



Audit and Risk Management Committee

| | |
|---------------|--|
| Date: | Monday, 8 June 2015 |
| Time: | 6.00 pm |
| Venue: | Committee Room 1 - Wallasey Town Hall |

Contact Officer: Patrick Sebastian
Tel: 0151 691 8424
e-mail: patricksebastian@wirral.gov.uk
Website: <http://www.wirral.gov.uk>

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 - 10)

To approve the accuracy of the minutes of the meeting held on 18 March 2015.

3. AUDIT AND RISK MANAGEMENT COMMITTEE ANNUAL REPORT - 2014/15 (Pages 11 - 30)

4. AUDIT AND RISK MANAGEMENT COMMITTEE ANNUAL SELF-ASSESSMENT - 2014/15 (Pages 31 - 44)

5. INTERNAL AUDIT UPDATE (Pages 45 - 54)

6. CHIEF INTERNAL AUDITORS ANNUAL REPORT - 2014/15 (Pages 55 - 86)

7. MANAGEMENT OF INSURANCE AND CORPORATE RISK (Pages 87 - 90)

8. **CORPORATE RISK REGISTER**
(Pages 91 - 116)
9. **INSURANCE FUND ANNUAL REPORT**
(Pages 117 - 132)
10. **DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15**
(Pages 133 - 148)
11. **AUDIT COMMITTEE UPDATE**

External Audit progress verbal update.
12. **AUDIT FEE LETTER 2015/16**
(Pages 149 - 152)
13. **USE OF OFFICER DECISION NOTICES PERMITTED UNDER THE COUNCIL CONTRACT PROCEDURE RULES** (Pages 153 - 162)
14. **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**
(Pages 163 - 166)
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

Wednesday, 18 March 2015

Present: Councillor J Crabtree (Chair)

Councillors RL Abbey D Elderton
J Hale M Patrick
S Kelly A Sykes
P Doughty J Walsh

53 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.

54 MINUTES

Resolved – That the minutes of the meeting held on 27 January, 2015, be approved.

55 ORDER OF BUSINESS

The Chair amended the order of business to enable the Grant Thornton Audit Plan for Merseyside Local Government Pension Fund (Urgent business - agenda Item 10c) to be considered after the Internal Audit Annual Plan Report (Item 8 on the agenda).

56 OFFICER DECISION NOTICES PERMITTED UNDER THE COUNCIL'S CONTRACT PROCEDURE RULES

The Head of Financial Services presented the report of the Head of Procurement that set out the range and number of contracts awarded which have been subject to Contracts Procedure Rules E111 - Extension/Variation or Waiver and Rules E117 to E123 – Waiving the Rules. Contracts Procedure Rule E123 requires that all contracts which meet the criteria are reported to Audit and Risk Management Committee.

Members considered the appendix to the report that detailed cases subject to the Extension/Variation or Waiver rules for the period 1 December 2013 to 31 December 2014.

Responding to comments from Members on specific points regarding business travel, actuarial and contract extension in general terms, the Head of Financial Services stated that dependent upon circumstance a varied approach would apply. Examples provided in response to specific Member enquiries included:

Business Travel – option to extend (covered within the existing contract) would not preclude further investigation into alternative provision.

General matters – the Head of Financial Services confirmed that value for money procedures were continually applied to the procurement and extension of all contracts mentioned within the report appendix.

Actuarial – the sum of £750,000 mentioned in the report appendix related to a one year extension to the Merseyside Pension Fund contract with Mercer, and was not an ‘additional’ fee.

Members requested further detail relating to the reason for the variations and the Head of Financial Services offered to circulate this to Members or present an updated report to the next meeting.

Resolved – That

- 1) the report be noted; and**
- 2) a further update be presented to the next meeting of the Committee.**

57 CORPORATE RISK MANAGEMENT POLICY

The Head of Financial Services introduced the report of the Risk and Insurance Officer that set out the process behind the development of a revised Corporate Risk Management Policy and the factors that had influenced its development. The report described the main proposed changes from the current Policy document, confirming a series of actions needed for its implementation.

Members were informed that following the fundamental revision of the Council’s Risk Management Policy adopted by Cabinet 12 months ago, a refreshed draft of the Policy had been produced for the Corporate Governance Group at its recent meeting held on the 12 February. The Head of Financial Services further advised that the draft document as appended to

the report reflected changes in organisational practice and structure and also took account of the output of a 2014 CIPFA national risk assessment benchmarking exercise and the findings from the Internal Audit review of Risk Management

The Committee noted the areas identified for improvement which included working with Human Resources / Organisational development to ensure that the cultural change programme supports the Council's value of being 'risk aware' as opposed to 'risk averse' and the plan for additional training and development action – to include the roll out of E-Learning modules for managers and staff.

Members further noted a full list of actions, including target dates contained in the Policy document at Section 19.

Resolved - That

- 1) the draft Risk Management Policy be approved and referred to Cabinet for formal adoption on behalf of the Council; and**
- 2) regular reports on progress towards implementation of the risk management action plan be brought to the Audit and Risk Management Committee.**

58 CORPORATE RISK REGISTER

The Head of Financial Services presented the report of the Chief Executive, which advised that under the terms of the Council's Constitution, one of the functions of the Audit and Risk Management Committee was to provide independent assurance that the Council's Risk Management Framework was effective. He commented that a key output from the framework was the Corporate Risk Register and to support this Committee's work in considering the effectiveness of the framework, a report was now presented on a regular basis detailing the key risks facing the authority and how they were being managed.

The report informed that the Corporate Risk Register summarised those areas of uncertainty which had the greatest potential to prevent or frustrate delivery of the Corporate Plan and it confirmed how the authority was seeking to tackle them. At a strategic level the risks helped to inform future priorities and interventions. The actions required to mitigate the risks also influenced the content of Directorate Service Plans and the allocation of resources and, in that way they were a key component of the corporate planning process.

The Head of Financial Services highlighted a number of key points as part of the regular Committee update, namely:

- The proposal to include the risk of Child Sexual Exploitation (CSE) to the register. Members were advised that whilst safeguarding already featured on the register, the Strategic Leadership Team considered that CSE is significant enough to warrant inclusion and monitoring in its own right.
- As reported to the last meeting of the Committee, examination by the relevant Portfolio Holder had commenced at each Cabinet Member briefing, structured around a summary provided by the Risk and Insurance Officer.

Members noted that success in managing risks was a key factor in overall corporate performance.

Members questioned officers with regard to the specific areas of the Council's ICT systems, data protection and disaster recovery plans.

The Strategic Director Transformation and Resources informed that appropriate mechanisms are in place and that a specific objective, to provide at least one remote data centre operational by December 2015, is included as one strand in a series of options to protect critical services of the Council. The Strategic Director further informed that the Council's IT Services division is undertaking several activities aimed at improving the Council's resilience to disruption to information technology or communications services.

Resolved – That

- 1) the Corporate Risk Register be noted; and**
- 2) further reports be presented to future meetings of the Audit and Risk Management Committee.**

59 CORPORATE RISK AND INSURANCE MANAGEMENT

The Head of Financial Services introduced the report of the Director of Resources that set out the key actions to be taken in relation to corporate risk and insurance management during 2015/16. The report highlighted any key decisions which needed to be made, and included progress made since December 2014.

