor insurance, buildings and contents) and indemnity limits are adequate and that the Service Provider maintains adequate up-to-date insurance. 9) Consideration should be given to review all Contracts that the Council has with other adult placement providers, to ensure conditions and obligations are met and procedures are consistently applied.				In the process of being implemented.	A
Youth Offending Team 21/01/2014  Aug 2013	F&W [CYPD]	Substantial	Limited	Substantial	Original review resulted in 1 high, 1 medium and 1 low priority recommendations The following actions should be taken to address issues raised by the internal audit: i) To resolve the confusion over what the agreed petty cash imprest level should be and to seek assurances that all monies can be accounted for through appropriate review of documentation and transactions. ii) To review and set an appropriate petty cash imprest amount for the Youth Offending Team. This should then be declared to Accountancy to ensure that the Balance Sheet entry in the accounts is correct. iii) To note that the current safe limit is £1000, as per the Council's insurance limitations and that Risk and Insurance should be contacted if the agreed imprest level will result in cash over £1000 being held in the safe. iv) To ensure that bank statements are received and reconciled on a monthly basis by an officer not involved in the imprest system. v) To ensure that a full reconciliation back to the petty cash imprest level is carried out on a least a weekly basis.	3 (1)	March 2014  Strategic Director Families and Wellbeing	Jun 14	2 recommendations have been implemented (1 medium, 1 low)  The outstanding high priority recommendation has been partially implemented, part (i) of the recommendation remains outstanding.	A
Adult Learning Disability 21/01/2014  Jun 2013	F&W [DASS]	Minimum	Limited	Moderate	Original review resulted in 1 high and 3 medium priority recommendations. It should be clear whose responsibility it is to identify those young people who fall into the relevant categories. If this is to be the Transition Team then an assessment of the current risk exposure of the Council in respect of resources should be undertaken, so as to consider whether there is merit in identifying additional resources. This would support the success of helping young people with a Learning Disability, who are not known to the CYPD Disabilities Team and consequently the Transition Team, through a smooth transition to adulthood. Links should be strengthened with relevant parties and partners to allow for the early identification of the number of young people, with a learning disability, likely to require adult services. The improvement of these links will help to enhance the life opportunities of the young people, ensuring a smooth transition to adulthood, whilst also providing for effective budget forecasting.	4 (1)	June 2014  Strategic Director Families and Wellbeing	Jun 14	Of the four recommendations, three (medium) have been partially implemented. Verbal assurance has been obtained that the remaining high priority recommendation requires a longer term objective to be considered. Further clarification of this will be sought at a future follow up scheduled for June 2014.	A
ICT Hardware Asset Register 04/02/2014  Mar 2013	T&R [Resources]	Limited	n/a	n/a	Original audit resulted in 6 high and 1 medium priority recommendations. 1) VQSM should be used at the primary source for the Authority's Hardware Asset Register (HAR). 2) The Authority's HAR should be updated to include all hardware assets, and maintained in line with agreed procedures. 3) The project to develop "Here's My Asset", subject to demonstrating proof of concept, will assist the accuracy of the HAR, and its successful deployment should be prioritised by IT management. 4) All hardware assets connecting to the network should be visible to the Altiris Software.	7 (6)	April 2014  Strategic Director Transformation and Resources	Apr 14	All recommendations are not being implemented pending the outcome of the Windows7 project. This may render the specific recommendations obsolete, although the control weakness principles identified will need to have been considered.	A

Audit / Follow-Up Date / Original Report date	Directorate [Service]	Control Environment	Compliance	Organisational Impact	Original Recommendations (H)	Original Total Recs (H)	Timescale / Strategic Director	Further Follow Up Scheduled	Outcome	RAG Status
					5) Procedural guidance should require the immediate update of the HAR when an asset is to be added or deleted, where a segregation of duties should be achieved. 6) The accuracy of the HAR should be verified on a regular basis, and the results reported to IT Management.					
Debt Management (Independent Review of Sundry Debt) 17/03/2014 Oct 2013	F&W [DASS] and T&R [Business Processes]	n/a	n/a	n/a	Independent Review of Sundry Debt resulted in thirty four actions.	34 (34)	2014/15 Strategic Director Transformation and Resources	2014/15	Twenty five recommendations have been implemented . Three recommendations are no longer appropriate. Six recommendations are partially implemented, and have been discussed with the Director of Resources.	A
Asset Management System 21/03/2014 Jan 2013	Universal & Infrastructure Services [Corporate Asset & Facilities Management]	Minimum	n/a	n/a	The original audit resulted in 6 high and 7 Medium priority recommendations. The high priority recommendations were: a) A clear Asset Management Plan/Strategy must be appraised and implemented, which, for example: • provides a plan of action for the section; • documents roles and responsibilities; • includes clear reference to current legislation (e.g. in relation to valuations) and good practice; • highlights measures to be utilised in monitoring the performance of asset management processes; and • highlights liabilities and responsibilities in respect of all Shared Assets and Rented Assets (it is acknowledged this is a more specific issue emanating from the finding) b) As part of the process of ensuring a clear Asset Management Plan/Strategy is in place, the three policies currently in place within Asset Management: Asset Management Plan; Community Asset Transfer Policy; Disposal Policy; should be reviewed and updated to ensure they are relevant and fit for purpose. a) As part of the programme to rationalise all Council buildings and office accommodation, a clear approved Action Plan must be put in place, adhered to, and reviewed on an ongoing basis. b) It must be ensured that the Action Plan highlights, in particular, whether a building is to be retained or disposed; and draws upon all relevant information – both quantitative and qualitative e.g. alignment with corporate objectives; condition of the building/refurbishment costs; market value pre and post refurbishment; energy efficiency; potential additional income; number of staff that could be 'housed'. N.B. it is acknowledged it has been stated there are limitations with the recording and reporting functions of the current asset recording system – so hence such information and Action Plan could not be generated through the current system. a) Until such time that an asset recording system is in place that eliminates the need to maintain a separate Asset Register, it must be ensured that both Premise (the current asset recording system) and the separate spreadsheet Asset Register are updated to include all relevant disposals and acquisitions so as to reflect the current position for 2012-13; and are then updated as and when changes occur. b) It must be ensured that evidence is documented and justification provided should the decision be taken not to update the spreadsheet Asset Register during the course of the year but only at year end. c) It must be ensured all acquisitions as part of an exchange and/or the Housing Market Renewal Initiative (of which 17 were identified for 2012/13) are included within the Asset Register. It would seem prudent that a note is made in the Register against such properties so as to avoid any confusion.	13 (6)	2014/15 Assistant Chief Executive/Head of Universal and Infrastructure Services	Full review to be carried out in 2014/15	Recommendations have been partially implemented pending the implementation of the Strategic Asset Management Plan and the new Asset Management System which may render a number of the recommendations obsolete. A full review of the Asset Management System is to be undertaken in the second half of 2014/15, and will verify progress in relation to the recommendations.	A

Audit / Follow-Up Date / Original Report date	Directorate [Service]	Control Environment	Compliance	Organisational Impact	Original Recommendations (H)	Original Total Recs (H)	Timescale / Strategic Director	Further Follow Up Scheduled	Outcome	RAG Status
					<p>a) A clear plan must be compiled, approved by Senior Management and Members, and subsequently implemented, to ensure office accommodation is utilised to its full potential and the movement of staff is undertaken in as efficient a manner as possible.</p> <p>b) It must be ensured that the principles and standards that have been documented to underpin the 'relocation of staff and the intensification of building use (which will be based on a corporate approach to workplace planning)' are utilised and adhered to in practice (and evaluated to ensure their usefulness), and that clear guidance to support each of these principles/standards is available.</p>					
Page 108		Minimum	n/a	n/a	<p>a) It must be ensured that the Department's Review of Fees and Charges that is to be undertaken (as confirmed by the Head of Asset Management) is done so in a swift and efficient manner. It must be ensured all fees and charges relevant to the section have been documented, and are subsequently approved and implemented.</p> <p>b) It must be ensured that the fees and charges currently being applied are those that have been documented and approved.</p> <p>c) It must be ensured that a review of the charges that have been applied during 2011-12 and 2012-13 is undertaken and any errors are reported and approval obtained in order to take appropriate action to rectify such errors.</p> <p>d) It must be ensured that managers take responsibility for monitoring income on a regular basis (including: ensuring correct charges have been/are being applied – highlighting and rectifying discrepancies; undertaking trend analysis and investigating anomalies) and that evidence of such reviews is retained.</p>					A
					<p>a) When a property asset is being disposed or acquired, it must be ensured that in each case, clear documented evidence is available to substantiate and confirm how the value has been derived and a note made within either the Asset Register or the Asset Recording System (Premise).</p> <p>b) It must be ensured that evidence is produced to substantiate the values assigned to those properties outlined in the report entitled 'Disposal of various properties to registered providers' presented to Cabinet on 21 June 2012.</p>					
Council Tax Single Person Discount 02/05/2014 Oct 2013	T&R [Business Processes]	Minimum	N/A	Moderate	<p>Original audit resulted in 1 high priority recommendation which was:</p> <p>The 1,309 matches remaining from the NFI 2010 should be investigated.</p>	1 (1)	June 2014  Strategic Director Transformation and Resources	Jun 14	The Council Tax Manager advised that their original intention was to appoint, on a joint-basis with Cheshire East, an external contractor to carry out the work. At a very late stage, Cheshire East decided not to proceed with the joint procurement exercise. The Council Tax Manager aims to finalise the procurement exercise, with Procurement, by June 2014.	A

**KEY:**

Control Environment		
<b>MAXIMUM</b>	There is a sound system of control designed to achieve the system objectives and these are being consistently applied. No High recommendations made or low priority recommendations have been made that cumulatively do not warrant 'substantial status'.	
<b>SUBSTANTIAL</b>	There is a basically sound system of control, but there are weaknesses in design and/or operation of controls which put some of the control objectives at risk. A medium priority recommendation has been made, or a large number of low priority recommendations made that cumulatively could meet the criteria for a medium priority recommendation.	
<b>LIMITED</b>	There are some weaknesses in the design and/or operation of the system of control which could have a significant impact on the achievement of the control objectives. Improvements could be made to a number of areas within the control environment so that the relevant risks are managed more effectively, a high priority recommendation has been made, or several medium priority recommendations that cumulatively meet the criteria for a high priority action.	
<b>MINIMUM</b>	There are weaknesses in the design and/or operation of the system of control which have had a significant impact on the achievement of the control objectives, and may put at risk the achievement of the organisation's objectives. More than one high priority recommendation identified.	
Compliance		
<b>MAXIMUM</b>	The control environment is operating as intended. No recommendations have been made or low priority recommendations have been made that cumulatively do not warrant 'substantial status'.	
<b>SUBSTANTIAL</b>	The control environment is substantially operating as intended. A medium priority recommendation has been made, or a large number of low priority recommendations made that cumulatively could meet the criteria for a medium priority recommendation.	
<b>LIMITED</b>	The control environment has not operated as intended and errors have been detected. Improvements could be made to a number of areas so that the relevant risks are managed more effectively, a high priority recommendation has been made, or several medium priority recommendations that cumulatively meet the criteria for a high priority action.	
<b>MINIMUM</b>	The control environment has fundamentally broken down and is open to serious error or abuse. Significant errors have been detected. More than one high priority recommendation has been identified.	
Organisational Impact		
<b>MAJOR</b>	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.	
<b>MODERATE</b>	The weaknesses identified during the review have left the Council open to moderate risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.	
<b>MINOR</b>	The weaknesses identified during the review have left the Council open to a low level of risk. If the risk materialises it would have a minor impact on the organisation as a whole.	
RAG status		
<b>G</b>	<b>Audits</b>	Actions agreed and implemented.
	<b>Follow Ups</b>	Actions implemented.
<b>A</b>	<b>Audits</b>	Actions agreed and officers committed to implement within agreed timescale.
	<b>Follow Ups</b>	Actions in process of being implemented within agreed timescale with some implemented.
<b>R</b>	<b>Audits</b>	Actions agreed
	<b>Follow Ups</b>	Little or no progress made to implement actions within agreed timescale.
Recommendation Priority Rating		
<b>HIGH</b>	A matter that is fundamental to the control environment for the specific area under review. The matter may cause a system objective not to be met. This needs to be addressed as a matter of urgency (suggested timescale: within one month).	
<b>MEDIUM</b>	A matter that is significant to the control environment for the specific area under review. The matter may threaten the achievement of a system objective.	
<b>LOW</b>	A matter that requires attention and would improve the control environment for the specific area under review. The matter may impact on the achievement of a system objective.	

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**WIRRAL COUNCIL**

**AUDIT & RISK MANAGEMENT COMMITTEE**

**DATE 23 JUNE 2014**

<b>SUBJECT</b>	<b>INTERNAL AUDIT COUNTER FRAUD UPDATE</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>CHIEF INTERNAL AUDITOR</b>
<b>KEY DECISION</b>	<b>NO</b>

**1.0 EXECUTIVE SUMMARY**

1.1. To update Members on the activities of the Counter Fraud Team within Internal Audit. The report covers the year 2013/14 and to date. Although the Counter Fraud Team works closely and collaboratively with the Fraud Investigation Team within Revenues and Benefits, this report does not include the extensive specialist activities of the Benefits Fraud Team which are reported to Members separately.

**2.0. BACKGROUND AND KEY ISSUES**

2.1. The Audit Commissions report 'Protecting the Public Purse 2013' states that nationally the number of frauds investigated last year in 2012/13 fell by 14%, however the value of detected frauds actually increased by 15%.

2.2. The Audit Commissions report therefore suggests that councils do not have sufficient resources to tackle all the reported frauds and those that they are able to investigate are of a higher value and take longer, as they tend to be more complex.

2.3. Whilst much has been made in the media about the level of benefit fraud the Audit Commission report states that this only represents 15% of the total fraud and abuse targeted at Local Authorities. Consequently the remaining 85% of fraud suffered by the local authority is actually non benefit related.

2.4. The remit of the Counter Fraud Team is to:

- Prepare relevant best practice policies and procedures,
- Facilitate changes to the culture of the organisation by raising awareness amongst the workforce to fraud and corruption through targeted training,
- Proactively manage the risk of fraud to the Council through targeted audits in high risk areas,
- Provide both a proactive and a reactive response to tackling fraud across the authority.

2.5. Also included within this remit is the investigation of serious financial frauds perpetrated against the Council as well as the teams either direct or supporting involvement with disciplinary and grievance cases which can often be linked to criminal offences, and their subsequent reporting to senior management.

- 2.6. Internal Audit has utilised the Audit Commissions self assessment contained within their Protecting the Public Purse report, the Chartered Institute of Public Finance and Accountancy's (CIPFA) Red Book and the Home Office's Fighting Fraud Locally guidance together with benchmarking exercises in order to assess and review the adequacy of the Council's Counter Fraud arrangements. This has resulted in the identification of a number of planned actions to improve and support the existing measures in place, all of which are in the process of being implemented.

### **3.0. COUNTER-FRAUD ACTIVITIES UNDERTAKEN**

- 3.1. During 2013/14 and the year to date the development and recognition of the Counter Fraud Team has continued with significant progress, which has resulted in 16 referrals being made to the team which represents an increase of some 30% of the cases referred from the previous year.

#### **Prepare relevant best practice policies and procedures**

- 3.2. The existing Counter Fraud Policy, Fraud Response Plan and Strategy have been updated and promoted across the Council.
- 3.3. A separate Fraud Risk register is currently being developed.

#### **Change the culture of the organisation by raising awareness amongst the workforce to fraud and corruption and through targeted training**

- 3.4. The Fraud Awareness online Training package continues to be promoted across the authority and is now an essential module within the suite of training offered by Learning and Development. More work is scheduled in this area during 2014/15.
- 3.5. Due to the ever changing environment of fraud this is under constant review to reflect changing trends and emerging good practice.
- 3.6. Anti Money Laundering refresher training sessions have been delivered to officers.
- 3.7. An on line reporting form has been developed to facilitate electronic reporting to a dedicated email account of any suspected money laundering or related activity.
- 3.8. A dedicated fraud reporting hotline - 0151 666 3990 is now available using a 24 hour answering service, monitored daily, on which members of the public or staff can leave messages to report suspected frauds.
- 3.9. A dedicated counter-fraud email address [counterfraud@wirral.gov.uk](mailto:counterfraud@wirral.gov.uk) has been set up and advertised on the intranet for Council Officers to report suspected frauds.
- 3.10. It is planned that the Counter Fraud staff will host a Fraud Awareness week during 2014/15 at which officers and the public will be made aware of the impact of fraud not only on the council but also the community and they will be encouraged to use both the telephone line and the email reporting functions to report any suspicions of fraud that they may have.