The Head of Financial Services summarised the key actions planned between now and the end of the municipal year 2015/16, referring Members to the report table highlighting those areas falling under the category of risk financing and risk management, where Members will have an involvement and what form it would take.

Members congratulated the Officers for the progress made since December 2014 and the work that had been undertaken in key areas as contained in the report.

- Tender for Litigation Services – as per Member’s request.
- Review of Corporate Risk Register - the subject of a separate agenda report.
- Service Planning 2015/16.
- Develop training and guidance for Members and officers.
- Annual renewals of existing insurance contracts (April 2015).
- Refresh of the Corporate Risk Management Policy - the subject of a separate agenda report.
- Insurance Fund Budget 2015/16 – as per Member’s request.

Resolved – That the report be noted.

60 **AUDIT COMMITTEE UPDATE & GRANT CERTIFICATION**

Grant Thornton UK LLP, the Council’s external auditors, presented a report on the Audit Committee Update for the year ended March 2015 and Grant Certification Report for Wirral Council.

The report provided information on progress as at March 2015 in the delivery of the external auditor responsibilities.

The report also included a summary of emerging national issues and developments that might be relevant to the Council and posed a number of challenge questions in respect of the emerging issues for the Committee’s consideration.

The external auditor informed of progress in respect of the Accounts Audit Plan, Interim Accounts Audit and 2014-15 Final Accounts Audit. In addition, Members were apprised of progress in respect of the ‘Value for Money’ conclusion and other key areas that included accounting for schools, provision for business rates appeals and early payment of pension contributions.

The report contained the Grant Certification 2014/15 report which covered Housing Benefit. This stated that the external auditor was satisfied that the arrangements the Council has in place remain appropriate given the high value, volumes and complexity of the scheme.

The audit value and fees in respect of the subsidy claim reported an overall year on year reduction in the amount of £9,373.

Resolved – the Audit Committee Update and Grant Certification Report be received.

61 **AUDIT ANNUAL PLAN**

Grant Thornton UK LLP, the Council's external auditors, presented a report on the Audit Plan for Wirral Metropolitan Borough Council year ended 31 March 2015.

The external auditor informed of the procedures employed in support of the audit plan i.e. developments relevant to the Council's business, communications and risks.

Members were informed that no material issues existed in respect of the Plan. The areas highlighted and the underlying comments were based on the national requirements against which the Council would be assessed. Grant Thornton would monitor progress against the Plan and the Audit Findings Report would be presented to Committee in September.

Members asked the external auditor and Head of Financial Services on the implications of the earlier reporting timetable in 2017/18. Committee were informed that this was driven by Government to close the accounts and produce the year-end accounts earlier than the present June and September deadlines. This represents a challenge to both the Council and the auditor. Whilst there would be an impact on resource requirements there is time to plan for this change which would be met as it will be a statutory duty.

Resolved – That the Audit Annual Plan be received.

62 **GRANT THORNTON AUDIT PLAN FOR MERSEYSIDE LOCAL GOVERNMENT PENSION FUND**

Grant Thornton UK LLP, the Council's external auditors, presented a report on the Audit Plan for Merseyside Local Government Pension Fund year ended 31 March 2015.

The external auditor informed of the procedures employed in support of the audit plan i.e. developments relevant to the Pension Fund's business and the audit. The report informed of the new governance regulations taking effect from April 2015 and the move from a final salary scheme to a career average scheme ahead of other public sector schemes.

The external auditor provided a summary of the audit approach, referred to the significant and other risks that had been identified and provided an indication of fees. Members noted the inherent risks associated with

investment values for 'Level 2' investments, and complexity of assessing investment income.

Resolved – That the Audit Plan for Merseyside Local Government Pension Fund be received.

63 **ANNUAL GOVERNANCE STATEMENT**

The Strategic Director Transformation and Resources introduced his report setting out the planned approach for the production of the Council's Annual Governance Statement 2014/15. The report provided an outline of the work required to prepare the Statement, and set out indicative timescales.

The report also provided an update on the progress that the Council has made to address the significant governance issues identified in the 2013/14 Annual Governance Statement.

The Strategic Director informed that the Annual Governance Statement provided Members with a 'whole Council approach' in how significant issues of governance were being addressed. He reported that a full draft Annual Governance Statement is to be reported for consideration by the Audit and Risk Committee in June 2015, with the final version to be reported at the September meeting of the Committee.

Resolved – That

- 1) the approach outlined in the report with regards to producing the Annual Governance Statement 2014/15 be endorsed; and**
- 2) the progress made in addressing the 2013-14 AGS issues, and any remaining actions deemed necessary to strengthen governance arrangements in these areas, be supported.**

64 **INTERNAL AUDIT UPDATE REPORT**

The Chief Internal Auditor introduced his report that identified and evaluated the performance of the Internal Audit Section and included details of any issues arising from the actual work undertaken during the period 1 January to 28 February 2015.

Members were informed of four items of note concerning audit work undertaken for this period, as identified at Section 2.2 of the report, namely:

- Scrutiny – reporting a positive position in the area of governance.

- Risk Management – areas of good practice identified across the Directorates, with 10 recommendations suggesting improvements and method of implementation in the corporate system. Further work is scheduled in this area during 2015/16 to evaluate progress.
- Better Care Fund – Objective close to deadline, with implementation scheduled for April 2015.
- Data Loss Prevention – the report consolidated a number of key points raised by Members at the previous meeting of the Audit and Risk Management Committee.

The report included additional information referring to outstanding audit recommendations, internal audit performance indicators and internal audit developments.

The Committee noted the actions being taken and 'RAG' status of the completed and follow up audits completed as reported in the report appendix. Members were apprised that a number of 'amber' reports (produced as at February 2015) had now attained a 'green' rating as at the time of the Committee meeting.

Councillors requested that their thanks to the Internal Audit Officers for their work over the past 12 months be recorded. Members commented on specific projects, that included:

- Implementation of the Strategic Audit Plan;
- Restructure in line with best practice;
- Development of a Merseyside Region Fraud Network – led by Wirral Council; and
- Introduction of a training and development programme for Internal Audit staff.

Following questions by Members, the Chief Internal Auditor informed of further actions to be undertaken in respect of the key items of note detailed in the report.

Resolved - That the report be noted.

65 INTERNAL AUDIT PLAN 2015/16

The Chief Internal Auditor introduced his report that identified the Strategic Internal Audit Plan as approved by this Committee in June 2013 and specifically included audit work planned during 2015/16.

The Chief Internal Auditor informed that for 2015/16 work scheduled for completion had been adjusted to reflect the findings of an extensive planning exercise to ensure the ongoing relevance of risks previously identified, as well

as the inclusion of any risks to the organisation that have emerged since the original exercise (or are likely to emerge in the near future).

Members were apprised that the updated plan had been presented to the Senior Leadership Team and approved for implementation.

Resolved - That the work proposed for in the Strategic Internal Audit Plan be endorsed.