This will highlight not only the problems of corporate fraud but also benefits and insurance fraud, informing people of the signs to look for and how they can report their suspicions.

**Proactively manage the risk of fraud to the Council through targeted audits in high risk areas.**

- 3.11. The Counter Fraud Team has conducted 23 audits, reviews and investigations across a wide range of topics and as identified in the Strategic Internal Audit Plan presented to this Committee in March 2014 and subsequently reported upon at corresponding meetings. These assignments whilst predominately planned also include pieces of work in response to requests from Chief Officers or Members or as a result of any allegations made including whistleblowing.
- 3.12. In addition, the Counter Fraud Team provides advice to departmental officers investigating suspected frauds and irregularities in cases where these are investigated within the department. The last year has seen a further increase in the number of referrals from Departments as the profile of the team has risen and become more widely known to management of the Council.
- 3.13. Outcomes from individual audits and investigations are reported to Members through the quarterly Internal Audit update reports and the Annual Internal Audit Report.

**Provide both a proactive and a reactive response to tackling fraud across the authority.**

- 3.14. A fraud register developed during the year continues to collate details of all reported fraudulent activity across the Council, whether investigated by the Counter Fraud Team or by the relevant department. This facilitates the completion of the Audit Commissions fraud survey of frauds over £10,000 and those committed by employees, (AF70 Return). Chief Officers have been reminded of the requirement that all suspected or proven fraudulent or corrupt activity should be reported to the Counter Fraud Team within Internal Audit as required by the Financial Regulations

The information contained within the register is then used to identify potential weakness and areas that may be susceptible to increased attempts of fraud and as such where Counter Fraud resources need to be directed.

- 3.15. The Counter Fraud team oversees and co-ordinates the Council's participation in the Audit Commission's biennial **National Fraud Initiative** (NFI). This is a national exercise using data matching audit techniques. Council-wide data sets covering a wide range of financial and non-financial applications such as Housing Benefits, Council Tax, Electoral Registration, Pensions, Payroll, Creditors are uploaded to the Audit Commission website, which are then matched with data within and between participating bodies to identify potential frauds.
- 3.16. The NFI exercise has resulted in significant savings to the Council, arising largely from payments recovered or stopped. The most frequently detected fraudulent and erroneous transactions, which are also identified, are in

relation to council tax, housing benefit and deceased pensioners. Whilst nationally these areas have been found to be repeatedly areas of high fraud and error it has to be acknowledged that the perpetrators of this type of crime are often very mobile and changing. The problems that this creates is that whatever factors are put in place to limit fraud we are constantly dealing with different people, different claims and this creates a variable factor when attempting to limit the risks within these areas.

- 3.17. The team has worked with departments to develop and implement Action Plans taking into account lessons learnt from this exercise. The aim being to identify common themes and recurring types of fraud and error so that departments can identify what changes can be made and measures taken to reduce their incidence. The results of the latest exercise in 2012/13 has recently been reviewed and action to reduce potential fraud and error taken.
- 3.18. For the current NFI exercise £199,215.24 of fraud and error has been identified to date, of which £158,768.18 is deemed to be recoverable at this moment and is in the process of being recovered. It is anticipated that this figure is likely to increase with the addition of further successful benefit fraud cases, once they have been concluded.
- 3.19. The Audit Commission has now introduced a new service, linked to the National Fraud Initiative, called the Flexible Matching Service. This has enabled the Council to submit additional data sets to the Audit Commission for additional and real time matches. Both Council Tax and Electoral Registration data has been submitted for this. The benefits of this are that the results are turned around on the same day as submission. Preparations are also being made for Personal Budget data to be submitted.
- 3.20. With the forthcoming closure of the Audit Commission, it has been announced that the National Fraud Initiative due to its success will continue and that it will then be managed by the National Audit Office.
- 3.21. The Counter Fraud Team Co-ordinates the annual reporting of frauds perpetrated against the Council to the Audit Commission via the Commission's AF70 reporting requirement. This lists all frauds involving sums greater than £10,000 or involving employees. The bulk of the frauds reported are those handled by the Benefits and Revenues Fraud Investigation Team
- 3.22. The Counter Fraud Team coordinates the completion of the Audit Commission's Annual Fraud Survey on behalf of the Council. This lists all fraud and corruption irrespective of amount and also responds to survey questions dealing with anti fraud policies, procedures and controls.

#### **4. DEVELOPMENT OF THE COUNTER FRAUD TEAM**

- 4.1. During 2013/14 the two officers on the Counter Fraud team have attended appropriate and relevant training and awareness sessions delivered outside of the authority by organisations such as CIPFA, CIIA, the Audit Commission, Grant Thornton and ACAS. In addition to these courses they have also attended localised and national networking meetings of their peers. One such group is the Local Authority Investigation Officers Group (LAIOG) of which one of the officers is now on the National Executive and the North West Fraud Group. These provide important opportunities for the officers to update and refresh their knowledge in the counter fraud arena.

- 4.2. During this time one of the officers has also attained a new investigative qualification of Accredited Open Source Internet Intelligence Researcher, and was at the time, only one of three in the UK to have attained this qualification which is accredited by Portsmouth University.
- 4.3. Activity of this nature will continue during 2014/15, in addition the team is currently leading on an exercise with colleagues from across the Merseyside Combined region to develop a local Counter Fraud group where data, plans and best practice can be shared and joint exercises undertaken to manage the risk of fraud and conduct investigations as appropriate.

#### **5.0. RELEVANT RISKS**

- 5.1. That fraud is not properly addressed investigated and appropriate actions taken to prosecute perpetrators, recover losses and improve financial controls.
- 5.2. Given the budgetary constraints the council has been faced with and the reduced staffing levels it will always be a risk that previously robust procedures may not be followed and therefore providing the opportunity for fraud to occur.

#### **6.0. OTHER OPTIONS CONSIDERED**

- 6.1. No other options considered

#### **7.0. CONSULTATION**

- 7.1. Members of this Committee are consulted on matters relating to Internal Audit including the development of the Internal Audit Plan and the activities of the Counter Fraud Team.

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

- 8.1. There are none arising from this report.

#### **9.0. RESOURCE IMPLICATIONS**

- 9.1. Following the annual NFI exercise £159k is currently being recovered by the Council.

#### **10.0. LEGAL IMPLICATIONS**

- 10.1. There are none arising from this report.

#### **11.0. EQUALITIES IMPLICATIONS**

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

No because there is no relevance to equality.

## **12.0. CARBON REDUCTION IMPLICATIONS**

12.1. There are none arising from this report.

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

13.1. There are none arising from this report.

## **14.0. RECOMMENDATION**

14.1. That the report be noted and that Members continue to support the work of the team.

## **15.0. REASON FOR RECOMMENDATION**

15.1. To provide Members with assurance that the Council is taking appropriate action to address the risk of fraud and that suspected frauds are investigated and appropriate actions taken to prosecute perpetrators, recover losses and improve financial controls.

**REPORT AUTHOR:** Mark P Niblock  
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email: [markniblock@wirral.gov.uk](mailto:markniblock@wirral.gov.uk)

## **REFERENCE MATERIAL**

Internal Audit Plan 2013/14 and 2014/15

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

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

## WIRRAL COUNCIL

### AUDIT & RISK MANAGEMENT COMMITTEE

23 JUNE 2014

<b>SUBJECT</b>	<b>STATEMENT OF ACCOUNTS 2013/14</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>DIRECTOR OF FINANCE</b>
<b>KEY DECISION</b>	<b>YES</b>

#### 1.0 EXECUTIVE SUMMARY

- 1.1. The Council Constitution allocates responsibility for the approval of the Statement of Accounts to the Audit & Risk Management Committee. The Statement for 2013/14 to be issued by 30 June 2014 will be subject to audit.
- 1.2. The appointed auditors, Grant Thornton, will present their Audit Findings Report (AFR) to this Committee on 17 September 2014. Members will be requested to consider the AFR, agree the Letter of Representation and approve the Statement of Accounts for 2013/14 which has to be published by 30 September 2014.
- 1.3. The Statement of Accounts includes the Merseyside Pension Fund (MPF) Accounts as Wirral Council is the Administering Authority for MPF. The MPF receives a separate Audit Findings Report which has to be considered by Pensions Committee and also this Committee as part of approving the Accounts.

#### 2.0 BACKGROUND AND KEY ISSUES

- 2.1. The purpose of the Statement of Accounts is to present the overall financial position of the Council at 31 March 2014 in accordance with prescribed guidance – the Code of Practice on Local Authority accounting in the United Kingdom (the Code). This is updated annually and specifies the accounting principles and practices required to prepare a Statement of Accounts which present a true and fair view of the financial position.
- 2.2. The Accounts and Audit Regulations 2003, as amended in 2011, state that the Chief Finance Officer is required to certify the Statement of Accounts by 30 June. The must be approved by an appropriate Committee and published by 30 September.
- 2.3. The Council will publish the pre-Audit Statement of Accounts on the Council web-site and copies will be issued to all Members of this Committee. The web-site will include information relating to the Public Inspection of the Accounts.

- 2.4 The Accounts will be available for public inspection from 21 July 2014 to 15 August 2014 when any person may inspect, and make copies of, the Accounts of the Council, and certain related documents, for the year ended 31 March 2014.
- 2.5 From 18 August 2014 until the conclusion of the audit process, a local government elector for the area of the Council, or his/her representative, may ask the Auditor questions about the Accounts and / or object to the Council's Accounts.
- 2.6 As in previous years there will be a briefing session on the Accounts and Members are asked to confirm a date with 8 or 10 September 2014 the available options.. Whilst specifically for Members of this `Committee the session will be open to all Members of the Council entitled 'Understanding the Council's Statement of Accounts'.

The session will include:-

- Overview and role of the Audit & Risk Management Committee which includes legal requirements, roles, responsibilities and the process.
  - Statement of Accounts 2013/14 which includes a review of the contents, a focus of the Financial Statements and highlights of the key areas.
  - Changes in 2013/14 which covers the changes to the Accounts as well as the changes to Council procedures to deliver improvements to the production and accuracy of the statements.
  - Overview of the Merseyside Pension Fund Accounts for 2013/14 based on the more detailed presentation to Pensions Committee.
- 2.7 The Auditor is required by the Audit Commission Act 1998 and the Audit Commission Code of Audit Practice for Local Government to report on the financial statements prior to 30 September. That Audit Findings Report, for which there will be a separate report in respect of the Merseyside Pension Fund, will be considered by this Committee on 17 September 2014.
- 2.8 Following Committee consideration of the Audit Findings Report(s), approval of any amendments to the Statement of Accounts, agreement of the Letter of Representation and the approval of the Statement of Accounts for 2013/14 Grant Thornton will issue the Audit Opinion. This will be before 30 September 2014 and state if the Accounts are a true and fair view of the financial position of the Council at 31 March 2014.
- 2.9 Besides commenting on the Financial Statements the Auditor also comments on Matters by Exception including the Annual Governance statement and issues a Value for Money conclusion in respect of Council arrangements to secure economy, efficiency and effectiveness in the use of resources.
- 2.10 The Auditor's report will be included within the Statement of Accounts 2013/14 which will then be published by the statutory deadline of 30 September 2014.



2.11 The Annual Governance Statement will be the subject of a separate report to this Committee and, although not required to be included in the Statement of Accounts, is included as it shows how the Council has ensured the effectiveness of its systems for ensuring that it operates legally and that public money is properly used and accounted for.

### **3.0 RELEVANT RISKS**

3.1 The risks relating to the accurate and timely completion of the Statement of Accounts are mitigated by ensuring that this professional knowledge is maintained and time-scales both for both the pre-Audit and formal Statements are maintained.

3.2 If issues and concerns raised by the Auditor are not addressed by the Council then there are potential risks that the Council will not be able to meet its statutory requirements in respect of the Statement of Accounts.

### **4.0 OTHER OPTIONS CONSIDERED**

4.1 The Statement of Accounts has to be produced in accordance with statutory guidance and is subject to review by the appointed Auditor.

### **5.0 CONSULTATION**

5.1 There has been no specific consultation in respect of 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**

7.1 The Statement of Accounts is produced by the Financial Services Division. In previous years reference has been made by the Appointed Auditor's as to the adequacy of the level of staffing resources within the Division. Whilst actions are taken to ensure the Accounts are successfully completed, and to a better standard than previous years, there are capacity issues within the Division.

7.2 There are no IT or asset implications arising from this report.

### **8.0 LEGAL IMPLICATIONS**

8.1 It is a legal requirement to publish the Statement of Accounts by 30 September 2014.

## **9.0 EQUALITIES IMPLICATIONS**

9.1 There are no equality implications arising directly from the production of the Statement of Accounts. An Equality Impact Assessment (EIA) is not required.

## **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 RECOMMENDATIONS**

12.1 The process for the completion of the Statement of Accounts for 2013/14 be agreed.

12.2 The date for the briefing session for Members of this Committee on 'Understanding the Council's Statement of Accounts' be agreed and that all Members of the Council be invited to the briefing.

## **13.0 REASON FOR RECOMMENDATIONS**

13.1 Audit & Risk Management Committee has responsibility for approving the Statement of Accounts on behalf of the Council which is a requirement under the Accounts and Audit Regulations 2003, as amended in 2011.

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## **REFERENCE MATERIAL / SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Audit & Risk Management Committee Grant Thornton Audit Findings Report - Merseyside Pension Fund Merseyside Pension Fund Accounts 2012/13 Grant Thornton Audit Findings Report - Wirral Council Statement of Accounts 2012/13 Grant Thornton Financial Resilience Report	18 September 2013
Cabinet Statement of Accounts 2012/13	10 October 2013

## WIRRAL COUNCIL

### AUDIT & RISK MANAGEMENT COMMITTEE

23 JUNE 2014

<b>SUBJECT</b>	<b>MANAGEMENT OF INSURANCE AND CORPORATE RISK</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>DIRECTOR OF RESOURCES</b>
<b>KEY DECISION</b>	<b>NO</b>

#### 1.0 EXECUTIVE SUMMARY

1.1 This report sets out the key actions to be taken in relation to corporate risk and insurance management during 2014/15 and highlights any key decisions which will need to be made. Progress made since March 2014 in relation to key actions planned for 2014/15 is also included.

#### 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 undertakes insurance procurement and improvement activities and this report focuses on the latter. The key actions to be implemented during 2014/15 were included in the report to this Committee on 18 March 2014 and progress since March in respect of those actions is summarised in the ensuing paragraphs.

#### INSURANCE ACTIVITIES

##### 3.1.1 Annual renewal of Casualty Computer and Foster Care Policies

For all 3 classes of business renewal terms were agreed with insurers before the existing insurance period expired. In respect of Casualty (Liability) there was an increase of 4% (£72,100) over 2013/14 costs which had been anticipated and reflected in the Insurance Fund Budget 2014/15.

The Computer insurance premium increased by 2% (£320) and Foster Care increased by 4% (£720). In both cases the changes arose from increases in the number of people or values to be insured.

The Insurance Fund Annual Report refers to the consideration of taking up a 2 year extension to the current Casualty contract together with the possibility of ending the outsourced claims handling element of the contract and moving this function entirely in house. This will be reported to Committee in

September. The market for local authority liability risks has recently become much weaker and a procurement exercise might actually result in less favourable terms.

### **3.1.2 Annual renewal of Property All Risks Money Fidelity Guarantee and Personal Accident / Business Travel policies**

Renewal questionnaires for all the above classes of insurance have been completed and forwarded to insurers. Although renewal terms have yet to be received it is expected that costs will be within the Budget. The actual renewal costs will be included in the next report to this Committee.

### **3.1.3 Procurement of Motor and Engineering insurance and inspection contracts**

Evaluation of the two responses received to the Invitation to Tender was concluded in early March. In both cases the proposal from the existing insurer Zurich Municipal was successful and, in accord with the Contract Procedure Rules, the Director of Resources accepted the tenders on behalf of the Council. This resulted in a net saving of £400 from the two contracts with the Engineering Contract cost £112,110 against an estimate of £108,860 and the Motor Contract £36,340 against an estimate of £40,000.

### **3.1.4 Academy Schools insurance procurement**

Of the schools located outside the borough which were scheduled to join the Holy Family Catholic Multi-Academy Trust from 1 June 2014 only one proceeded to join the Trust. The policy has been extended to accommodate the additional school.

Officers have continued to work with colleagues at a national level to understand the risks and benefits of the Education Funding Agency's 'Risk Protection Arrangement' scheme for Academies and to provide advice to academies in the borough.

### **3.1.5 Insurance Fund Annual Report**

The Insurance Fund accounts for 2013/14 were completed as part of the Council's year-end processes. The Annual Report is the subject of a separate report on this agenda.

## **RISK MANAGEMENT ACTIVITIES**

### **3.1.6 Review of the Corporate Risk Management Framework and processes**

Revised guidance was provided to Directorates to inform Service Plans for 2014/15. These have resulted in clearer links between the Council's corporate risks and the mitigating actions being taken throughout the Council.

### **3.1.7 New Corporate Risk Management Policy and Strategy**

The revised Policy was adopted by Cabinet on 13 March 2014. It is available on the Council web-site being launched with a news story. There have also been presentations made to each Directorate Management Team.

### **3.1.8 Determine risk appetite**

An initial exercise involving the Chief Executive Strategy Group and Cabinet was held on 17 April 2014. Participants were presented with a 12 point scale, reflecting a range of views about attitudes to risk, from 'wary' through to 'confident' and asked to confirm which point on the scale most closely reflected their own stance towards the risks presented by the Future Council programme, each of the Council's Corporate priorities and risks impacting on the Council's financial position and reputation. Further work will be undertaken in the coming weeks to consider the Council's capability to deal with risk.

### **3.1.9 Review of Corporate Risk Register**

The Quarter 4 review was undertaken by the Chief Executive Strategy Group on 6 May 2014. The 2014/15 Service Planning process has provided additional information about the mitigation of the corporate risks. These have been incorporated into the updated Register which is now the subject of a regular update to each meeting of this Committee.

### **3.1.10 Future Council**

Robust risk management arrangements have been incorporated into the governance of the Future Council programme. Both programme level and work stream risk registers are in place and are subject to regular review and reporting to the Future Council Governance Board.

### **3.1.11 Develop training and guidance for Members and officers**

Risk management competencies for different stakeholder groups have been developed. The Risk & Insurance and Organisational Development teams have begun discussions over the most effective mechanisms for ensuring that each group has the requisite level of knowledge and skills.

## **4.0 RELEVANT RISKS**

- 4.1 The improvement of the risk management framework and the implementation of more effective processes will help to improve the ability to handle risk across the organisation.

## **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 The provision of support services to Academy schools is estimated to generate income of approximately £40,000 in 2014/15. This will also help to offset the Council's insurance administration costs which are ultimately recharged to users of the service.

## **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 content of this report 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 Policy and maintain the successful management of the Insurance Fund.

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## **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Audit & Risk Management Committee	
Corporate Risk & Insurance Management	19 March 2013
Management of Insurance & Corporate Risk	10 June 2013
Management of Insurance & Corporate Risk	18 September 2013
Management of Insurance & Corporate Risk	25 November 2013
Management of Insurance & Corporate Risk	28 January 2014
Corporate Risk Management Policy	28 January 2014
Management of Insurance & Corporate Risk	18 March 2014

## WIRRAL COUNCIL

### AUDIT & RISK MANAGEMENT COMMITTEE

23 JUNE 2014

<b>SUBJECT</b>	<b>INSURANCE FUND ANNUAL REPORT 2013/14</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>DIRECTOR OF RESOURCES</b>
<b>KEY DECISION</b>	<b>NO</b>

#### 1.0 EXECUTIVE SUMMARY

1.1 This report provides a review of the Risk and Insurance activity during 2013/14 and the plans for 2014/15 and beyond. It details the underwriting arrangements and recent loss histories for the principal areas of insured risk and describes the impact of measures taken to improve their management. The provisions and reserves within the Insurance Fund at the end of 2013/14 are confirmed.

#### 2.0 BACKGROUND AND KEY ISSUES

##### Approach to Risk Financing

- 2.1 Since 1988 the Council has used a combination of self-insurance and external insurance to address the financial consequences of risk
- 2.2 Those risks which have the potential to generate substantial losses are self insured to a high level but with a cap on the Council's liability above which costs are met by insurers. Such risks include legal liability to members of the public and to other organisations for injury or damage to property damage to Council buildings and motor accidents involving Council vehicles. Other more minor, expected, losses such as damage to equipment and plate glass are wholly self insured.
- 2.3 The self-funding of losses is part of the Council's overall approach to managing risk. It provides a greater incentive to deal with risk more effectively given that any reduction in claims directly benefits the Authority. It also minimises the Council's liability for Insurance Premium Tax and contributions to insurers' administrative costs and profit margins. The level of self insurance is influenced by the need to maintain the stability of the Insurance Fund over the long term and by the Council's appetite for risk.
- 2.4 Claims are met from the Insurance Fund with the Fund being maintained through annual contributions from all directorates and from schools.
- 2.5 The Fund also holds reserves which are available to support the implementation of initiatives to improve the management of risks both insured and uninsured.

## Principal Areas of Insured Risk - Liability

- 2.6 The Council currently self-insures liability risks to a maximum aggregate of £2.5 million all claims occurring in any one policy year. The level of aggregate varies from year to year according to market conditions and loss history. It has been as high as £7.25 million in 2005/06. In addition the Council's maximum liability for any single claim is currently limited to £250,000. Any costs above this are met by the insurer Zurich Municipal. The policy is subject to a Long Term Agreement until 31 March 2015 under which the Council agrees to renew the policy each year provided that the premium rate and terms are unchanged. There is an option for the Council to extend the contract for a further 2 years to 31 March 2017.
- 2.7 Whilst claims are administered by Zurich Municipal the company has no authority to settle claims within the deductible limits. All decisions on tactics, settlement and quantum on claims up to £250,000 are controlled by the Council. This ensures that decisions are made in the best interests of the authority rather than the insurers and that a stable claims strategy can be maintained. The insurers have no financial interest in claims below the deductible and therefore they may have little motivation to secure the most efficient outcomes. On the rare matters that have potential to exceed £250,000 the Council works in partnership with the insurers to agree mutually acceptable outcomes. Both Zurich Municipal and the solicitors engaged to defend legal proceedings work to defined service level agreements and the Council continuously monitors and manages their performance.
- 2.8 The rate of receipt for Public Liability (PL) claims has settled in recent years to a reasonably predictable pattern and cost. However 2013/14 saw the start of a new era of claims regulation, the longer term effects of which are not yet fully known. Whilst the majority of claims relate to simple slips and trips a proportion are significantly more complex involving abuse, defamation, bullying and harassment, failure to educate, disease, tree related subsidence, nuisance and social services matters for both failure to remove and inappropriate removal.

**Table 1 : New Public Liability claims received in 2012/13 and 2013/14**

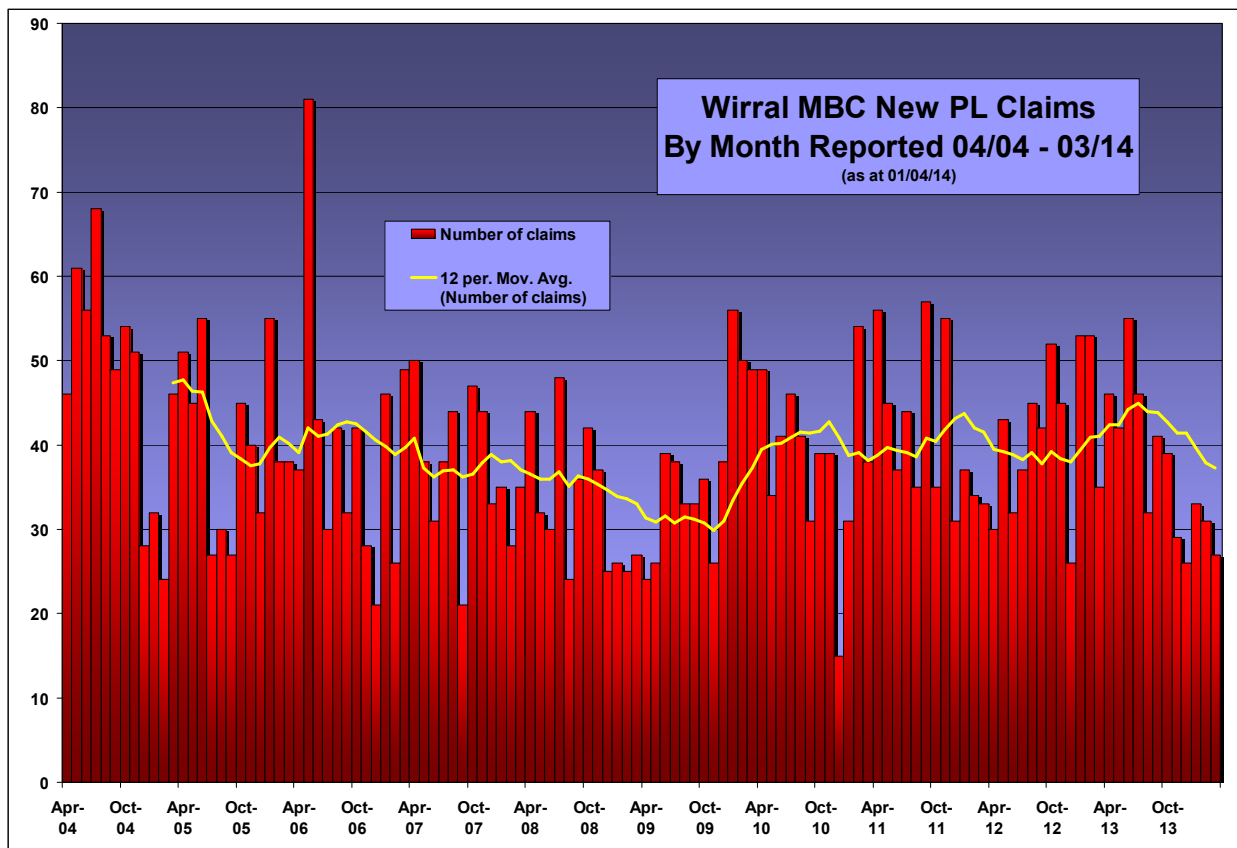
Function	2012/13	2013/14
Highways	435	373
Children & Young People	19	19
Leisure	32	47
Other	6	6
Total	492	445

- 2.9 The following charts provide further detail for Public Liability claims with Chart 1 based on the date that the claim was received to indicate the rate of receipt of claims and Chart 2 the date of accident has been used to show payments and reserves as per policy years. Whilst these charts do not directly correspond this best illustrates the account performance. If Members require claims data in any other format it can be provided.



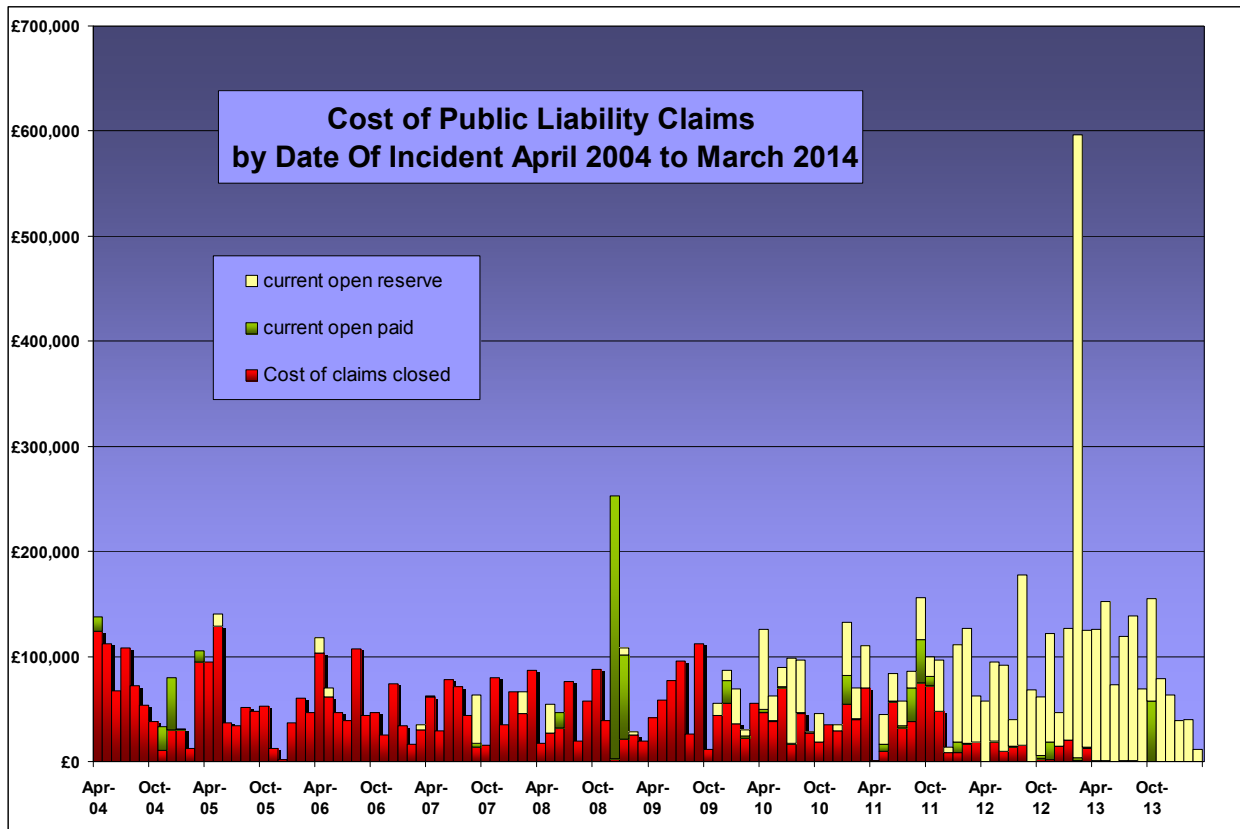
2.10 Chart 1 provides some context as it shows the pattern of receipt of Public Liability claims over a 10 year period. Whilst risk management activity can control the outcome of PL claims, the frequency of receipt is influenced by many factors over which the Council has little influence. Dominant factors will include the incidence of severe weather, claims farming activity and the prevailing propensity to claim within the populace.

**Chart 1 : Number of new PL claims reported each month**



2.11 Chart 2 indicates the expected final costs of known public liability claims received during the same 10 year period. The monthly totals are split between amounts paid on closed claims, paid to date on open claims and reserves for claims not yet paid. The chart does not incorporate any element for claims incurred but not yet received. The higher reserved costs for recently submitted claims are accounted for by our obligation to reserve each individual new claim on a full liability basis until investigations indicate that a defence is available. Provided that the excellent repudiation rate experienced in recent years can be maintained, it is expected that the ultimate cost of these latest claims will revert to the standard Public Liability settlement pattern of less than £1 million per year. However, as noted elsewhere within this report, the recent civil justice developments have increased the level of uncertainty in this prediction. The obvious anomaly showing within the data for February 2013 demonstrates 2 separate claims each of which have the potential to breach the £250k deductible.

**Chart 2 : Cost of claims by date of incident.**



2.12 Following a substantial rise in the number of Employers Liability (EL) claims received in 2011/12 (63) the volume reduced to in 2012/13 (48) and has remained stable in 2013/14 with 47 new cases that are currently reserved (inclusive of costs) at £462k. The overall reserve for known EL claims was £1,089,146 at 31/03/14. Although the frequency is down from the peak, the figure remains high in comparison with the long term average. In recent years much of the EL growth has resulted from vibration and noise related claims from Parks employees. The trend of increasing frequency of industrial disease claims is repeated throughout the public sector and industry generally. The alleged causes of the new claims are noted within the table below.

**Table 2 : New Employers Liability claims received in 2012/13 and 2013/14**

Alleged Cause	2012/13	2013/14
Vibration	6	7
Noise	5	12
Asbestos	14	1
Slip, trip, trap, fall	17	18
Others inc assault, stress, harassment	6	9
<b>Total</b>	<b>48</b>	<b>47</b>

- 2.13 As EL claims generally take longer to settle the “tail” for this class of business is fatter. The Council frequently receives claims with an exposure period as far back as the 1950’s and 1960’s for matters such as Noise Induced Hearing Loss and cancers relating to asbestos exposure. During 2013/14 a claim was received alleging exposure with Birkenhead Corporation in the 1940’s. Wirral are also the designated claims handlers for employment claims attributable to the former Merseyside County Council. These cases are particularly difficult to handle due to the time-elapsed limiting documentation and evidence.
- 2.14 Given the long exposure periods of disease claims a separate claim needs to be registered against each policy period covered by the exposure. This results in claims payments being distributed across multiple insurers with associated complexity due to the varying aggregate and deductible positions across these policies. Some insurers are trying to insist that a separate claim is recorded for each year within a long term policy period. With some alleged exposures spanning a 30 year employment period this can create extensive administration work. Whilst Wirral has comparatively good records of historic insurances and can trace all insurers for most claims, we do have uninsured periods due to insurer insolvency (Independent Insurance 1981 - 1984 and earlier MMI exposures for both Bebington and Birkenhead Corporations).
- 2.15 As the complexity of individual EL cases continues to increase, it is also generally becoming more difficult to locate essential witnesses and documents. For historic cases this is not unexpected but the ongoing reorganisation and contraction within the Council can often make the location of evidence for even recent incidents difficult. The Risk & Insurance Team has strong technical capabilities but capacity is becoming a risk issue.