66 **ANY OTHER BUSINESS**

With this being the final meeting of the Municipal Year the Chairman thanked the Committee and Officers for all their hard work over the year, and over the past 3 year period, which had contributed to the Council's recent success in gaining the Local Government Chronicle 'Most Improved Council' Award.

This page is intentionally left blank

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

8 JUNE 2015

| | |
|---|-------------------------------|
| SUBJECT: | ANNUAL REPORT ARMC |
| WARD/S AFFECTED: | ALL |
| REPORT OF: | CHIEF INTERNAL AUDITOR |
| KEY DECISION ? <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i> | NO |

1.0 EXECUTIVE SUMMARY

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

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Department for Communities and Local Government (DCLG) issued amended regulations in 2006, to the 2003 Accounts and Audit Regulations – 'The Accounts and Audit (Amendment) (England) Regulations 2006.
- 2.2 One of the amended regulations impacts on the process for preparing the Statement of Internal Control (SIC) which is subsumed within the Annual Governance Statement (AGS) and relates specifically to the 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 2014/15 has been prepared by the Chair in consultation with Internal Audit and is attached at Appendix A for consideration and approval by the Members.

3.0 RELEVANT RISKS

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

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options considered.

5.0 CONSULTATION

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

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report.

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

- 7.1 There are none arising from this report.

8.0 LEGAL IMPLICATIONS

- 8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

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

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

10.0 CARBON REDUCTION IMPLICATIONS

- 10.1 There are none arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 11.1 There are none arising from this report.

12.0 RECOMMENDATION

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

13.0 REASON FOR RECOMMENDATION

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

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

APPENDICES

Audit and Risk Management Committee Annual Report 2014/15

REFERENCE MATERIAL

CIPFA Publication 'A Toolkit for Local Authority Audit Committees'

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|-------------------------------------|---------------|
| Audit and Risk Management Committee | Annual Report |

This page is intentionally left blank

AUDIT AND RISK MANAGEMENT COMMITTEE

ANNUAL REPORT 2014/15

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

AUDIT AND RISK MANAGEMENT COMMITTEE:

ANNUAL REPORT 2014/15

C O N T E N T S

| | Page |
|--|-------------|
| 1. FORWARD | 3 |
| 2. BACKGROUND | 4 |
| 2.1 What drives Governance Policy | 4 |
| 2.2 Why do we need an Audit Committee | 5 |
| 2.3 What does the Audit Committee do | 6 |
| 2.4 How do officers support the Committee | 7 |
| 3. 2014/15 FINANCIAL YEAR | 8 |
| 4. SOME KEY INFORMATION | 8 |
| 4.1. Audit and Risk Management Committee Membership | 8 |
| 4.2. Key features of the Audit Committee and its operation | 8 |
| 4.3. Meetings and attendance | 9 |
| 5. CORE ACTIVITY 2014/15 | 9 |
| 5.1. Terms of Reference | 9 |
| 5.2. Number & Type of Reports Considered by Committee | 12 |
| 6. OTHER ACTIVITIES | 12 |
| 7. OUTCOMES | 13 |
| 8. PLANS FOR 2015/16 | 13 |
| 9. APPENDIX 1: | |
| ARM COMMITTEE – TERMS OF REFERENCE | 15 |

1. FORWARD

By the Chairman of the Audit & Risk Management Committee 2014/15

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 seven 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 and transformation regarding how services are delivered 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. 2014/15 FINANCIAL YEAR

This Annual Report for 2014/15 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 2014/15 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 David M Elderton
Councillor Paul Doughty
Councillor Joe Walsh
Councillor Mathew Patrick
Councillor Adam Sykes

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. |
| 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. |
| 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 conducted annually and actions to address any shortcomings. |

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 2014/15

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 summary reports from Internal Audit,
- Considered the Chief Internal Auditor's Annual Report and assurance opinion on the Council's control environment,
- Considered reviews of the effectiveness of the systems of internal audit,
- Ensured internal and external audit plans were complementary and provided optimum use of the total audit resource,
- 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,

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 findings and inspection reports issued in the year and considered management's response to them, ensuring robust and thorough responses,
- Reviewed the external audit Committee Update reports and took appropriate actions in response to issues presented,
- 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 auditor's Annual Audit Letter,

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:

- Considered regular reports on the Departmental and Corporate Risk Registers,
- Promoted risk management across the Council,
- Considered reports on Corporate Risk and Insurance Management,
- Considered a report on the revised Corporate Risk Management Policy and the management of risk and endorsed the 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,
- Supported the development of a Mersey region Counter Fraud Group,
- Engaged with and supported the Counter Fraud Awareness Week initiative,
- Supported work undertaken as part of the Audit Commission's National Fraud Initiative,
- Considered and supported amendments to the Council's counter fraud arrangements,
- Considered a report on HR Policies Update,
- Considered a report on Officers Decision Notices permitted under the Councils Contract Procedure Rules,
- 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,
- 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.

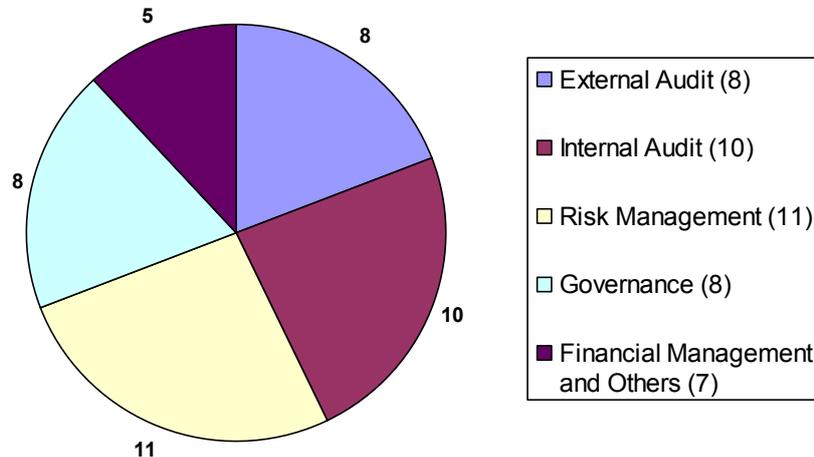
Specific Issues

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,
- Contract Extension reports (x2)
- Business Investment Grant and Intensive Start Up Scheme Investigation.

To give a flavour of our business during the year, the following shows the types and numbers of reports considered between April 2014 and March 2015:

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 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 internal audit service,
- Received reports which showed how improvements had been planned, and delivered, to the Statement Of Accounts,
- Encouraged and presided over a strengthening of the Council's information governance specifically by overseeing various targeted reviews and ensuing improvements. and delivered, to the Statement Of Accounts,
- 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 2015/16

During 2014/15 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 any identified issues in what promises to be a very challenging and difficult environment. Our priorities for 2015/16 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 2015/16 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 2015

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

8 JUNE 2015

| | |
|---|-------------------------------|
| SUBJECT: | ARMC SELF ASSESSMENT |
| WARD/S AFFECTED: | ALL |
| REPORT OF: | CHIEF INTERNAL AUDITOR |
| KEY DECISION ? <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i> | NO |

1.0 EXECUTIVE SUMMARY

- 1.1 To comply with best professional practice the Audit and Risk Management Committee is required to complete an annual evaluation of its role and effectiveness as part of the systems of internal audit.
- 1.2 The CIPFA publication 'A Toolkit for Local Authority Audit Committees' recommends the use of a self assessment checklist to achieve this task. The Chair has completed the checklist which is attached at Appendix 1.