### **Property and Business Interruption**

- 2.16 The Council self-insures to a maximum of £500,000 damage to property through fire and £1 million for damage to commercial properties and to schools through storm and flood. It also has a maximum liability of £500,000 for business continuity losses through fire and £1 million through storm and flood. Any costs above this are met by the insurer Zurich Municipal. The policy is subject to a Long Term Agreement until 29 June 2016 with options to extend for two further 12 month periods.
- 2.17 Although all property losses are reported to insurers minor claims are investigated and administered directly by Council. A loss adjuster would be appointed to investigate and report to insurers on larger losses (circa £30k plus). However the Council would still have a significant role in the managing any necessary reinstatement process and ensuring the optimum settlement is achieved from the insurer.

## **Motor**

- 2.18 The Council self-insures to a maximum £200,000 all claims relating to any one policy year. In addition its maximum liability for any single claim is limited to £75,000. Any costs above this are met by the insurer. The policy was the subject of a competitive tender earlier this year won by the existing insurer Zurich Municipal. The new contract is on a Long Term Agreement until 31 March 2017 with an option to extend for a further 2 years.
- 2.19 The authority handles all claims for 'own damage'. Insurers administer third party claims but must refer to the Council any proposals to pay or reject claims. As with liability claims the authority has input into all decisions on tactics and quantum and continuously monitors and manages the performance of the claims handlers.
- 2.20 The reduction in vehicle numbers has been partly responsible for a significant decrease in the volume and cost of claims in recent years. However better management of fleet risk is another factor. The authorisation to drive procedure, minibus assessment process and a more robust approach to the investigation of accidents and the management of claims are all elements of this approach.
- 2.21 Although claims numbers on the account are low whiplash claims remain a general concern. Officers will be participating in the debate on how these whiplash issues can be controlled in the current Ministry of Justice consultation.

## **Other Classes of Business**

- 2.22 Risks which present a more limited exposure to loss (such as damage to equipment and plate glass) are wholly self insured. Responsibility for handling claims for these areas rests solely with the Risk & Insurance Team. Others (such as Money Computer Fidelity Guarantee and Personal Accident) are partially underwritten by insurers. They are procured through competitive tender and subject to Long Term Agreements. The authority liaises with insurers over the small number of claims generated by these contracts.

## **Review of Liability Reserves and Provisions**

- 2.23 Whilst it is important to ensure that the Insurance Fund holds sufficient resources to meet its liabilities there is also an opportunity cost to maintaining a greater balance than is needed.
- 2.24 To help ensure that the Fund is sufficient meet the cost of liability claims but is not over resourced reviews are undertaken every two to three years by an external actuary who assesses the amount needed to fund anticipated liabilities for previous years. In the intervening years a self-evaluation is undertaken for the same purpose.

- 2.25 The external review (Liability Claims Funding Study) commissioned to examine the liabilities incurred as at 31 March 2013 was reported to this Committee on 28 January 2014. In accord with Council practice a further self-evaluation of the sums required as at 31 March 2014 has been undertaken to inform this report.
- 2.26 The self-evaluation took as its starting point the figure recommended by the actuary as the provision required as at 31 March 2013. To this the actuary's recommended liability funding figure for 2013/14 was added and liability claims payments made during the year deducted (including an initial payment due under the MMI Scheme of Arrangement).
- 2.27 The evaluation indicated that a sum of £9,422,137 was required as at 31 March 2014 to meet outstanding liabilities:-

**Table 3 : Insurance Fund Combined Liability Reserves**

Combined Liability	At 31/03/13	At 31/03/14
	£	£
<b>Provisions &lt; 1 year</b> Known liability claims that is expected to be utilised entirely within 2014/15	1,635,000	1,550,000
<b>Provisions &gt; 1 year</b> Known liability claims where payment is expected to be made beyond the next year	4,077,973	4,278,326
<b>Insured Liability Reserve</b> Insured claims incurred but not yet received	2,198,925	2,157,619
<b>Uninsured Liability Reserve</b> Claims payments for periods of insurer insolvency or policy coverage deficiency	1,010,145	1,006,000
<b>MMI reserve / provision</b> Claims payments for periods of insurer insolvency or policy coverage deficiency)	497,582	430,192
<b>Total liability reserves / provisions</b>	<b>9,419,625</b>	<b>9,422,137</b>

- 2.28 The 'claw-back' clause in the Scheme of Arrangement for Municipal Mutual Insurance was triggered by the company's administrators during 2012/13. Whilst the Council is affected by this development, it is more fortunate than many in that the extent of its claw-back is less than that faced by others and this liability is fully funded as part of the Council's existing reserves. During 2013/14 an initial payment of £74,708 was made representing 15% of the historic liability under the claw-back arrangements. The Council is also facing contributing 15% to all future liability settlements attributable to the MMI period of insurance. Whilst this leaves an open ended liability officers are satisfied that current funding levels are adequate to manage this exposure.

## Review of Other Reserves and Provisions

2.29 As indicated above the Insurance Fund underwrites a number of other classes of business. It also holds sums in respect of uninsured liability risks and to pay for risk improvement measures. These figures are also reviewed each financial year. The table below compares the actual amounts held as at the end of March 2014 in respect of these elements of the Fund.

**Table 4 : Insurance Fund Other Reserves**

Class	At 31/03/13	At 31/03/14
	£	£
Property	2,500,000	2,500,000
Motor	200,000	200,000
Wholly self-insured claims Eg plate glass and equipment	175,998	179,998
Civil Contingency For improvements in resilience	1,500,000	1,500,000
Professional Indemnity Excesses on Professional Indemnity claims any claims for uninsured services	50,000	50,000
Risk Management Support individual risk improvement initiatives	144,400	144,400
Claims Management Legal costs handling uninsured liability claims	150,000	150,000
Contaminated Land Uninsured liability claims for environmental impairment	500,000	750,000
Budget Surplus / Deficit Balance of Fund income v expenditure	108,722	82,993
<b>Total</b>	<b>5,329,120</b>	<b>5,557,391</b>

2.30 The report on the Liability Claims Funding Study presented to this Committee on 28 January 2014 estimated that there could be a surplus in the Insurance Fund as at 31 March 2014. The actual year end position of the Fund is a surplus of £83,000 with the following largely responsible for the change:-

- (i) £178,000 to increase the amount invested in the Liability Section of the Insurance Fund to the level proposed in the actuarial report.
- (ii) £250,000 to increase the provision for uninsured liabilities for environmental impairment. This facilitates the release of £2.5 million from the Community Fund back to the Council and to Magenta Living.
- (iii) The profile of liability claims payments in the final quarter of 2013/14 were significantly higher than the first three quarters. This meant that whole year costs for 2013/14 were ultimately £263,000 greater than the forecast at December 2013.

Members are requested to endorse the actions outlined in (i) and (ii) above.

- 2.31 Whilst the reserves and provisions within the Insurance Fund are clearly earmarked for specific purposes Members may take the view that the Council's financial position is such that some should be released to support General Fund balances. This decision would depend upon Members risk appetite as such a release could mean that the Fund had insufficient resources to meet its future liabilities.

### **Insurance and Risk Management 2013/14**

- 2.32 Throughout 2013/14 progress reports on Risk and Insurance Management were presented to each meeting of the Audit & Risk Management Committee.

#### Claims Issues

- 2.33 Improvements reported in claims management in previous years were sustained through the continuing efforts of departments to manage their liability risk. The 'firm but fair' stance on liability and the counter-claims fraud strategy (that resulted in a successful criminal prosecution this year) also contribute to this outcome. The performance of claims handling and legal services providers and the continuing active involvement of officers in tactics and procedure all assist in containing the overall cost to the Council of this area of risk.
- 2.34 Management of Liability claims continued to require a substantial amount of work. Amongst the new cases were many complex and technically demanding claims. Whilst the Council continues to retain a good record in defending such cases this success requires a considerable ongoing investment of time.
- 2.35 The Council has continued to play a national role in relation to insurance issues and the ongoing reforms to civil litigation funding and costs. Wirral has established a reputation within the market as a leading authority on liability claims matters. One Wirral officer is a Director of Alarm, the Public Risk Management Association and, within this role, has established a body to provide a source of best practice and education and to formally represent the interests of the public sector in relation to liability and claims matters within the industry and with Central Government. This officer is regularly published within the industry journal and is a speaker at national claims events with expenses in relation to this work met by Alarm.

#### Services for Schools

- 2.36 The insurance facility for Academy Schools established in 2011/12 continued to prove very popular with schools which have taken the decision to convert. Schools are assisted with tendering to obtain competitive quotations for academy-specific insurance packages, the critical appraisal of policy wordings verifies all policy documentation provides support with claims and general risk management advice. The service generated income of approximately £32,500 in 2013/14 supporting Council insurance administration costs.

2.37 Wirral has been in the forefront of developments in the Academy Insurance sphere taking a lead national role in the critical review of the Department for Education (DfE) proposed Academy risk pooling arrangements. These developments could negatively impact both the quality of insurance protection available for these schools and the future fee income from Academies so the involvement aims to mitigate these impacts.

#### Budget

2.38 The Insurance Fund Budget 2014/15 was approved by Audit & Risk Management Committee on 28 January 2014. The report confirmed that the cost to the General Fund would be £207,000 less than the figure in the agreed Budget for 2013/14.

#### Insurance Management 2014/15 and beyond

2.39 Regular reports on the progress of Insurance and Risk Management will continue to be presented to the Audit and Risk Management Committee.

#### 2.40 Table 5 : Key Insurance Management actions 2014/15

Action	Target Date
Negotiate annual renewal of Property and Business Interruption insurance	30 June 2014
Negotiate annual renewal of Marine Insurance contract	30 September 2014
Possible extension of the Casualty Computer and Civil Litigation contracts	30 September 2014
Compile the Insurance Fund Budget 2015/16	November 2014
Complete assessment of viability of creating a fully insured liability claims handling function (see 2.41)	30 September 2014
Confirm terms for the renewal of the Motor, Computer Engineering and Foster Care policies	March 2015

2.41 As the existing Long Term Agreement (LTA) for the Liability Insurance contracts expires on 31 March 2015 the Council has the option to either extend the contract (to 31 March 2017) or conduct a competitive tender exercise. Whilst a procurement exercise provides an opportunity to test the market (which appears to be currently moving against us) officers are currently exploring the merits of bringing the claims handling function fully in-house. As noted within 2.7 above, Wirral already controls the vast majority of claims and therefore has the technical capability to carry out this function but the issues are of administrative capacity and operational resilience. Such a change would be easier to introduce with an existing insurer and this issue would therefore be a factor in the decision to extend existing contracts. The recommended course of action with an explanation of the benefits and risks will be reported to this Committee in September.



### **3.0 RELEVANT RISKS**

- 3.1 Insurance charges (including those for schools) are calculated six months before the start of each financial year. Schools converting to Academy status cannot be covered by the Council's insurance arrangements. Uncertainty over which schools will convert and the date of conversion presents a risk that the Insurance Fund will not recover sufficient premiums to meet claims from schools. This is mitigated to some degree by maintaining strong relationships with schools and ensuring that developments are known as early as possible.
- 3.2 All funding models used in the actuaries calculation of the probable funding requirement are based on historic exposures, claims and payments patterns. Although best actuarial practice has been utilised in the modelling, it is possible, through changes in the organisational risk profile or external environmental developments that the recommendations could subsequently prove to be inadequate or overstated. This risk is mitigated by ongoing reviews and statistical assessments.
- 3.3 The Council's Risk & Insurance function is reliant upon the specialist technical skills of a limited number of officers so capacity and capability are risks in the event of an increase in claims or a single long term absence.

### **4.0 OTHER OPTIONS CONSIDERED**

- 4.1 Funding could be maintained below actuary recommendations and resultant surplus returned to general fund but this would increase the risk of insufficient funding for future liabilities or losses.
- 4.2 The Environmental impairment reserve could be maintained at £500,000 but this would reduce the benefits from the associated release of the funding set-aside for Environmental Warranties within the Magenta Living / Wirral Council Community Fund.

### **5.0 CONSULTATION**

- 5.1 Secondary Schools will be closely involved in any further development of the insurance facility for Academy Schools.

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

- 6.1 There are no direct implications arising from this report.

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

- 7.1 The continuing effective and pro-active approach to managing insured risk is reflected in the assessment of the amounts required in the Insurance Fund to meet current and future claims.

7.2 The Insurance Fund Budget 2015/16 is to be presented to this committee in November.

## **8.0 LEGAL IMPLICATIONS**

8.1 There are no direct implications arising from this report.

## **9.0 EQUALITIES IMPLICATIONS**

9.1 There are no direct equalities implications arising from this report.

## **10.0 CARBON REDUCTION IMPLICATIONS**

10.1 There are no carbon usage implications arising from this report.

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

11.1 There are no planning implications.

## **12.0 RECOMMENDATIONS**

12.1 That the report, and actions in sections 2.30 (i) and 2.30 (ii), be agreed.

12.2 That the Insurance Fund Budget 2015/16 be prepared for presentation to this Committee in November.

## **13.0 REASONS FOR RECOMMENDATIONS**

13.1 To maintain appropriate financial reserves within the Insurance Fund.

13.2 The Insurance Fund Budget forms part of the Council budget-setting process.

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## **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Insurance Fund Annual Report - Cabinet	23 June 2011
Insurance Fund Budget 2012/13 - Cabinet	24 November 2011
Insurance Fund Annual Report - Cabinet	21 June 2012
Insurance Fund Budget 2013/14 - Cabinet	29 November 2012
Insurance Fund Annual Report - Audit & Risk Cttee	18 September 2013
Insurance Fund Budget 2014/15 - Audit & Risk Cttee	28 January 2014

## WIRRAL COUNCIL

### AUDIT & RISK MANAGEMENT COMMITTEE

23 JUNE 2014

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

#### 1.0 EXECUTIVE SUMMARY

- 1.1 Under the terms of the Council's Constitution one of the functions of the Audit & Risk Management Committee is to provide independent assurance that the Council's risk management framework is effective.
- 1.2 A key output from the Council's risk management framework is the Corporate Risk Register. To support this Committee's work in considering the effectiveness of the framework a report is now presented on a regular basis detailing the key risks facing the authority and how these are being managed.

#### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Corporate Risk Register 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 Existing Corporate Risks

- 2.2.1 The Corporate Risk Register presented to this Committee on 18 March contained 37 risks.
- 2.2.2 Directorates have refreshed their service plans for 2014/15. In accordance with the new Risk Management Policy part of this process involved each directorate considering how its activities will contribute to the improved mitigation of the corporate risks. This has enabled more complete and up to date information on controls to be identified.
- 2.2.3 Each risk has also been placed into the one of the updated categories in the Council's recently adopted Corporate Risk Management Policy.
- 2.2.4 The appendix contains a copy of the fully updated Corporate Risk Register.

#### 2.3 Review - Quarter Four 2013/14

- 2.3.1 Governance arrangements for the register require that it be formally reviewed each quarter. The review is undertaken by the Chief Executive Strategy Group (CESG). This task is informed by a report from the Risk & Insurance

Officer which summarises potential new risks for consideration and significant movements in Directorate and Programme risk registers.

2.3.2 The quarter 4 review was undertaken on 6 May. No new risks were added to the register. Information was gathered on existing and further planned controls for the risk added at Q3 “The need to replace much of the Council’s IT hardware and software within a short timescale is constrained by the limited human resources available”. In view of the existing short term interim provision and additional permanent resource recently agreed this risk no longer represents a significant corporate threat and has been removed. It will continue to be monitored within the Transformation & Resources directorate.

## 2.4 Refresh June 2014

2.4.1 On 10 June CESC undertook a review of all existing corporate risks taking account of recent organisational changes, progress in mitigating actions and further mitigation contained in draft directorate plans for 2014/15. As a result the descriptions for a number of risks have been changed to clarify their meaning, the scores for some risks have been amended and some risks have been removed.