2.0 RECOMMENDATION

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

3.0 REASON FOR RECOMMENDATION

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

4.0 BACKGROUND AND KEY ISSUES

- 4.1 The Department for Communities and Local Government (DCLG) issued amended regulations in 2006, to the 2003 Accounts and Audit Regulations – 'The Accounts and Audit (Amendment) (England) Regulations 2006.
- 4.2 One of the amended regulations impacts on the process for preparing the Statement of Internal Control (SIC) which is subsumed within the Annual Governance Statement (AGS) and relates specifically to the 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 been comprehensively involved throughout the process to complete the annual assessment and his views on behalf of the ARMC Members are reflected in the document attached at Appendix 1.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

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

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

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

10.1 There are none arising from this report.

11.0 LEGAL IMPLICATIONS

11.1 There are none arising from this report.

12.0 EQUALITIES IMPLICATIONS

12.1 There are none arising from this report.

13.0 CARBON REDUCTION IMPLICATIONS

13.1 There are none arising from this report.

14.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

14.1 There are none arising from this report.

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

APPENDICES

Audit and Risk Management Self Assessment Checklist

REFERENCE MATERIAL

CIPFA Publication 'A Toolkit for Local Authority Audit Committees'

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|-------------------------------------|---------------|
| Audit and Risk Management Committee | Annual report |

This page is intentionally left blank

Audit and Risk Management Committee

Self-Assessment Checklist

| ESTABLISHMENT OPERATION AND DUTIES | | | | | |
|---|--|------------|-----------|------------|---|
| Role and Remit | | | | | |
| Priority | Issue | Yes | No | N/a | Comments/action |
| 1 | Does the audit committee have written Terms of Reference? | X | | | Confirmed that ARMC Terms of Reference are to be included within any induction for new members of this Committee - Legal. |
| 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 | | | |
| Membership, induction and training | | | | | |
| 1 | Has the membership of the audit committee been formally agreed and a quorum set? | X | | | |
| 1 | Is the chair independent of the executive function? | X | | | |
| 1 | Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risks management, accounting concepts and standards, and the regulatory regime? | X | | | |
| 1 | Are new audit committee members provided with an appropriate induction? | X | | | |
| 1 | Have all members' skills and experiences been assessed and training given for identified gaps? | X | | | |
| 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 | | | |
| Meetings | | | | | |
| 1 | Does the audit committee meet regularly? | X | | | |
| 1 | Do the terms of reference set out the frequency of meetings? | X | | | |

| 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 | | | |
| INTERNAL CONTROL | | | | | |
| 1 | Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit? | X | | | |
| 1 | Does the committee have responsibility for review and approval of the SIC and does it consider it separately from accounts? | X | | | |

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

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

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

| Priority | Issue | Yes | No | N/a | Comments/action |
|--------------------------|---|-----|----|-----|-----------------|
| ADMINISTRATION | | | | | |
| Agenda Management | | | | | |
| 1 | Does the audit committee have a designated secretary from Committee/Member Services? | X | | | |
| 1 | Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members? | X | | | |
| 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 | | | |
| Papers | | | | | |
| 1 | Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective? | X | | | |
| 2 | Does the audit committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented? | X | | | |
| Actions arising | | | | | |
| 1 | Are minutes prepared and circulated promptly to the appropriate people? | X | | | |
| 1 | Is a report on matters arising made and minuted at the audit committee's next meeting? | X | | | |

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

Completed By: Councillor Jim Crabtree
 Assisted By: Mark P Niblock.
 Date: May 2015

This page is intentionally left blank

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

8 JUNE 2015

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

1.0 EXECUTIVE SUMMARY

1.1. This report identifies and evaluates the performance of the Internal Audit Section and includes details of any issues arising from the actual work undertaken during the period 1st March to 20th May 2015. There are two items of note concerning audit work undertaken that are 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 operate an effective reporting mechanism for Members of the Audit and Risk Management Committee that summarises audit work completed and identifies issues raised on timely bi-monthly basis. This report supports these 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 20 May 2015.

2.2. Items of Note

2.2.a Attendance Management

Following a request from the Head of HR an audit review of the Council's arrangements for Attendance Management covering all departments and including utilisation of the Selfserve system was undertaken during the period. The purpose of the audit was to assist the Head of HR in achieving a corporate objective to improve overall absence management in line with the Annual Governance Statement. The findings identified some areas for improvement regarding the accuracy and completeness of attendance data

maintained across the Council and four recommendations were identified in the audit report. A good response has been received from senior managements and actions have been agreed to improve the current arrangements within an agreed timescale. Further audit work is scheduled including detailed testing of the arrangements during the second quarter of 2015/16 and Members will be advised of the outcome of this piece of work in due course.

2.2.b Schools

Follow up audit work completed at all those schools audited during 2014/15 identified that all of the agreed actions to improve systems in operation have been fully implemented.

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 for the 2015/16 year to date have not currently been implemented.

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 2014/15. | 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) | 90 | 100 (7) |

| | | |
|--|-----|----|
| Percentage of internal audit reports issued within 10 days of the completion of fieldwork. | 100 | 97 |
|--|-----|----|

2.4.b There are currently no issues arising.

2.5 Internal Audit Developments

2.5.a Continuous Improvement

This is important to the overall efficiency and effectiveness of the Internal Audit Service and as such the Internal Audit Improvement Plan has been revisited and updated to incorporate the findings from the self assessment exercise recently undertaken to evaluate the service against the new Public Sector Internal Audit Standards. A separate update on this was presented to the Committee at a previous meeting and further updates will continue to be provided as progress is made.

Some of the actions currently ongoing include

- Pilot report, including new organisation risk impact opinion,
- Enhanced quality assurance programme,
- Collaborative counter fraud exercises across Mersey region,
- Counter fraud awareness,
- Developing and improving reporting arrangements,
- Further development of the Mersey region Counter Fraud group led by Wirral Internal Audit,
- Implementation of actions arising from the new Public Sector Internal Audit Standards self-assessment exercise.

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 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 2015/16

SUBJECT HISTORY (last 3 years)

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

**INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS
PERIOD: 01 APRIL 2014 TO 30 APRIL 2015**

| <u>Summary</u> | Total | R | A |
|--------------------------------------|--------------|----------|-----------|
| 1. Completed Audits | 22 | 0 | 22 |
| 2. Follow Up Audits Completed | 5 | 0 | 5 |

INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS

PERIOD: 01 APRIL 2014 TO 30 APRIL 2015

1. Completed Audits - RED or AMBER flag

| Audit / Date | Directorate [Service] | Control Environment | Compliance | Organisational Impact | Areas for Development / Improvement and comments | Total Recs (H) | Timescale / Strategic Director | Follow Up Scheduled | Outcome | RAG Status |
|---|---|---------------------|-------------|-----------------------|--|----------------|--|---------------------|---|------------|
| Procurement of Commissioned Care (Domiciliary Care and Reablement Services) 29/08/2014 | Families & Wellbeing (F&W) [DASS] | Substantial | Limited | Moderate | The audit resulted in 2 High, 3 Medium and 2 Low recommendations Arrangements must be put in place by the department to ensure that for all future procurement exercises it conducts, it is satisfied that the 'signing' element of the procurement process will be in accordance with Contract Procedure Rules. A final list of Tier 3 providers must be compiled ensuring a contract is in place for each organisation (liaising with Legal in the process). This list should then be disseminated and utilised by the Contracts Team and the Care Arranging Team. Procurement and Legal should be notified to ensure the Contracts Register is updated accordingly. The contract arrangements for those organisations who are not a Tier 1, 2 or 3 provider, but who are providing a service to Adult Social Services funded clients, must be clarified and resolved with Legal and Member Services. | 7 (2) | October 2014 Strategic Director Families and Wellbeing | May 15 | All recommendations agreed. The client acknowledged and supported the recommendations. Action will be taken, where applicable, to ensure implementation of the recommendations against the current contract. Where it is not possible to action against the current contract, implementation of the recommendation will be evidenced in future procurement exercises. Follow-up in Progress. | A |
| Regional Growth Fund - Project Delivery 07/11/2014 | Regeneration & Environment (R&E) [Investment and Business] | Substantial | Substantial | Minor | Three recommendations were made which do not present a significant risk to the organisation. | 3 (0) | January 2015 Strategic Director Regeneration and Environment | May 15 | Final report issued. | A |
| Resource Link – Access Controls 22/07/2014 | Transformation & Resources (T&R) [Human Resources and OD] | Limited | Limited | Moderate | The Information Asset Owner can improve controls to prevent inappropriate access to information through the production of an Access Control Policy, to be assured that user access to information is in line with business need, and by ensuring that the measures stated in the ACP are applied to the system and user settings, e.g. by enforcing password rules, switching on the audit trail for System Administration activity, and regularly reviewing user access. | 14 (7) | TBC Strategic Director Transformation and Resources | May 15 | Final report issued. | A |
| Revenue Budget Cycle 2014-15 20/10/2014 | T&R [Finance] | Substantial | Substantial | Moderate | Four recommendations were made which do not present a significant risk to the organisation. | 4 (0) | April 2015 Strategic Director Transformation and Resources | Jul 15 | Management has accepted the recommendations with the intention of implementing for the next financial year. | A |
| Performance Planning and Management 31/10/2014 | Chief Executive [Policy, Performance and Public Health] | | | Moderate | Five recommendations were made which do not present a significant risk to the organisation. | 5 (0) | February 2015 Director of Policy, Performance and Public Health | Sep 15 | A follow up review is scheduled for 2015/16 (following the updates to the Corporate and Directorate Plans). Due to the changes in responsibilities contact will be made with the new team in June with a view to incorporating the follow-up in an audit review in September. | A |
| Mobile Phone Security 18/11/2014 | T&R [Resources] | Limited | Limited | Moderate | Ensure that technological controls are consistently applied on mobile devices to ensure the security of information received, stored and sent according to its information classification, by implementing a Mobile Device Management solution which satisfies the requirements of the Public Services Network code of connection. | 9 (8) | June 2015 Strategic Director Transformation and Resources | Jun 15 | Recommendations agreed with Chief Information Officer. | A |

| Audit / Date | Directorate [Service] | Control Environment | Compliance | Organisational Impact | Areas for Development / Improvement and comments | Total Recs (H) | Timescale / Strategic Director | Follow Up Scheduled | Outcome | RAG Status |
|---|--|---------------------|-------------|-----------------------|---|----------------|---|---------------------|--|------------|
| Central Libraries - Cash Systems 10/11/2014 | T&R [Business Processes] | Substantial | Limited | Moderate | All the outstanding recommendations for Wallasey Central Library as reported in October 2013 should be progressed to full implementation. The following should be applied consistently at all Central Libraries: i) An effective separation of duties should be in place for all stages of the income reconciliation and banking preparation. ii) All income and banking records should be signed by two senior members of staff to evidence an effective separation of duties. iii) A Z-reading should be produced each day for the daily income and reconciled to the income collected. iv) All income data should transferred accurately to the relevant income and banking records. v) All income should be banked on a weekly basis regardless of its value. | 4 (2) | March 2015 Strategic Director Transformation and Resources | May 15 | Recommendations agreed with Principal Librarian | A |
| ICT Business Continuity 09/12/2014 | Universal and Infrastructure Services / Authority Wide | Limited | Limited | Moderate | Ensure that all Directorates include ICT business continuity requirements in their risk registers and CESG to approve the critical services list so that business continuity plans can be put in place using the new template. | 4 (4) | April 2015 Strategic Directors | May 15 | A BC Policy has been produced and publicised on the Intranet. This accompanies a business continuity planning template which is in the process of being completed for all those services deemed to be "critical" by SLT in December 2014. The aim is to have the plans completed by the end of March 2015. The content of the plans will be used to inform the work plans for the IT service in the event of data loss of one or a number of systems. Training on business continuity is also being provided to key staff members within the Health, Safety and Resilience Team. Business Continuity Awareness Week runs from 16 to 20 March 2015. This is headlined on the Intranet front page with links to the BCP template and to BC/Resilience support. More detailed F/U work will be completed at the end of May. | A |
| Clare Mount Specialist Sports College 05/01/2015 | F&W [CYPD] | Substantial | Maximum | Minor | One recommendation was made which does not present a significant risk to the organisation. | 1 (0) | April 2015 Head Teacher | May 15 | Recommendation agreed with the Headteacher. | A |
| MPF - Investment Operations 19/01/2015 | T&R [Merseyside Pension Fund] | Maximum | Substantial | Moderate | Three recommendations were made which do not present a significant risk to the organisation. | 3 (0) | June 2015 Strategic Director Transformation and Resources | Jun 15 | All recommendations agreed. | A |
| Better Care Fund 15/01/2015 | F&W [DASS] | Moderate | | | This was a review of a developing system, therefore no formal recommendations were made. However, the report does highlight "Areas for Further Work", which will be reviewed in the post-April 2015 review. | 0 (0) | N/A Strategic Director Families and Wellbeing | May 15 | No formal recommendations made. "Areas for Further Work" were agreed and work is in progress to address these. | A |
| Highways Maintenance Service 26/01/2015 | R&E [Environment & Regulation] | Moderate | | | Ensure continuity of the service in the event of the absence of key members of staff. | 1 (1) | May 2015 Strategic Director Regeneration and Environment | May 15 | Recommendation agreed with the Senior Manager | A |
| Community Patrol 27/01/2015 | R&E [Housing and Community Safety] | Limited | Maximum | Minor | Five recommendations were made which do not present a significant risk to the organisation. | 5 (0) | May 2015 Strategic Director Regeneration and Environment | May 15 | Recommendations agreed with the Head of Regeneration. | A |