2.4.2 Changes to descriptions and scores are in highlighted text within the body of the register.

2.4.3 Key actions from draft directorate plans which it is considered will further mitigate corporate risks are also highlighted in the Principal Controls – Planned column

2.4.3 The following risks were removed:

*“Multiple simultaneous demands on key teams (HR, Legal, Finance etc.) exceed the available capacity.”*

(Covered by risk PE1)

*“A poor perception of the Council could deter others from working with us or cause us to be excluded from opportunities”.*

(Covered by risk GO5)

*“Lack of resilience in key partnerships”*

(Covered by reworded risk PA2)

*“The ambitions and priorities of the Council and its partners are not aligned”.*

(Covered by reworded risk PA2)

*“Effective leadership is not embedded throughout the organisation”.*

(Covered by risk PE3)

*“Low economic growth”*

(Covered by risk GO5)

*“Inability to provide match funding limits prevents us from accessing new (2014) EU funding”*

(Covered by risk GO5)

*“Failure to grasp the opportunities presented by membership of the LCR, relative to Wirral’s size and importance”*

(Covered by risk GO6)

*“Failure to maintain/protect the environment and provide suitable sites for employment and housing deters inward investment”.*

(Covered by risk GO5)

*“Uncertainty over funding post 2016”*

(Covered by risk FI1)

2.4.3 Where a risk has been removed because the threat is considered to be covered within another existing corporate risk the controls for the other risk have been reviewed and updated where appropriate.

2.4.4 When the register was presented on 18 March Members commented that the controls for the corporate safeguarding risk (CU1) did not reflect actions taken to address adult safeguarding. In the review of the register this point has been addressed.

## **2.5 Next Steps**

2.5.1 To support the review for Q1 2014/15 a report will be provided to CESG with an analysis of the risks in Directorate Service plans for 2014/15 highlighting those which have the potential to affect multiple objectives and any individual risks which have been evaluated as very significant by the Directorate concerned.

2.5.2 The report will contain greater explanation as to the evaluation of high scoring directorate and programme risks and will include any specific actions required of CESG to assist with their mitigation.

2.5.3 Future reports to this Committee on the Corporate Risk Register will focus on risks added to or deleted from the register and progress in relation to key mitigating actions.

## **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 report.

## **5.0 CONSULTATION**

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

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

6.1 None.

## **7.0 RESOURCE IMPLICATIONS**

7.1 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 RECOMMENDATIONS**

12.1 That Members consider the Corporate Risk Register.

12.2 That further reports on the Corporate Risk Register be brought to future meetings of this Committee.

## **13.0 REASON FOR RECOMMENDATIONS**

13.1 Having an understanding of the Council's principal risks and their controls supports the Committee's responsibility in relation to the adequacy of the Council's risk management framework.

13.2 The provision of regular reports to this Committee on the Corporate Risk Register is a requirement of the Council's Corporate Risk Management Policy.

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## **APPENDIX**

Corporate Risk Register

## **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Audit & Risk Management Committee	18 March 2014
Audit & Risk Management Committee	10 June 2013
Cabinet	23 May 2013
Cabinet	2 February 2012

## Wirral Metropolitan Borough Council

### Analysis of Corporate Risks by Category (As at 13 June 2014)

#### Internal

Category	Number	Descriptions	Risk Score
Financial	2	Failure to deliver within budgets <i>(FI1)</i>	12
		Major fraud or corruption <i>(FI2)</i>	6
Governance	7	Failure to remodel the Council <i>(GO1)</i>	8
		<b>Failure to establish governance arrangements that support change <i>(GO2)</i></b>	<b>6</b>
		Internal policies & procedures could delay change <i>(GO3)</i>	<b>6</b>
		Failure to identify potential changes to government policy early enough to influence and respond <i>(GO4)</i>	6
		Failure to maintain a focus on economic growth <i>(GO5)</i>	8
		Failure to punch above our weight <i>(GO6)</i>	4
		Use of untried / untested models <i>(GO7)</i>	12
People	4	Scale and pace of change could exceed organisational capacity <i>(PE1)</i>	12
		Skills within the Council could be insufficient <i>(PE3)</i>	8
		<b>Failure to ensure that the culture of the organisation supports the future operating model <i>(PE4)</i></b>	9
		A failure in health and safety management <i>(PE5)</i>	8
Data and Information	2	Quality and availability of data & intelligence <i>(DA1)</i>	9
		A failure in information governance <i>(DA2)</i>	8
Partnership / Contractual	2	<b>Failure to ensure resilience and cohesion in key partnerships <i>(PA2)</i></b>	9
		Failure of a major provider <i>(PA4)</i>	<b>12</b>
Customer / Citizen	1	Inadequate safeguarding arrangements <i>(CU1)</i>	15
Physical	3	A major physical incident compromises the delivery of essential services <i>(PH1)</i>	8
		New IT systems/hardware not implemented in time <i>(PH2)</i>	<b>9</b>
		Sustained catastrophic failure in IT systems <i>(PH3)</i>	10
<b>Total number</b>	<b>21</b>		

#### External

Category	Number	Descriptions	Score
Economic	1	Welfare Reforms <i>(EC2)</i>	16
Social	3	Increasing demand for socially provided care <i>(SO1)</i>	16
		Poor lifestyle choices adversely affect public health <i>(SO2)</i>	12
		Failure to equip the community to be more self-reliant <i>(SO3)</i>	9
Technological	1	Technological advance leads to digital exclusion <i>(TE1)</i>	12
Environmental	1	Growing incidence of extreme weather events <i>(EN2)</i>	12
Legal / Regulatory	1	Growth of academies / free schools <i>(LE1)</i>	9
<b>Total number</b>	<b>7</b>		

**Corporate Risks Plotted on Existing 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 EC2, SO1	20
	Medium (3)	3	6	9 PE4, DA1, PA2, PH2, SO3	12 FI1, GO7, PE1, PA4, SO2, TE1, EN2	15 CU1
	Low (2)	2	4 GO3, GO6	6 FI2, GO2, GO4, LE1	8 GO1, GO5, PE3, PE5, DA2, PH1	10 PH3
	Very Low (1)	1	2	3	4	5



**Corporate Risks 2014-15 (As at 13 June 2014)**

**Internal**

Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		

**Financial**

Failure to deliver within immediate and long term budgets (F11)	Strategic Director Trans & 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"> <li>Corporate Plan reflects financial challenge</li> <li>Delivery of budget options projects being progressed</li> <li>Fortnightly meetings of Budget Steering Group</li> <li>Weekly meeting of 'Future Council' Governance Board</li> <li>Monthly monitoring of savings</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>Introduce budget tracker tool and oversight by budget tracking board</li> <li>Re-model early intervention and prevention services to ensure we manage demand efficiently and community based care effectively</li> <li>Embed a strategic approach to commissioning</li> <li>Progress opportunities for joint commissioning with health partners</li> <li>Care Bill modelling and preparation for implementation in 2015/16</li> <li>Review of specialist rates for supported living and (LD/MH)</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Director Transformation &amp; Resources (Summer 2014)</li> <li>Strategic Director – Families &amp; Wellbeing (March 2015)</li> <li>Strategic Director – Families &amp; Wellbeing (March 2015)</li> <li>Strategic Director – Families &amp; Wellbeing (Ongoing)</li> <li>Strategic Director – Families &amp; Wellbeing (March 2015)</li> <li>Strategic Director – Families &amp; Wellbeing (March 2015)</li> </ul>
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							for residential and nursing care • Support the implementation of the Future Council Programme	2015) • Strategic Director Transformation & Resources – ongoing
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Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				3	2	6		
Major fraud or corruption (FI2)	Strategic Director Transformation & Resources	Significant financial cost (depends on nature of incident(s), damage to reputation)	<ul style="list-style-type: none"> <li>• Counter Fraud and Corruption Policy</li> <li>• Whistle Blowing Policy</li> <li>• Counter Fraud Plan and trained investigator</li> <li>• Participation in National Fraud Initiative</li> <li>• Codes of conduct for Members and officers</li> <li>• Financial Procedure Rules</li> <li>• Contract Procedure Rules</li> <li>• Sound Internal Control systems</li> <li>• Effective recruitment and selection</li> <li>• Benefits Fraud Investigation team with trained investigators</li> <li>• Procedures for the Declaration of Conflict of Interests, Gifts and Hospitality and Pecuniary Interests</li> <li>• Mandatory training</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>• Implement counter fraud action plan</li> <li>• Develop Corporate Counter Fraud Strategy</li> <li>• Update and deliver on-line fraud training programme</li> <li>• Establish facility for on-line reporting by MOP</li> <li>• Introduce positive vetting of new employees</li> <li>• Introduce anti fraud statement into recruitment form</li> <li>• Brief directorates on new Contract Procedure Rules</li> </ul>	<ul style="list-style-type: none"> <li>• Director of Resources</li> <li>• Director of Resources (February 2014)</li> <li>• Director of Resources (update June 2014, delivery (tbc)</li> <li>• Director of Resources (April 2014)</li> <li>• All Strategic Directors (April 2014)</li> <li>• Strategic Director Transformation &amp; Resources</li> <li>• Director of Resources (February 2014)</li> </ul>

			programme <ul style="list-style-type: none"><li>• Use of declarations and fair processing notices</li><li>• Disciplinary procedures</li></ul>					
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Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
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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 Potential government intervention Damage to reputation	<ul style="list-style-type: none"> <li>Wirral's vision is set out in Corporate Plan</li> <li>CESG focus on coherent new model Revised contract procedure rules introduced</li> <li>Robust technical design principles</li> <li>Robust project and risk management arrangements for 'Future Council' programme</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>Implement programme of ICT improvements</li> <li>Implement new Asset Management Plan</li> <li>Embed a strategic approach to commissioning</li> <li>Support the implementation of the Future Council Programme</li> </ul>	<ul style="list-style-type: none"> <li>Director of Resources</li> <li>Head of Universal &amp; Infrastructure Services</li> <li>Strategic Director – Families &amp; Wellbeing (March 2015)</li> <li>Strategic Director Transformation &amp; Resources - ongoing</li> </ul>
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Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
<p><b>Failure to establish governance arrangements that support wholesale change and enable difficult decisions to be taken</b></p> <p><b>(G02)</b></p>	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"> <li>Revised Constitution in place</li> <li>Scheme of Delegation rolled out</li> <li>Cohesive CESG</li> <li>Closer working with Cabinet</li> <li>New Members briefing and decision-making processes implemented</li> <li>Leaders Board established</li> <li>Member development programme</li> <li>Revised corporate risk management policy adopted</li> </ul>	<b>3</b>	<b>2</b>	<b>6</b>	<ul style="list-style-type: none"> <li>Further embed the new Constitution</li> <li>Joint Cabinet / CSG sessions</li> <li>Formalise new Corporate Governance Group</li> </ul>	<ul style="list-style-type: none"> <li>Head of Legal &amp; Democratic Services</li> <li>Chief Executive (ongoing)</li> <li>Strategic Director Transformation &amp; Resources</li> </ul>
<p>Internal policies and procedures could delay change</p> <p><b>(G03)</b></p>	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"> <li>New Members briefing and decision-making processes implemented</li> <li>Scheme of Delegation / Member Officer protocol updated</li> <li>Code of Corporate Governance revised</li> <li>Weekly meeting of 'Future Council' Governance Board</li> <li>Robust governance arrangements for 'Future Council' programme</li> </ul>	<b>2</b>	<b>2</b>	<b>4</b>	<ul style="list-style-type: none"> <li>Further embed the new Constitution</li> <li>Monitor compliance with revised financial regulations and new Contract Procedure rules</li> <li>Develop and deliver a refreshed internal communications plan, improving the levels of employee engagement within</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Director Transformation &amp; Resources</li> <li>Director of Resources (Internal Audit)</li> <li>Head of Neighbourhoods and Engagement</li> </ul>

							the organisation, and improving corporate culture	
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Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
Failure to identify potential changes to government policy and legislation early enough to influence and respond <b>(GO4)</b>	Chief Executive Strategy Group	Opportunities could be missed. Council might be slow to react (e.g. IER)	<ul style="list-style-type: none"> <li>• Work of the Policy Unit</li> <li>• Policy network established</li> <li>• Regular policy briefings provided to Senior Officers and Members</li> <li>• Performance Management and Business Intelligence resource</li> <li>• Regular item on CSG agenda</li> </ul>	<b>3</b>	<b>2</b>	<b>6</b>	<ul style="list-style-type: none"> <li>• Increased visibility of political and executive leaders with national government</li> </ul>	



Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
<p>Failure to maintain a focus on economic growth</p> <p><b>(G05)</b></p>	Strategic Director Regeneration & Environment	<p>Wirral would potentially miss key opportunities for economic growth. Less positive reputation with Government, investors and partners. Insufficient suitable sites for employment and housing. Multiple negative impacts on the community.</p>	<ul style="list-style-type: none"> <li>Investment Strategy</li> <li>Investment Strategy Board</li> <li>Priority within Corporate Plan</li> </ul>	<b>4</b>	<b>2</b>	<b>8</b>	<ul style="list-style-type: none"> <li>ERDF business growth programme</li> <li>Regional Growth Fund projects</li> <li>Policy &amp; Performance committee—scrutiny function</li> <li>Capitalise on the potential of the 'Open'</li> <li>Implement Investment Strategy delivery plan</li> <li>Continue lobbying as an authority and as part of LCR for national availability of match funding</li> <li>Marketing activity (e.g. International Festival of Business and The Open 2014)</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Director Regeneration &amp; Environment</li> <li>Strategic Director Regeneration &amp; Environment</li> <li>Strategic Director Regeneration &amp; Environment</li> <li>Strategic Director Regeneration &amp; Environment</li> <li>Strategic Director Regeneration &amp; Environment</li> <li>Strategic Director Regeneration &amp; Environment</li> <li>Strategic Director Regeneration &amp; Environment</li> <li>Head of Neighbourhoods and Engagement</li> </ul>

Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
<p><b>A failure to maximise our influence with key stakeholders limits our ability to capitalise on opportunities</b></p> <p><b>(G06)</b></p>	Chief Executive	Opportunities (government and private sector) might be missed.	<ul style="list-style-type: none"> <li>Chief Executive and senior members / officers engage outside Wirral with national decision-makers</li> <li>Leader of the Council's role as chair of the Combined Authority</li> <li>LEP membership</li> <li>CX influence via LCR Chief Executive group</li> </ul>	<b>2</b>	<b>2</b>	<b>4</b>		

Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
Use of untried / untested models (mutuals, social enterprises, shared services)  <b>(GO7)</b>	Strategic Director Trans & Resources	Possible service failures Needs could go unmet Damage to reputation Increased costs	<ul style="list-style-type: none"> <li>• Transformational Change projects based on robust business cases</li> <li>• Learning from other local authorities</li> <li>• Accessing external expertise (legal, financial and operational)</li> </ul>	<b>4</b>	<b>3</b>	<b>12</b>	<ul style="list-style-type: none"> <li>• Embed a strategic approach to commissioning</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Director – Families &amp; Wellbeing (March 2015)</li> </ul>

Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
<b>People</b>								
The scale and pace of change required could exceed our organisational capacity – <b>especially in key areas</b>  (PE1)	Strategic Director - Trans & Resources	Failure to remodel the organisation Possible delay to critical projects Behavioural change might be difficult to achieve Damage to reputation Political impact	<ul style="list-style-type: none"> <li>• Full senior management team in place</li> <li>• New governance model for programme management</li> <li>• Focus of Change Team</li> <li>• Change agent programme</li> <li>• Matrix management arrangements adopted</li> <li>• Weekly project review meetings (Future Council)</li> </ul>	<b>4</b>	<b>3</b>	<b>12</b>	<ul style="list-style-type: none"> <li>• Project leads to establish detailed resource plan for each element / stage of Future Council programme</li> </ul>	
Skills within the Council could be insufficient to support our future operating model  (PE3)	Strategic Director - Trans & Resources	Possible service failures. Benefits from re-modelling might not be realised. Lack of ownership.	<ul style="list-style-type: none"> <li>• Redeployment training support in place</li> <li>• Change agent programme</li> <li>• Leadership and Management Development Programmes</li> <li>• Performance Appraisals for senior managers</li> <li>• Future Council modelling has been based on stress testing</li> </ul>	<b>4</b>	<b>2</b>	<b>8</b>	<ul style="list-style-type: none"> <li>• Continue Leadership Development Programme</li> <li>• Continue Management Development Programme</li> <li>• Roll out Performance Appraisals to all staff</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Director Transformation &amp; Resources (ongoing)</li> <li>• Strategic Director Transformation &amp; Resources (ongoing)</li> <li>• Strategic Director Transformation &amp; Resources (Jun to Aug 2014)</li> </ul>

Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
<b>Failure to ensure that the culture of the organisation supports the future operating model (PE4)</b>	Strategic Director - Trans & Resources	Change needed might not be delivered. Benefits of governance improvements might not be realised	<ul style="list-style-type: none"> <li>Link of values to behaviours in Performance Appraisal</li> <li>Change agent programme</li> </ul>	<b>3</b>	<b>3</b>	<b>9</b>	<ul style="list-style-type: none"> <li>Design / implement cultural change programme</li> <li>Continue Leadership Development Programme</li> <li>Continue Management Development Programme</li> <li>Roll out Performance Appraisals to all staff</li> <li>Develop and deliver a refreshed internal communications plan, improving the levels of employee engagement within the organisation, and improving corporate culture</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Director Transformation &amp; Resources</li> <li>Strategic Director Transformation &amp; Resources (ongoing)</li> <li>Strategic Director Transformation &amp; Resources (ongoing)</li> <li>Strategic Director Transformation &amp; Resources (Jun to Aug 2014)</li> <li>Head of Neighbourhoods and Engagement</li> </ul>

Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
A failure in health and safety management leading to death or serious injury (OD6)	Head of Universal & Infrastructure Services	Significant financial cost, possible civil and criminal proceedings (corporate manslaughter), damage to reputation	<ul style="list-style-type: none"> <li>• Register of corporate H&amp;S risks</li> <li>• Corporate H&amp;S policy specifies management roles &amp; responsibilities, specific management arrangements have been developed</li> <li>• Legislative Compliance Audit programme &amp; Fire Risk Assessments of all Council premises</li> <li>• Programme of auditing management compliance against H&amp;S policy</li> <li>• Delivery of essential emergency training for fire and first aid</li> <li>• H&amp;S Officers investigate all significant accidents &amp; incidents, including ELI claims</li> <li>• Specific H&amp;S training</li> <li>• Health surveillance arrangements for occupational health risks</li> <li>• Delivery of (IOSH) Managing Safely training to Managers and Supervisors below HoS</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>• Continuous review and develop of H&amp;S arrangements</li> <li>• Continuing programme of compliance audits of H&amp;S policy</li> <li>• Maintaining health surveillance programme for occupational health risks</li> <li>• Continuous programmed assessment of legislative compliance and fire risk at all Council premises</li> <li>• Senior management teams H&amp;S training programme</li> </ul>	<ul style="list-style-type: none"> <li>• Head of Universal &amp; Infrastructure Services (ongoing)</li> <li>• Head of Universal &amp; Infrastructure Services (ongoing)</li> <li>• Head of Universal &amp; Infrastructure Services (ongoing)</li> <li>• Head of Universal &amp; Infrastructure Services (ongoing)</li> <li>• Head of Universal &amp; Infrastructure Services (2014)</li> </ul>

Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		

**Data and Information**

Quality and availability of data and intelligence could be insufficient to enable us to design services & target effective interventions (DA1)	Director of Policy, Performance & Public Health	Financial inefficiency Needs could go unmet Negative impact on the quality of commissioning	<ul style="list-style-type: none"> <li>Performance Management and Business Intelligence resource within Policy, Performance and Public Health function</li> <li>Provision of dashboard reports to Policy &amp; Performance committees</li> <li>Breadth and depth of data from Service Reviews</li> </ul>	<b>3</b>	<b>3</b>	<b>9</b>	<ul style="list-style-type: none"> <li>Implement new case management system across both Adult and Children services</li> <li>Implement Data Warehouse</li> <li>Enhance Corporate Governance Group</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Director – Families &amp; Wellbeing (August 2014)</li> <li>Director of Policy, Performance &amp; Public Health (August 2015)</li> <li>Strategic Director - Transformation &amp; Resources</li> </ul>
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Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
A failure in information governance leading to a significant disclosure of sensitive information <b>(DA24)</b>	Strategic Director Trans & Resources	Distress and inconvenience to those affected. Criminal and civil proceedings against the Council. Damage to the Council's reputation	<ul style="list-style-type: none"> <li>Information Governance Board and Information Governance Operational Group established</li> <li>Guidance on information handling/security circulated</li> <li>Technical ICT controls</li> <li>Independent security assessments of the council's ICT infrastructure</li> <li>PSN accreditation attained</li> <li>Training delivered to Members and key officers on information governance</li> </ul>	<b>4</b>	<b>2</b>	<b>8</b>	<ul style="list-style-type: none"> <li>Training for IGOs</li> <li>Annual refresh of training for managers and key staff</li> <li>Implement the Information Governance Action Plan</li> <li>Secure all council mobile and printing devices</li> <li>Implement technical solution to protectively monitor the council's ICT infrastructure</li> <li>All staff to undertake background checks to comply with BPSS</li> <li>Achieve Level 2 IG toolkit accreditation</li> <li>Develop IG communications for non-IT users</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Director - Transformation &amp; Resources (July 2014)</li> <li>Strategic Director - Transformation &amp; Resources (Dec 2014)</li> <li>Strategic Director - Transformation &amp; Resources</li> <li>Strategic Director - Transformation &amp; Resources ( Aug 2014)</li> <li>Strategic Director - Transformation &amp; Resources - August 2014</li> <li>Strategic Director - Transformation &amp; Resources (2015)</li> <li>Strategic Director - Transformation &amp; Resources (Sep 14)</li> <li>Strategic Director - Transformation &amp; Resources</li> </ul>



Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		

**Partnerships**

<p><b>Failure to ensure resilience and cohesion in key partnerships</b></p> <p><b>(PA2)</b></p>	<p>Director of Policy, Performance &amp; Public Health</p>	<p>Potential service failures and gaps in provision. Needs could go unmet. Possible duplication / inefficient use of effort / resources. Cost 'shunting'. Increased demands on the Council because others cannot help.</p>	<ul style="list-style-type: none"> <li>• Health &amp; Wellbeing Board established</li> <li>• Local Public Sector Board established</li> <li>• Support for Combined Authority</li> </ul>	<p><b>3</b></p>	<p><b>3</b></p>	<p><b>9</b></p>	<ul style="list-style-type: none"> <li>• Develop the Local Public Sector Board and Health &amp; Wellbeing Board</li> <li>• Conduct a review of partnerships</li> <li>• Develop a register of key partnerships</li> <li>• Refresh partnership toolkit</li> </ul>	<ul style="list-style-type: none"> <li>• Director of Policy, Performance &amp; Public Health</li> <li>• Chief Executive</li> <li>• Strategic Director - Transformation &amp; Resources</li> <li>• Strategic Director - Transformation &amp; Resources</li> </ul>
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Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
Failure of a major provider (private, public or voluntary, community and faith sector) or partner leading to interruption of service <b>(PA4)</b>	Chief Executive	Impact on service delivery (depends on provider) potentially affecting vulnerable people, damage to the Council's reputation, cost of putting alternative arrangements in place	<ul style="list-style-type: none"> <li>External suppliers identified and position statement compiled as to their arrangements</li> <li>Procurement Strategy and the agreed procurement process checks on potential contractor.</li> <li>Contract and performance management arrangements</li> <li>Monitoring of contract delivery by Strategic Directors</li> <li>Linkages to Business Continuity arrangements</li> </ul>	<b>4</b>	<b>3</b>	<b>12</b>	<ul style="list-style-type: none"> <li>Work with departments to ensure that all partner agencies and/or voluntary, community or faith sector organisations have suitable and sufficient business continuity arrangements – a check should be made on a two yearly basis</li> <li>Ensure all external suppliers / contractors provide a position statement in regard to their individual business continuity plans on a two yearly basis</li> <li>Incorporate an annual financial check is as part of the regular contract performance management arrangements</li> </ul>	<ul style="list-style-type: none"> <li>Head of Universal &amp; Infrastructure Services (2014 onwards)</li> <li>Head of Universal &amp; Infrastructure Services</li> <li>Head of Universal &amp; Infrastructure Services</li> </ul>

Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
<b>Customer / Citizen</b>								
Failure to ensure adequate safeguarding arrangements, exposing children or vulnerable adults to greater risk of abuse or exploitation <b>(CU1)</b>	Strategic Director Families & Wellbeing	Significant financial cost, possible civil and criminal proceedings, loss of confidence in the Council, damage to reputation, government intervention	<ul style="list-style-type: none"> <li>Local Safeguarding Children Board and Safeguarding Adults Partnership Board monitor serious case review action plans.</li> <li>Business priorities for the WSCB monitored through the WSCB Executive</li> <li>Weekly performance monitoring of changes to contact and referral taking in CADT.</li> <li>Reports to CESG and strategic Directors DMT on Corporate Safeguarding performance.</li> <li>National Notification of Serious Child Care Incidents to OFSTED.</li> <li>Continuing programme for disseminating learning from serious child care incidents.</li> <li>Monthly meetings of the Merseyside Child Death Overview Panel.</li> <li>Continuing review of S118 IRO applications.</li> </ul>	5	3	15	<ul style="list-style-type: none"> <li>Implement Signs of Safety as a framework for safeguarding children by November 2014 and to evaluate impact by March 2015.</li> <li>Support Council staff and partners in learning from best practice and serious/critical case reviews.</li> <li>Deliver a customer focused response to complaints that leads to improvements in practice and evaluate</li> <li>Establish an effective Multi Agency Safeguarding Hub for vulnerable children and adults and evaluate.</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Director - Families &amp; Wellbeing (Nov 2014 to March 2015)</li> <li>Strategic Director - Families &amp; Wellbeing (Nov 2014 to March 2015)</li> <li>Strategic Director - Families &amp; Wellbeing (Dec 2014 to March 2015)</li> <li>Strategic Director - Families &amp; Wellbeing (Sep 2014 to March 2015)</li> </ul>

			<ul style="list-style-type: none"> <li>• Market supplement is paid to social workers in hard to recruit and retain posts.</li> <li>• Reviews carried out by District Managers of children / young people known to a number of different agencies</li> <li>• High-level multi-agency review of individuals leading to improved, and consistently applied multi-agency risk management process and targeted support to be put in place to pre-empt, where possible, escalation of identified areas of concern.</li> <li>• Strategic Review Process implemented for contracted providers giving cause for concern</li> </ul>				<ul style="list-style-type: none"> <li>• Implement 'Making Safeguarding Personal' (MSP) and evaluate its impact</li> <li>• Establish a joint Domestic Violence sub committee of the SAPB and LSCB</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Director - Families &amp; Wellbeing (May 2014 to March 2015)</li> <li>• Strategic Director - Families &amp; Wellbeing</li> </ul>
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Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
<b>Physical</b>								
A major physical incident could compromise the delivery of essential services <b>(PH1)</b>	Deputy Chief Executive / Head of Universal & Infrastructure Services	Potential major impact on service delivery (depends on nature of incident), additional cost of alternative provision, possible damage to reputation	<ul style="list-style-type: none"> <li>• Dedicated Health, Safety &amp; Resilience Team provides support and guidance with 24/7 duty officer cover</li> <li>• External Partner organisations and suppliers identified and position statement complied as to their arrangements</li> <li>• Awareness sessions delivered to key staff</li> <li>• Exercises conducted to test efficiency of plans</li> <li>• Departmental business continuity plans in place for critical service areas</li> <li>• Wirral Business Continuity Plan</li> <li>• Wirral Flood and Water Management Partnership formed</li> <li>• Review of winter maintenance arrangements conducted.</li> <li>• Merseyside Community Risk Register</li> <li>• Business interruption and Loss of Revenue insurance</li> </ul>	<b>4</b>	<b>2</b>	<b>8</b>	<ul style="list-style-type: none"> <li>• Increase the number of Duty Officers</li> <li>• CSG Training and Exercising programme</li> <li>• Continue to review and capture any lessons learnt from incidents and exercises.</li> <li>• Introduction of a Wirral emergency Volunteer Scheme</li> <li>• Arrange refresher training on service continuity planning and management</li> </ul>	<ul style="list-style-type: none"> <li>• Head of Universal &amp; Infrastructure Services (ongoing throughout 2014)</li> <li>• Head of Universal &amp; Infrastructure Services (various dates throughout 2014)</li> <li>• Head of Universal &amp; Infrastructure Services</li> <li>• Head of Universal &amp; Infrastructure Services</li> <li>• Head of Universal &amp; Infrastructure Services</li> </ul>

Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
Failure to implement new IT systems / hardware in time to support the new Council model  <b>(PH2)</b>	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"> <li>Replacement / upgrade projects agreed as part of 'Future Council' programme</li> <li>Control and monitoring meetings for all projects within ICT improvement programme</li> <li>Temporary engagement of Strategic IT Advisor to provide direction and capacity</li> </ul>	<b>3</b>	<b>3</b>	<b>9</b>	<ul style="list-style-type: none"> <li>Implement programme of ICT improvements (including refresh of hardware)</li> <li>Recruit to newly created senior IT post</li> <li>Implement a new case management system across both Adult and Children services</li> <li>Implement Windows 7 &amp; Office 2010 across the Council</li> </ul>	<ul style="list-style-type: none"> <li>Director of Resources</li> <li>Director of Resources</li> <li>Strategic Director – Families &amp; Wellbeing (August 2014)</li> <li>Director of Resources – (November 2014)</li> </ul>
A sustained catastrophic failure in the Council's ICT systems <b>(PH3)</b>	Strategic Director Trans & Resources	Huge impact on service delivery, possibly affecting the public (especially the vulnerable) damage to reputation, breach of contracts, inability to share data with partners and government	<ul style="list-style-type: none"> <li>Second machine room</li> <li>Fire suppressant system in rooms</li> </ul>	<b>5</b>	<b>2</b>	<b>10</b>	<ul style="list-style-type: none"> <li>Implement programme of ICT improvements (including review of IT service continuity arrangements)</li> </ul>	<ul style="list-style-type: none"> <li>Director of Resources</li> </ul>

**External**  
**Economic**

Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
Welfare Reforms  (EC2)	Chief Executive	Adverse effect on individuals and the local economy. Increase in demands on Council services.	<ul style="list-style-type: none"> <li>• Council-led strategic approach to assess the implications and prepare effective policy &amp; delivery responses</li> <li>• Discretionary Funds those impacted by the reforms inc. under occupancy</li> <li>• Localised Welfare Assistance Scheme</li> </ul>	<b>4</b>	<b>4</b>	<b>16</b>	<ul style="list-style-type: none"> <li>• Deliver additional activity through a Local Partnership Framework</li> <li>• Undertake regular impact assessments</li> <li>• Monitor criteria for Localised Welfare Assistance Scheme</li> <li>• Participation in DWP pilot relating to Universal Credit</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Director Regeneration &amp; Environment</li> <li>• Strategic Director Regeneration &amp; Environment</li> <li>• Strategic Director – Transformation &amp; Resources</li> <li>• Strategic Director – Transformation &amp; Resources</li> </ul>

Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
<b>Social</b>								
<p>Increasing demand for socially provided care exceeds the resources available (Council and NHS)</p> <p><b>(S01)</b></p>	Strategic Director Families & Wellbeing	Budget gap could increase	<ul style="list-style-type: none"> <li>Vision 2018 programme</li> <li>Integrated Care programme</li> <li>Joint Commissioning arrangements with the CCG</li> <li>Enhanced monitoring and reporting arrangements</li> </ul>	<b>4</b>	<b>4</b>	<b>16</b>	<ul style="list-style-type: none"> <li>Re-model early intervention and prevention services to ensure we manage demand efficiently and community based care effectively</li> <li>Implement 7 Day Working within the Integrated Discharge Team and Care Arranging Team</li> <li>Enhance market capacity to prevent avoidable hospital admissions and supporting timely hospital discharges</li> <li>Joint Carers Strategy between Social Care and Health</li> <li>Procure falls prevention and</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Director – Families &amp; Wellbeing (March 2015)</li> <li>Strategic Director – Families &amp; Wellbeing (Q2 2014/15)</li> <li>Strategic Director – Families &amp; Wellbeing (April 2014)</li> <li>Strategic Director – Families &amp; Wellbeing (March 2015)</li> <li>Director of Public Health (March</li> </ul>



							treatment pathway with the Clinical Commissioning Group and the Directorate of Adult Social Services	2015)
Poor lifestyle choices continue to adversely affect public health and require different public provision (SO2)	Director of Policy, Performance & Public Health	Health inequalities remain. Increasing demands on health and care services	<ul style="list-style-type: none"> <li>• Commissioned lifestyle services (i.e. stop smoking services, weight management, drugs and alcohol services)</li> <li>• Role of sports development service</li> <li>• Health &amp; Wellbeing Board provides focus and a forum for collaboration</li> <li>• Vision 2018 work stream on early intervention and prevention</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>• Develop the Health &amp; Wellbeing Board</li> <li>• Conduct a review into the impact on the health of local people of the current spend of the public health budget</li> <li>• Develop a new Public Health strategy for 2015-20</li> <li>• Conduct four health promotion campaigns – Stoptober, National Smile Week, Dry January and Mental Health Awareness Week</li> </ul>	<ul style="list-style-type: none"> <li>• Director of Public Health</li> <li>• Director of Public Health (Aug 2014)</li> <li>• Director of Public Health (March 2015)</li> <li>• Director of Public Health (various)</li> </ul>

Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
Failure to equip the community to be more self-reliant (SO3)	Chief Executive	Demands on our decreasing resources might not reduce Needs might go unmet	<ul style="list-style-type: none"> <li>Asset based community development (ABCD) projects</li> <li>Public sector transformation network</li> <li>Existing support through the Voluntary, Community and Faith sectors</li> <li>Engagement of individuals and groups through Constituency Committees</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>Constituency Committee priority areas</li> <li>Further ABCD projects</li> <li>Delivery of the IFIP programme</li> <li>Commission a Direct Payments Advisory Service supporting people to have enhanced choices and control through personalisation</li> <li>Create a social enterprise delivery vehicle for disability services</li> <li>Introduction of a Wirral emergency Volunteer Scheme</li> </ul>	<ul style="list-style-type: none"> <li>Director of Public Health (June 2015)</li> <li>Director of Public Health Executive</li> <li>Strategic Director – Families &amp; Wellbeing (Dec 2014 to Sep 2015)</li> <li>Strategic Director – Families &amp; Wellbeing (July 2014)</li> <li>Strategic Director – Families &amp; Wellbeing (July 2014 to April 2015)</li> <li>Head of Universal &amp; Infrastructure Services</li> </ul>

Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
<b>Technological</b>								
Technological advance leads to digital exclusion of individuals and businesses  <b>(TE1)</b>	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"> <li>• Council is leading a partnership approach to increasing digital inclusion ('Go ON Wirral').</li> <li>• Wirral Digital Inclusion Plan</li> </ul>	<b>4</b>	<b>3</b>	<b>12</b>	<ul style="list-style-type: none"> <li>• Community learning; training and IT skills</li> <li>• Work with partners to increase the network of publicly accessible PCs &amp; Internet</li> <li>• Council project to encourage access to Council services online</li> <li>• Increasing availability of free Wi-Fi</li> <li>• NGA superfast broadband project</li> <li>• Participation in DWP pilot relating to Universal Credit</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Director Regeneration &amp; Environment</li> <li>• Strategic Director Regeneration &amp; Environment</li> <li>• Strategic Director Regeneration &amp; Environment</li> <li>• Strategic Director Regeneration &amp; Environment</li> <li>• Strategic Director Regeneration &amp; Environment</li> <li>• Strategic Director – Transformation &amp; Resources</li> </ul>

Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		
<b>Environmental</b>								
<p>Growing incidence of extreme weather events</p> <p><b>(EN2)</b></p>	Strategic Director Regeneration & Environment	Flood risk could rise Council's operating costs could increase (e.g. winter maintenance) Disruption to services	<ul style="list-style-type: none"> <li>• Wirral Flood &amp; Water Management Risk Partnership</li> <li>• Merseyside Strategic Flood &amp; Coastal Risk Management Committee</li> <li>• NW Regional Flood &amp; Coastal Committee</li> <li>• Contribute to existing NW RFCC levy scheme.</li> <li>• Merseyside Local Resilience Forum (Multi-Agency) &amp; Wirral Council Flooding &amp; Adverse Weather Response Plans</li> <li>• Met Office and Env Agency weather and flood alerting systems – council cascade to partner agencies</li> </ul>	<b>4</b>	<b>3</b>	<b>12</b>	<ul style="list-style-type: none"> <li>• Progress implementation of the Wirral Flood Risk Partnership action plan.</li> <li>• Wirral Coastal Strategy 2013 – resultant Action Plan identifies 4 areas where intervention is required within 20 years</li> <li>• Wirral Emergency Volunteers Scheme – Flood Wardens</li> <li>• Surface Water Investigation work (RFCC Levy Bid for works to be delivered in 2014/15)</li> <li>• Merseyside LRF Flooding Response Exercise 2014</li> </ul>	<ul style="list-style-type: none"> <li>• Head of Universal &amp; Infrastructure Services</li> <li>• Strategic Director Regeneration &amp; Environment (Coast Protection team) - by 2034</li> <li>• Head of Universal &amp; Infrastructure Servs. (Apr 2014)</li> <li>• Drainage &amp; Development team</li> <li>• Health Safety &amp; Resilience team (2014)</li> </ul>

Risk Description	Lead Officer	Potential Impact	Principal Controls (Existing)	Current Risk Scores			Principal Controls (Planned)	Responsibility and Date
				Impact	Likelihood	Total		

**Legal / Regulatory**

<p>Growth of academies / free schools complicates our ability to raise educational attainment and provide skills</p> <p><b>(LE1)</b></p>	<p>Strategic Director Families &amp; 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"> <li>• Dialogue with schools becoming Academies</li> <li>• Retention of support networks e.g Cluster Headteacher Groups</li> <li>• Wirral Education Quality Services (WEQS) offered to all schools, including Academies</li> <li>• Existing structures (e.g. WASH, WISP, Children’s Trust Board) provide focus and forums for collaboration</li> </ul>	<b>3</b>	<b>2</b>	<b>6</b>	<ul style="list-style-type: none"> <li>• Exploring with schools grouped Academy structures</li> <li>• Facilitating continuing dialogue with schools re Academy options</li> <li>• Expand and enhance the traded services offer to schools</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Director – Families &amp; Wellbeing</li> <li>• Strategic Director – Families &amp; Wellbeing</li> <li>• Strategic Director – Families &amp; Wellbeing (March 2015)</li> </ul>
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# The Audit Plan for Wirral Council

Year ended 31 March 2014

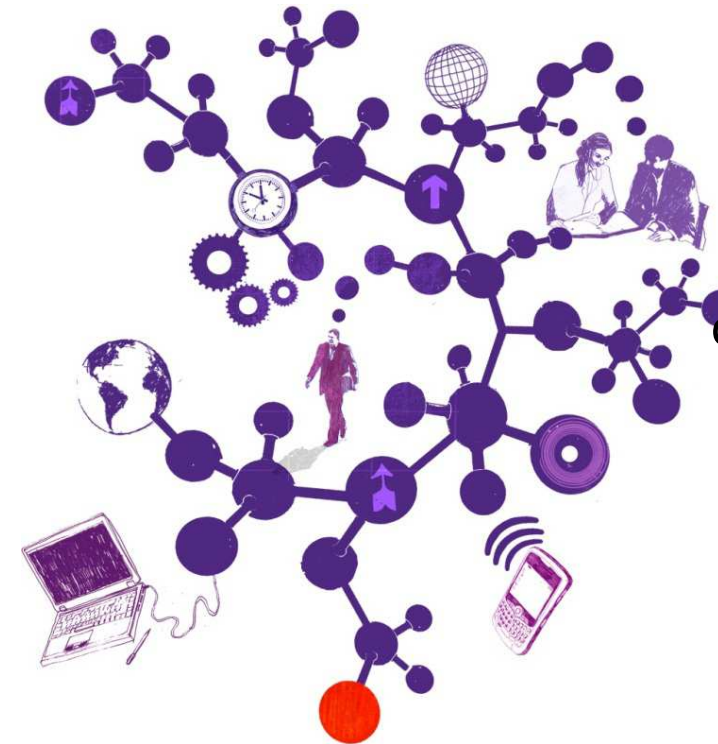
May 2014

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Agenda Item 13

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



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# Contents

## Section

1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. Significant risks identified
5. Other risks identified
6. Results of interim audit work
7. Value for Money
8. Key dates
9. Fees and independence
10. Communication of audit matters with those charged with governance

# Understanding your business

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

## Challenges/opportunities

### 1. Financial Position

- The Council's financial position remains challenging. Plans to deliver a balanced budget in 2013/14 included a requirement to secure savings of £48.34 million.
- Month 10 monitoring reports set out that savings of £37.16million had been delivered and forecast underspend of £966,000 for 2013/14.

### 2. Future Council

- The Council have commenced a full review into the structure, design and functions of the Council in order to inform proposal to remodel the organisation.
- The review is intended to transform the Council, help deliver the significant savings targets whilst ensuring that resources are used effectively to achieve its priorities and achieve desired outcomes for local residents and partners.

### 3. Medium Term financial planning

- The Council has in place a medium term financial strategy (MTFS) 2014 – 2017. The MTFS sets out a continuing challenging financial position with a forecast funding deficit of some £83 million by 31 March 2017.
- Currently, £39 million of the required savings have been agreed with £44 million remaining to be identified for 2015/16 and 2016/17.

### 4. Corporate Priorities

- The Council approved a new Corporate Plan in March 2013 following extensive public consultation.
- The new Corporate Plan was subsequently "refreshed" in December 2013 and now covers the period 2014 – 2016. A key aim is to ensure that the priorities identified in the plan are underpinned by a sustainable budget.

### 5. Responding to changes or transfers of responsibilities to Local Government

- From 1 April 2013 the Council took on new responsibilities including Public Health, Business Rates Retention and Local Council Tax Support. These changes present both opportunities and challenges for the Council



## Our response

- We will continue to monitor the financial position of the Council to inform our financial statements opinion and value for money conclusion.
- We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan

- We will monitor the progress and impact of the transformation project with particular emphasis on any organisational changes and the identification and achievement of financial savings.

- We will assess the mechanisms the Council has in place to update the Medium Term Financial Strategy going forward
- We will carry out a review of financial resilience and the sustainability of the Council's position in the light of the challenges it faces.

- We will review your arrangements for delivering corporate priorities and managing performance.

- We will maintain a watching brief over the changes to the Council's arrangements.
- Review of the joint plan prepared by the Council with Wirral CCG and the Health and Wellbeing Board for the transformation of adult health and social care services through the Integrated Transformation Fund.

# 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 ('the code') and associated guidance.

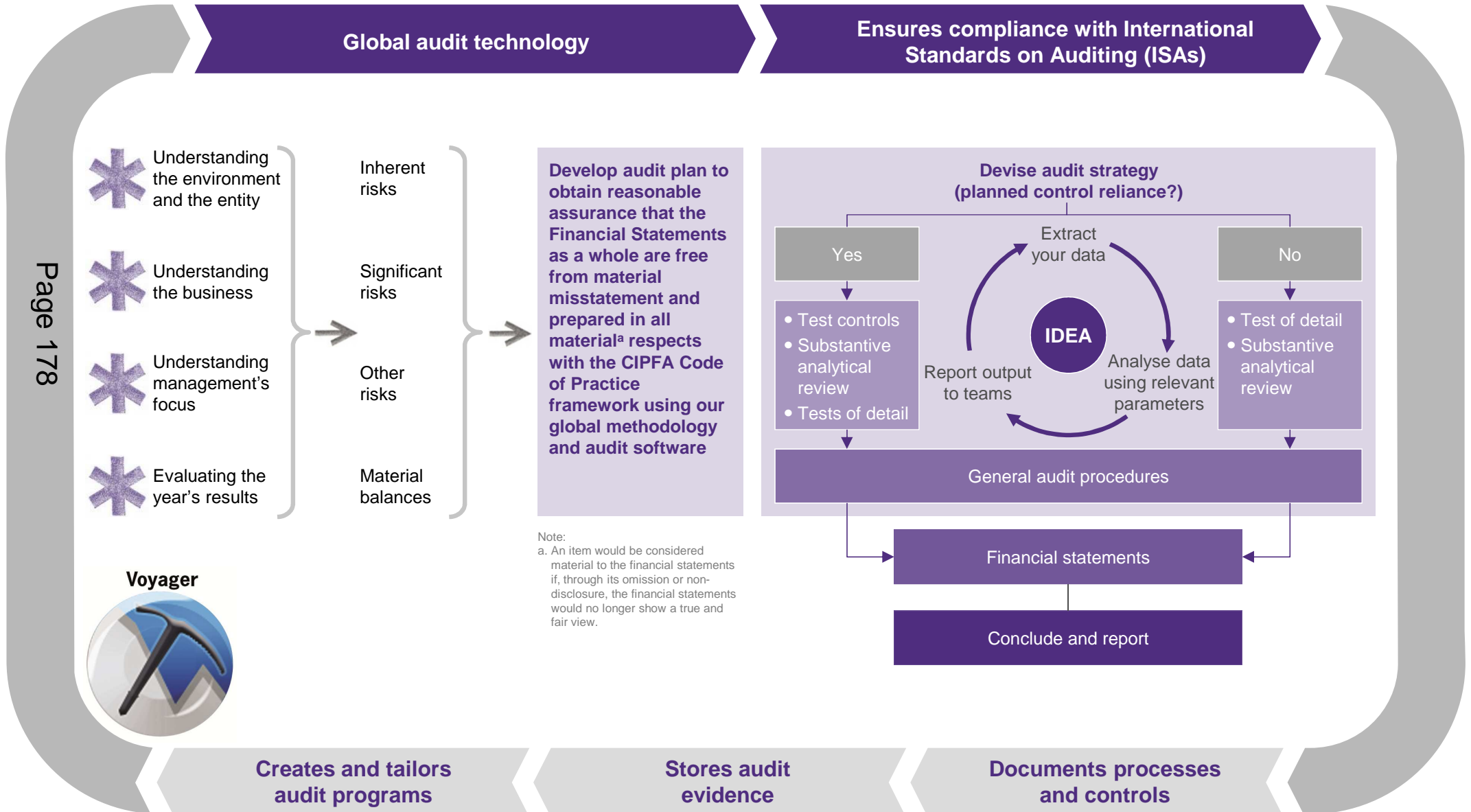
## Developments and other requirements

<p><b>1. Financial reporting</b></p> <ul style="list-style-type: none"> <li>• Changes to the CIPFA Code of Practice</li> <li>• Clarification of Code requirements around PPE valuations</li> <li>• Changes to NDR accounting and provisions for business rate appeals</li> <li>• Transfer of assets to academies</li> </ul>	<p><b>2. Legislation</b></p> <ul style="list-style-type: none"> <li>• Local Government Finance settlement</li> <li>• Welfare reform Act 2012</li> </ul>	<p><b>3. Corporate governance</b></p> <ul style="list-style-type: none"> <li>• Annual Governance Statement (AGS)</li> <li>• Explanatory foreword</li> <li>• The Council worked with the LGA through a voluntary Improvement Board during 2013-14.</li> </ul>	<p><b>4. Pensions</b></p> <ul style="list-style-type: none"> <li>• The impact of 2013/14 changes to the Local Government pension Scheme (LGPS)</li> </ul>	<p><b>5. Partnership working</b></p> <ul style="list-style-type: none"> <li>• The Council is a key player in the Combined Authority and Local Enterprise Partnership.</li> </ul>	<p><b>6. Other requirements</b></p> <ul style="list-style-type: none"> <li>• The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion</li> <li>• The Council completes grant claims and returns on which audit certification is required</li> </ul>
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## Our response

<p>We will ensure that</p> <ul style="list-style-type: none"> <li>• the Council complies with the requirements of the CIPFA Code of Practice and business rate appeals through discussions with management and our substantive testing</li> <li>• schools are accounted for correctly and in line with the latest guidance</li> </ul>	<ul style="list-style-type: none"> <li>• We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate</li> </ul>	<ul style="list-style-type: none"> <li>• We will review the arrangements the Council has in place for the production of the AGS</li> <li>• We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge of the Council and its activities during 2013-14.</li> <li>• We will consider progress against the actions agreed with the Improvement Board in our overall review of governance arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>• We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management</li> </ul>	<ul style="list-style-type: none"> <li>• We will keep a watching brief on the role of the Combined Authority and the LEP and their relationship with the achievement of the Council's priorities.</li> </ul>	<ul style="list-style-type: none"> <li>• We will carry out work on the WGA pack in accordance with requirements</li> <li>• We will certify grant claims and returns in accordance with Audit Commission requirements</li> </ul>
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# Our audit approach