| Audit / Date | Directorate [Service] | Control Environment | Compliance | Organisational Impact | Areas for Development / Improvement and comments | Total Recs (H) | Timescale / Strategic Director | Follow Up Scheduled | Outcome | RAG Status |
|--|----------------------------------|---------------------|-------------|-----------------------|---|----------------|--|---------------------|--|------------|
| Risk Management 28/01/2015 | T&R [Resources] | Moderate | | | Ten recommendations were made which do not present a significant risk to the organisation. | 10 (0) | April 2015 Strategic Director Transformation and Resources | May 15 | A follow up review is scheduled for June 2015 (this should provide time for any changes to processes for 2015/16 to become embedded). N.B. Audit used to continue to pilot the revised Audit Report template - hence Control and Compliance opinions not provided, and replaced with an Organisational Risk Opinion. | A |
| Creditors (IDEA) Testing 26/02/2015 | T&R [Resources] | Substantial | Substantial | Minor | Four recommendations were made which do not present a significant risk to the organisation. | 4 (0) | April 2015 Strategic Director Transformation and Resources | Jun 15 | Recommendations agreed with the Payments Manager. | A |
| Officers' Expenses 02/03/2015 | T&R [Department Wide] | Substantial | Substantial | Minor | Four recommendations were made which do not present a significant risk to the organisation. | 4 (0) | March 2015 Strategic Director Transformation and Resources | Jun 15 | Recommendations agreed with the relevant managers to whom recommendations have been issued. | A |
| Treasury Management 20/03/2015 | T&R [Resources] | Moderate | | | Five recommendations of a procedural/administrative nature were made which do not present a significant risk to the organisation. | 5 (0) | May 2015 Strategic Director Transformation and Resources | Jun 15 | Management has accepted the recommendations to improve the system with the intention of implementing over the next couple of months. | A |
| Revenue Refunds 31/03/2015 | T&R [Business Processes] | Substantial | Maximum | Minor | One recommendation was made which does not present a significant risk to the organisation. | 1 (0) | July 2015 Strategic Director Transformation and Resources | Jul 15 | Management have accepted the recommendation and are progressing with the implementation. | A |
| Residential Care and Nursing Home payments 08/04/2015 | F&W [DASS] | Substantial | Maximum | Minor | One recommendation was made which does not present a significant risk to the organisation. | 1 (0) | May 2015 Strategic Director Families and Wellbeing | Aug 15 | Management has accepted the recommendation and is progressing with the implementation. | A |
| MPF Retirement Benefit Payments 10/04/2015 | T&R [Merseyside Pension Fund] | Maximum | Maximum | Minor | Two recommendations were made which do not present a significant risk to the organisation. | 2 (0) | August 2015 Strategic Director Transformation and Resources | Aug 15 | | A |
| Attendance Management - Sickness 17/04/2015 | T&R [Human Resources & OD] | Moderate | | | Four recommendations were made two of which are graded high priority. These have been designed to significantly improve the control, management and reporting systems in operation. | 4 (2) | August 2015 Strategic Director Transformation and Resources | Aug 15 | Management have agreed to implement the recommendations within an agreed timescale. Internal Audit will continue to monitor progress and report on this. An extended follow up has been scheduled to test specific aspects of this system during 2015/16 | A |
| Grievances 28/04/2015 | T&R [Human Resources & OD] | Maximum | Substantial | Minor | Two recommendations were made which do not present a significant risk to the organisation. | 2 (0) | August 2015 Strategic Director Transformation and Resources | Aug 15 | Management have accepted the recommendation and are progressing with the implementation. | A |

INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS

PERIOD: 01 APRIL 2014 TO 30 APRIL 2015

2. Follow Up Audits Completed - RED or AMBER flag

| Audit / Follow-Up Date / Original Report date | Directorate [Service] | Control Environment | Compliance | Organisational Impact | Areas for Development / Improvement and comments | Original Total Recs (H) | Timescale / Strategic Director | Further Follow Up Scheduled | Outcome | RAG Status |
|--|---|---------------------|-----------------------------------|-----------------------|---|-------------------------|---|-----------------------------|--|------------|
| ICT Hardware Asset Register 04/02/2014 Mar 2013 | Transformation & Resources (T&R) [Resources] | Limited | | | 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. 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. | 7 (6) | April 2014 Strategic Director Transformation and Resources | May 15 | 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 |
| Payment Card Industry - Data Security Standard 04/07/2014 Dec 2012 | Authority-Wide | Minimum | | | Original review highlighted that the Council is currently not compliant with the standard, but appropriate measures, decisions and actions have or will be taken to ensure compliance in due course. 1 High priority recommendation is outstanding: 1) Determine and implement the most appropriate installation in the Customer Services Centre, ie running Paye.net in a virtualised environment, running two machines on each desk with a KVM (keyboard, video and mouse) switch, running machines in separate secure environment via RDP (remote desktop protocol). | 3 (1) | September 2015 Strategic Director Transformation and Resources | Sep 15 | The Chief Information Officer is to resurrect the PCI programme. PCI standards have changed and the Council's approach to Payment Cards may also have changed since this was last looked at. No date set for ITS work. | A |
| Data Loss Prevention 30/10/2014 Feb 2014 | Authority-Wide | Minimum | No compliance testing undertaken. | Major | A DLP policy for the management of information assets should be produced, agreed by the Information Governance Board, and made available to all staff. This will ensure the correct management of information via the delivery of a technical solution by IT Services and the development and enforcement of appropriate working practices by Information Asset Owners. | 3 (3) | May 2015 Information Governance Board | May 15 | The recommendations have been included in the briefing note taken to the Information Governance Board in November 2014, and the specific recommendations will be followed up in May 2015. | A |
| IT Services Disaster Recovery 13/01/2015 Nov 2013 | T&R [Resources] | Minimum | n/a | Major | IT Services' Disaster Recovery Plan should be documented, where the prioritisation of recovery tasks stated in the plan should reflect the documented requirements of business critical services. | 4 (4) | May 2015 Strategic Director Transformation and Resources | May 15 | Production of a documented DR plan is WIP, which has time lapsed due to resource utilised on w7 laptop and server upgrade programmes. IT Services will focus efforts in line with the production of BCPs by the (recently agreed) critical services. | A |

KEY:

| Control Environment | |
|---------------------|---|
| MAXIMUM | 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'. |
| SUBSTANTIAL | 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 |
| LIMITED | 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. |
| MINIMUM | 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 | |
|--------------------|--|
| MAXIMUM | 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'. |
| SUBSTANTIAL | 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. |
| LIMITED | 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. |
| MINIMUM | 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 | |
|-----------------------|--|
| MAJOR | 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. |
| MODERATE | 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. |
| MINOR | 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. |
| NEGLIGIBLE | There were no weaknesses identified during the review. |

| RAG status | | |
|------------|-------------------|--|
| G | Audits | Actions agreed and implemented. |
| | Follow Ups | Actions implemented. |
| A | Audits | Actions agreed and officers committed to implement within agreed timescale. |
| | Follow Ups | Actions in process of being implemented within agreed timescale with some implemented. |
| R | Audits | Actions agreed |
| | Follow Ups | Little or no progress made to implement actions within agreed timescale. |

| Recommendation Priority Rating | |
|--------------------------------|---|
| HIGH | 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). |
| MEDIUM | 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. |
| LOW | 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. |

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

8 JUNE 2015

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

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. A summary report is produced annually by the Chief Internal Auditor and an overall opinion provided as to the effectiveness of the Council's control environment.
- 1.3 This report presents the Chief Internal Auditors Annual Report for 2014/15.

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 Chartered Institute of Internal Auditors.

3. CHIEF INTERNAL AUDITORS ANNUAL REPORT 2014/15

- 3.1 The attached Chief Internal Auditors Annual Report specifies the Internal Audit assurance opinion on key areas of the Council's activity for 2014/15.
- 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,
 Counter 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 2014/15 was approved by this Committee in March 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 Chief Internal Auditors 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
telephone: 0151 666 3432
email: markniblock@wirral.gov.uk

APPENDICES

Appendix 1: Internal Audit Annual Plan 2014/15

REFERENCE MATERIAL

Internal Audit Plan 2014/15

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|-------------------------------------|--|
| Audit and Risk Management Committee | Annual report presented to June meetings of this Committee every year. |

This page is intentionally left blank

**Wirral Council
Internal Audit Service**

**Chief Internal Auditor's
Annual Report and Opinion on the
System of Internal Control
2014/2015**

May 2015

Mark P Niblock
Chief Internal Auditor
Wirral Internal Audit Service

Contents

| Section | Page |
|-------------------------------------|-------------|
| 1. Management Summary | 1 |
| 1.1. Head of Internal Audit Opinion | 1 |
| 2. Opinion | 5 |
| 3 Audit Outcomes | 11 |
| 4. Effectiveness of Internal Audit | 19 |

Appendix A: Scope, Responsibilities and Assurance

1 Management Summary

1.1 Head of Internal Audit Opinion

Significant steps were 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. This has taken place against a backdrop of significant organisational transformation and in an environment of severe financial constraint and as such should be commended.

This is something that is clearly acknowledged by the Improvement Board who concluded their ongoing involvement with the Council's improvement process as well as the external auditors who acknowledge in their annual reports the significant improvements that have been made by the Council to strengthen overall governance arrangements. In addition, the Local Government Chronicle recently identified Wirral as its most improved council at the LGC national awards, acknowledging the significant work undertaken.

1.2 My Overall Opinion is that:

Assurance can be given that there is a 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

The Code of Corporate Governance (which was revised and approved by the Audit and Risk Management Committee in September 2013) has been publicised on the Council's intranet, so as to raise awareness amongst officers and members of the principles of corporate governance and the importance of their commitment to compliance.

Internal Audit has standing membership on the Corporate Governance Group and uses this to raise governance issues highlighted in Internal Audit reports, as well as reviewing evidence of

the progress being made in respect of Significant Governance Issues highlighted in the Annual Governance Statement.

Progress has been made during the year to address the five Significant Governance Issues highlighted in the Annual Governance Statement 2013/14. One of the issues, Asset Management, has been completed, and the remaining four issues have progressed to amber ratings acknowledging the ongoing improvement work being undertaken.

1.5 Risk Management Arrangements

During the year, an updated Risk Management policy was approved by Cabinet. In accordance with the Policy, the Corporate Risk Register is populated with risks to the achievement of the Council's corporate objectives, and each risk is allocated to a responsible Lead Officer. The Strategic Risk Register encapsulates emerging risks such as Safeguarding and ICT Disaster Recovery. The highest rated ("red") risks, and changes to the risk ratings are considered regularly by the Corporate Governance Group and Senior Leadership Team; and the Audit and Risk Management Committee also receives regular reports on risk.

The Internal Audit review conducted during the year identified positive progress in the development of the system, but also highlighted some areas for improvement – including the consistent application of the Risk Management Policy across directorates. The implementation of the recommendations will link to addressing the outcomes of the CIPFA Risk Management benchmarking exercise, for which an action plan is in place.

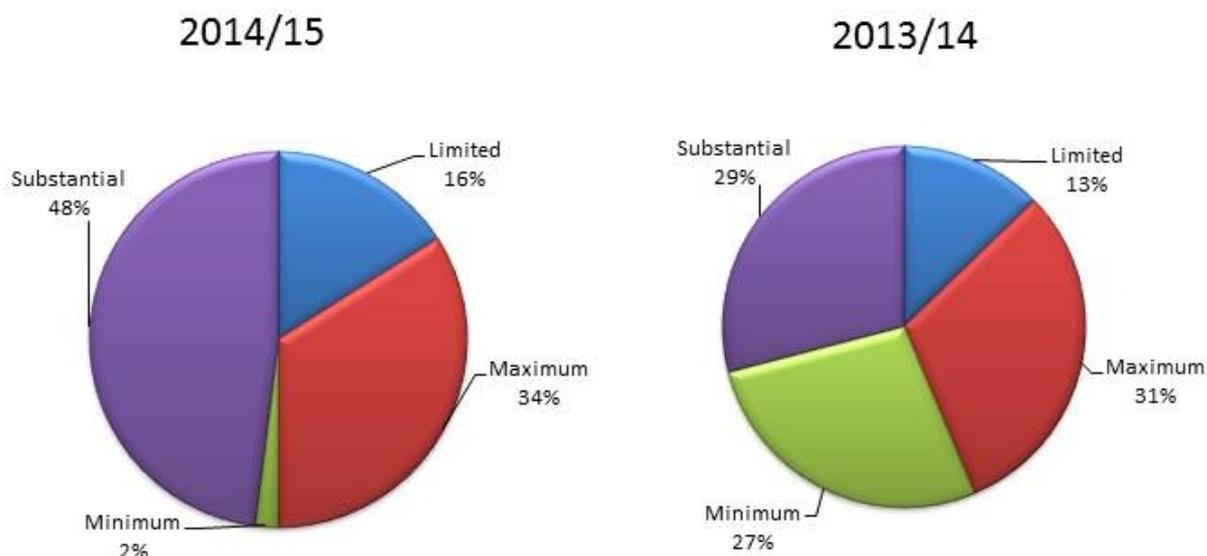
1.6 Framework of Assurance

The Corporate Governance Group chaired and supported by the Strategic Director for Transformation and Resources, a member of the Senior Leadership Team, met regularly during 2014/15, using the comprehensive framework of assurance to demonstrate how assurance is provided to the Chief Executives Senior Leadership Team 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 2013/14 Annual Governance Statement and on which good progress has been made with one of the five issues now rated as blue and four issues rated as amber.

1.7 Risk Based Assignments

Arising from the agreed plan of work a total of 85 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; all of the reports issued contained

formal assurance opinions and have informed the opinion in this report as noted in the charts below.