# Significant risks identified

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

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

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<b>Work completed to date</b> <ul style="list-style-type: none"><li>Review and testing of revenue recognition policies</li></ul> <b>Audit Coverage:</b> <ul style="list-style-type: none"><li>Testing of material revenue streams</li></ul>
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.	<b>Work completed to date</b> <ul style="list-style-type: none"><li>Review of accounting estimates, judgements and decisions made by management</li></ul> <b>Audit Coverage:</b> <ul style="list-style-type: none"><li>Testing of journal entries</li><li>Review of unusual significant transactions</li></ul>

# Other risks identified

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 judgement, 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).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed during interim visit	Further work planned
Operating expenses Page 180	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> <li>Documented and identified the processes and key controls in the operating expenses cycle</li> <li>Walkthrough of controls to confirm our understanding</li> <li>Early testing of a sample of operating expenses</li> </ul>	<ul style="list-style-type: none"> <li>Further detailed review and testing of year end accruals and creditor balances including confirmation that balances due have been settled after the year-end</li> <li>"Cut – off" testing to obtain assurance that creditors have been accounted for in the correct financial year</li> </ul>
Employee remuneration	Employee remuneration accrual understated	<ul style="list-style-type: none"> <li>Documented and identified the processes and key controls in the employee remuneration cycle</li> <li>Walkthrough of controls to confirm our understanding</li> </ul>	<ul style="list-style-type: none"> <li>Review of payroll reconciliations including at the year end</li> <li>Substantive testing of payments made to employees in the 2013-14 financial year</li> <li>Use of analytical techniques to compare expected payroll costs with actual</li> </ul>
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> <li>Documented and identified the processes and key controls in the Welfare expenditure cycle</li> <li>Walkthrough of controls to confirm our understanding</li> </ul>	<ul style="list-style-type: none"> <li>Agreement to accounts and supporting notes.</li> <li>Housing Benefit Subsidy Claim testing using Audit Commission HBCOUNT approach.</li> </ul>
Property, Plant & Equipment (PPE)	PPE activity not valid	<ul style="list-style-type: none"> <li>Documented and identified the processes and key controls for property, plant and equipment transactions</li> <li>Walkthrough of controls to confirm our understanding</li> </ul>	<ul style="list-style-type: none"> <li>Sample testing of PPE movements during the year.</li> <li>Sample test of PPE additions and disposals, including compliance with capitalisation requirements.</li> <li>Testing of capital expenditure to confirm adherence to the Authority's accounting policies and accurate disclosure in the financial statements.</li> </ul>

# Other risks identified

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).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work to be completed during interim visit	Further work planned at post statements visit
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> <li>Review of the arrangements made by management to commission an appropriate valuation of the Authority's asset base and the steps taken to ensure that valuations obtained are correctly reflected in the Authority's asset register and accounted for in the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>Review of the analysis which demonstrates that the value of assets in the Council's balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014.</li> <li>Detailed testing of accounting entries posted to reflect valuations obtained.</li> </ul>

# Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed with findings	Conclusion
<b>Internal audit</b>	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also considered internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
<b>Walkthrough testing</b>	<p>We are completing walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work to date has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work to date has not identified any weaknesses which impact on our audit approach.</p>
<b>Review of information technology controls</b>	<p>Our information systems specialist will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system. We have also performed a follow up of the issues that were raised last year.</p>	<p>We will report at a future Audit and Risk Management Committee should our work identify any material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
<b>Journal entry controls</b>	<p>We are reviewing the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.</p>	<p>Our work to date has not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>



# Value for money

## Value for money

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

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

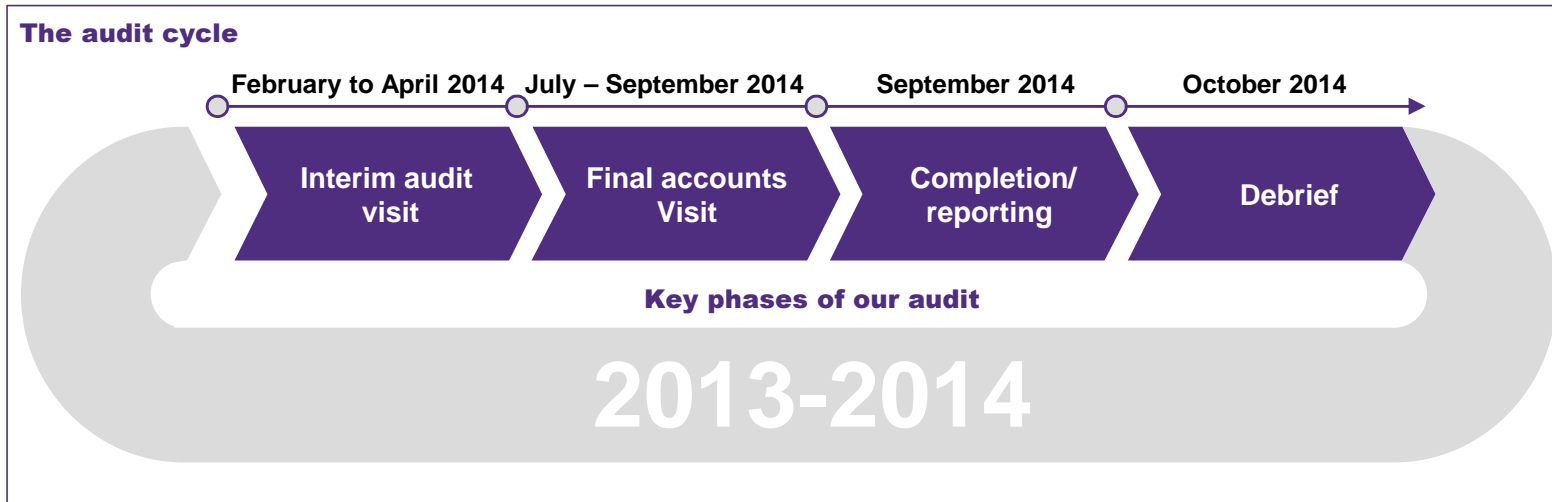
VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- We will follow up the progress made on the issues raised in our 2012-13 work and update our understanding of the Council's current position. Our findings will be reflected in our final conclusion.
- Assessment of the updates to revenue budgets and the Medium Term Financial Strategy 2014 – 2017 in light of the most recent local government finance settlement and the comprehensive spending review
- Review the Council's joint working arrangements with its partners to implement the Better Care Fund.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

# Key dates



Date	Activity
January - March 2014	Planning
February - April 2014	Interim site visit
June 2014	Presentation of audit plan to Audit and Risk Management Committee
July - September 2014	Year end fieldwork
September 2014	Audit findings clearance meeting with Director of Finance
September 2014	Report audit findings to those charged with governance - Audit and Risk Management Committee
September 2014	Sign financial statements opinion

# Fees and independence

## Fees

	£
Council audit	211,680
Grant certification	40,400
<b>Total fees (excluding VAT)</b>	<b>252,080</b>

## Our fee assumptions include:

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

## Fees for other services

Service	Fees £
Regional growth fund (RGF)	1,950

## Independence and ethics

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

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

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

# Communication of audit matters with those charged with governance

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

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

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

## Respective responsibilities

The 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](http://www.audit-commission.gov.uk)).

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

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

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

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

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## WIRRAL COUNCIL

### AUDIT & RISK MANAGEMENT COMMITTEE

23<sup>RD</sup> JUNE 2014

<b>SUBJECT:</b>	<b>CONTRACT EXTENSION FOR THE SUPPLY OF THE WORKING WIRRAL PROGRAMME</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>STRATEGIC DIRECTOR REGENERATION &amp; ENVIRONMENT</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR PAT HACKETT</b>

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report notifies members of Audit & Risk Management Committee of the delegated decision of the Strategic Director, Regeneration and Environment, to extend the contract for The Supply of the Working Wirral programme for a period of 10 months from 1<sup>st</sup> April 2014 to 30th January 2015 at a cost of £700,000.
- 1.2 The Working Wirral programme (operating name of ReachOut Partnership) is delivered by a consortium of voluntary sector partners led by Involve Northwest and supports Wirral Council to address worklessness issues in Wirral.

#### 2.0 BACKGROUND

- 2.1 On 2<sup>nd</sup> August 2012 the Leader of the Council approved the appointment of a consortium led by Involve Northwest to supply the Working Wirral Programme. The contract to the value of £960,000 was awarded for a 12 month period from 1<sup>st</sup> September 2012 to 31<sup>st</sup> August 2013, however the Invitation to Tender allowed the Council the option to review and extend the contract for further period(s) up to 31<sup>st</sup> August 2015.
- 2.2 On 24<sup>th</sup> June 2013 the Leader of the Council approved a recommendation to allocate £504,000 of Working Neighbourhood Fund reserves to extend the contract for The Supply of the Working Wirral programme for the period 1<sup>st</sup> September 2013 to 31<sup>st</sup> March 2014.
- 2.3 On 25<sup>th</sup> February 2014 Budget Council agreed to award £700,000 of Council funds to extend the contract of the ReachOut Partnership.

#### 3.0 OVERVIEW OF WORKING WIRRAL PROGRAMME

- 3.1 The Working Wirral service provides Wirral wide access to a programme of delivery with 3 main elements:
- **Universal Offer to add Value to DWP Services:** Delivery of Work Clubs in a range of community locations throughout the borough.
  - **Bespoke Offer to add value to DWP Services:** Engages and supports Wirral's workless residents not participating in the DWP Work Programme to provide an intensive personalised package of support. Activity commences with engagement of priority groups, followed by bespoke support to move closer to the labour

market and make the transition into sustainable employment. It also includes support to retain employment by providing mentoring and aftercare support for up to 26 weeks following a job start. This element also includes access to a participant discretionary fund to support participants to overcome barriers to their jobsearch and/or barriers to commencing employment.

- **Working with Council Programmes/Other Initiatives:** Links clients to programmes by referral mechanisms and supports the council with employment advice at events such as jobs fairs, redundancy support etc.

#### 4.0 WORKING WIRRAL PERFORMANCE (1<sup>st</sup> September 2012 to 31<sup>st</sup> March 2014)

4.1 Table 1 below provides a review of performance for Working Wirral programme for the period 1<sup>st</sup> September to 31<sup>st</sup> March 2014 and demonstrates that the supplier has exceeded contracted outcomes.

**Table 1: Working Wirral Performance Data September 2012 to March 2014**

	Contracted	Achieved	% Achieved
Number of Participants engaged on Programme	1977	3114	158%
Number of Job Outcomes	1042	1440	138%
Number of Job Outcomes sustained at 26 weeks	676	727	108%

Source: Wirral Council Hanlon System May 2014

#### 5.1 NEW CONTRACT OVERVIEW (1<sup>st</sup> April 2014 to 31<sup>st</sup> January 2015)

5.1 On 10<sup>th</sup> December 2013 Cabinet proposed to invest a further £700,000 to extend the contract of the ReachOut Partnership.

5.2 As the Council's budget was not finalised until 25<sup>th</sup> February 2014, Officers sought agreement from Legal Services and Corporate Procurement to commence preliminary dialogue without prejudice with the supplier regarding the detail of the contract extension.

5.3 On 19<sup>th</sup> February 2014 Involve Northwest supplied the Council with a proposal to deliver a programme as follows:

- **Duration of Contract:** 1<sup>st</sup> April 2014 to 30th January 2015 (10 months)
- **Contract Value:** £700,000
- **Headline Targets:**
  - 1020 participants engaged on programme
  - 600 job outcomes
  - 390 job outcomes retained in employment at 26 weeks
  - Delivery of 23 Work Clubs per week delivered in a range of community locations
  - Bespoke offer to support those furthest from the labour market
  - Lean approach to management (8.5%)
  - Expenditure weighted on frontline delivery for direct staffing costs (71%)



5.4 On 25<sup>th</sup> February 2014 Budget Council approved Cabinet's proposal to invest up to £700,000 and Contract Procedure Rules have been followed to approve the proposed delivery and contract extension as detailed in sections 10 and 11 of this report.

## **6.0 RELEVANT RISKS**

6.1 The supplier has exceeded contracted outcomes for the period 1<sup>st</sup> September to 31<sup>st</sup> March 2014. Any future risk to the Council will be managed as follows:

- The Council will continue to manage the contract through existing staff in Regeneration and Planning who have the expertise and proven track record in managing such programmes. This includes a Contract Management Plan with robust scrutiny of performance outcomes and financial monitoring.
- A clause in the contract to pay the supplier monthly instalments in arrears, subject to retention of 5% to be withheld from each instalment. This retention will only be released if the Council is satisfied that targets have been met or all reasonable endeavours have been used to achieve them.

## **7.0 OTHER OPTIONS CONSIDERED**

7.1 At the time of tendering for the original contract (September 2012) the Council was only able to confirm funding for 12 months but included the option for the Council to review and extend the contract. This decision to allow the option of extended contracts for a further 2 years up to August 2015 was taken owing to the nature of programmes to support disadvantaged residents and communities to find sustainable employment. These are not maximised via shorter term contracts as they require longevity to embed in the community and provide the longer term support for those who are furthest from the labour market and additionally retain them in employment for 26 weeks.

7.2 This extension to contract has mitigated the financial cost to the Council of conducting an open and competitive retendering process.

## **8.0 CONSULTATION**

8.1 The Working Wirral Programme supports Wirral's Corporate Plan and Investment Strategy priorities developed through extensive consultation.

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

9.1 The Working Wirral contract is delivered by a consortium of voluntary sector partners led by Involve Northwest.

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

10.1 On 25<sup>th</sup> February 2014 Budget Council agreed to award £700,000 of Council funds to extend the contract of the ReachOut Partnership.

10.2 This is now the 2<sup>nd</sup> contract extension that has been negotiated for this contract. When comparing this 2<sup>nd</sup> contract extension to the original Invitation to Tender, the Supplier provides a:

- £10,000 (12.5%) reduction in the monthly contract price
- £500 (30%) reduction in the unit cost per job outcome
- 25% increase in the number of job outcomes

The additional job outcomes that this contract extension provides are welcomed to support the Council in the delivery of the Investment Strategy and Corporate Plan.

## **11.0 LEGAL IMPLICATIONS**

- 11.1 As the original tender for the Working Wirral programme allowed for extension(s) of contract to August 2015, there is provision within the contract to extend and this has not already been utilised to its full extent. Additionally, the extension to contract does not amount to a significant or material alteration to the contract advertised and the pricing model provides value for money. As such the Strategic Director, Regeneration and Environment has approved the extension to contract and followed Contract Procedure Rules to record this decision.
- 11.2 The decision has been forwarded to the Head of Procurement who will keep a record of the approval. Legal services have prepared the documentation to record the terms of the extension.
- 11.3 The decision has been notified to:
- The Leader of the Council;
  - Cabinet Member for the Economy, and
  - Members of Audit and Risk Management Committee (via this report).
- 11.4 There are no Transfer of Undertaking Regulations implications as Involve Northwest is the supplier of the existing Working Wirral contract that ceased on 31<sup>st</sup> March 2014.

## **12.0 EQUALITIES IMPLICATIONS**

- 12.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?  
(a) Yes and impact review is attached

<http://www.wirral.gov.uk/my-services/community-and-living/equality-diversity-cohesion/equality-impact-assessments/eias-2010/regeneration-housing-planning>

## **13.0 CARBON REDUCTION IMPLICATIONS**

- 13.1 There are no direct carbon reduction implications arising from this report.

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

- 14.1 There are no direct planning or community safety implications arising from this report.

## **15.0 RECOMMENDATIONS**

- 15.1 Members of Audit & Risk Management Committee are requested to note the content of the report.

## **16.0 REASON/S FOR RECOMMENDATION/S**

- 16.1 As required by Contract Procedure Rule E123 the Strategic Director, Regeneration and Environment is required to notify members of Audit & Risk Management Committee of the delegated decision to extend the contract for The Supply of the Working Wirral programme.

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## REFERENCE MATERIAL

### SUBJECT HISTORY (last 3 years)

<b>Council Meeting</b>	<b>Date</b>
Delegated Report to the Leader of the Council: Tackling Worklessness the Supply of the Working Wirral Programme (Approved 24 <sup>th</sup> June 2013)	19 <sup>th</sup> June 2013
Delegated Report to the Leader of the Council: Tackling Worklessness (Approved 2 <sup>nd</sup> August 2012)	24 <sup>th</sup> July 2012
Report to Cabinet: Tackling Worklessness	19 <sup>th</sup> July 2012
Report to Cabinet: Tackling Worklessness/Supporting Apprentices In Wirral	12 <sup>th</sup> April 2012

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