The charts illustrate the opinions provided in audit reports produced during 2014/15 and the previous year 2013/14. When comparing the two years it is very encouraging to note that there has been a significant reduction, from 27% to 2% of the number of audits identifying a 'Minimum' opinion. Another notable feature of the statistics is the increase from 2013/14 in the number of audits identifying a 'Substantial' opinion from 29% to 48% whilst those identifying 'Maximum' and 'Limited' opinions remain pretty static across the periods. This does suggest that there is an increased awareness and understanding of the need for robust systems of control and governance across management, particularly important during periods of significant transformation and change.

A small number of individual assignments identifying minimal assurance opinions were reported to the Senior Leadership Team and the Audit and Risk Management Committee during the year due to their significance and have been taken account of when formulating 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.

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 Wirral vision and values of the organisation have been established and are included within the corporate performance appraisal system,
- The Councils Corporate Plan has been refreshed to highlight the Council's vision, and Directorate plans have been updated to take account of emerging priorities,
- The organisation has updated its Risk Management Policy and has participated in a benchmarking exercise so as to compare the Council's risk management systems with those of other Councils. The Corporate Governance Group, the Senior Leadership Team and the Audit and Risk Management Committee regularly consider reports on risk, in accordance with the Risk Management Policy,
- Further developments to the Budget setting process have been implemented which will help to mitigate the effects of the continuing funding cuts,
- Enhanced engagement with all stakeholders including the Council's budget consultation,
- The corporate Information Governance Board has established itself as the driver for corporate improvements in information governance,
- The Local Government Chronicle have acknowledged the work undertaken at Wirral by awarding it the 'Most Improved' Council,
- Approval of Better Care Fund bid by Department of Health to implement integration of health and social care,
- The Monitoring Officer has continued to provide ongoing review of the Constitution to ensure its fitness for purpose,
- All Internal Audit reports issued with a limited opinion in 2014/15 have had follow up work undertaken and significant improvements have been made in these areas,
- Expenses and mileage claims are now processed on-line through the Selfserve HR system which has enhanced the control environment for these payments.

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 significantly 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 Chief Internal Auditor (CIA), in accordance with the CIPFA Code and the new Public Sector Internal Audit Standards (PSIAS), 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. In particular, apart from the overall opinion, where 'Limited' or 'Minimal' assurance opinions have been issued against individual audits, then the Council should assess whether or not the sources of those opinions and subsequent actions taken to address issues necessitate the need for a disclosure of a significant issue.

2.2 Chief Internal Auditors Opinion

My overall opinion is that:

Assurance can be given that there is a 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 Senior Leadership Team 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 has been reviewed, refreshed and approved by the Audit and Risk Management Committee in September 2013, and that this is now publicised on the Council's Intranet. However, a timetable for the review of the evidence base which underpins the Code has not been put in place; therefore a review did not take place during the year. Work is however underway to complete a review early in 2015/16.

Significant Governance Issues from 2013/14

The Annual Governance Statement 2013/14 detailed five Significant Governance Issues, and an action plan to address these has been in place during the year. There has been progress in respect of these issues and the Audit and Risk Management Committee received an update on this during the year. The issues now stands at: one blue

(Asset Management) and four amber (ICT Business Continuity/Disaster Recovery, Procurement, Sickness Absence and Training). The Annual Governance Statement 2014/15 will reflect the four remaining issues and reinforce the need to ensure forward momentum is maintained.

ICT

Internal audit have continued to work with ICT managers during 2014/15 to identify key risks in this area of operations that has been subject to significant change during the year.

Corporate Business Continuity and Resilience

A review of progress made to strengthen ICT Business Continuity planning during the year has identified that whilst improvements continue to be implemented more work remains to be undertaken during 2015/16.

All Council services identified as critical are now undertaking Business Continuity planning in accordance with the corporate Business Continuity Policy and the corporate Business Continuity planning template to ensure that plans are consistent and comprehensive. The resulting critical service plans will inform corporate planning to ensure that the business can recover efficiently and promptly in the event of the loss of one or more ICT systems.

Information Governance

Information Governance remains a developing area and has seen significant improvements in 2014-15. A programme of Information Security training included a National Archives workshop for Information Asset Owners, and Responsibility for Information training for all staff.

The Council achieved compliance with the NHS Information Governance Toolkit; demonstrating that information relating to health and social care is protected with due regard to confidentiality, data protection and information security. Whilst focused on health and social care data, the project to meet the requirements of the Information Governance Toolkit has delivered improvements in how all Council information is managed and protected.

Internal Audit remains an active participant in the officers Information Governance Board and ensures that information risk receives appropriate focus at Senior Leadership Team level.

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 2014/15.

The Corporate Governance Group and the Chief Executives Senior Leadership Team received the Corporate Risk Register on a quarterly basis during 2014/15. 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 was revised during 2014/15 and was approved by Cabinet in March 2015. An Internal Audit review during the year identified very positive progress in the implementation of the Risk Management Policy, but that some enhancements are required so as to ensure that there is consistent application across Directorates. The action plan in place will be implemented in line with the outcomes from the recently undertaken benchmarking exercise.

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 18 March 2014 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 85 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 core financial systems which underpin the system of internal control and financial reporting. This work is designed to provide assurance that the control environment for each system is robust and we have continued to develop a suite of Computer Assisted Audit Techniques (CAATs) that enable us to test whole databases wherever possible as well as samples of individual transactions. It is used to support the work of External Audit in their review of the Statement of Accounts and significantly informs the Chief Internal Auditor's opinion. A summary of the opinions from these system audits completed in the year are identified below:

| Audit | Opinion |
|---|-------------|
| Accounts Receivable (CY) | Maximum |
| Accounts Payable | Substantial |
| Budget Cycle (Revenue) | Substantial |
| Capital Investment Program | Substantial |
| Income Management | Substantial |
| Council Tax Recovery | Maximum |
| Council Tax Support Scheme | Maximum |
| Debtors - Central | Substantial |
| Revenue Refunds | Substantial |
| Payroll Central | Maximum |
| Pensions (Benefits/Payroll/Investments) | Maximum |
| Treasury Management | Substantial |
| General Ledger | Maximum |

Pension Fund

Given, the nature of the Pension Fund operations and the significance of the finances involved, its inherent risk level is significant. The delivery of the Internal Audit service to the Pension Fund has been developed and agreed via a Service Level Agreement, so as to formalise the audit relationship; clarify responsibilities and obligations on both sides; and embed positive practices. This has now been operational for two years.

On the basis of the work undertaken during the year, the overall assurance opinion is that the internal control environment for the Pension Fund is adequately designed and operated, with positive audit opinions being given in all reports issued. The Pension Fund Management Team continues to ensure identified risks are effectively managed and the recommendations emanating from the audit work are consistently and effectively implemented within the agreed timescales.

The approved programme of work for 2014/5 covered the Benefits, Payroll, and Investment risk areas. The review of the Benefits system focused on providing assurance on the payment of retirement benefits following the implementation of the Local Government Pension Scheme 2014, 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 result in a number of agreed recommendations for enhancing the control environment and included expediting the tendering process for the provision of strategic asset allocation advice to the Pension Fund.

3. Audit Outcomes 2014/15

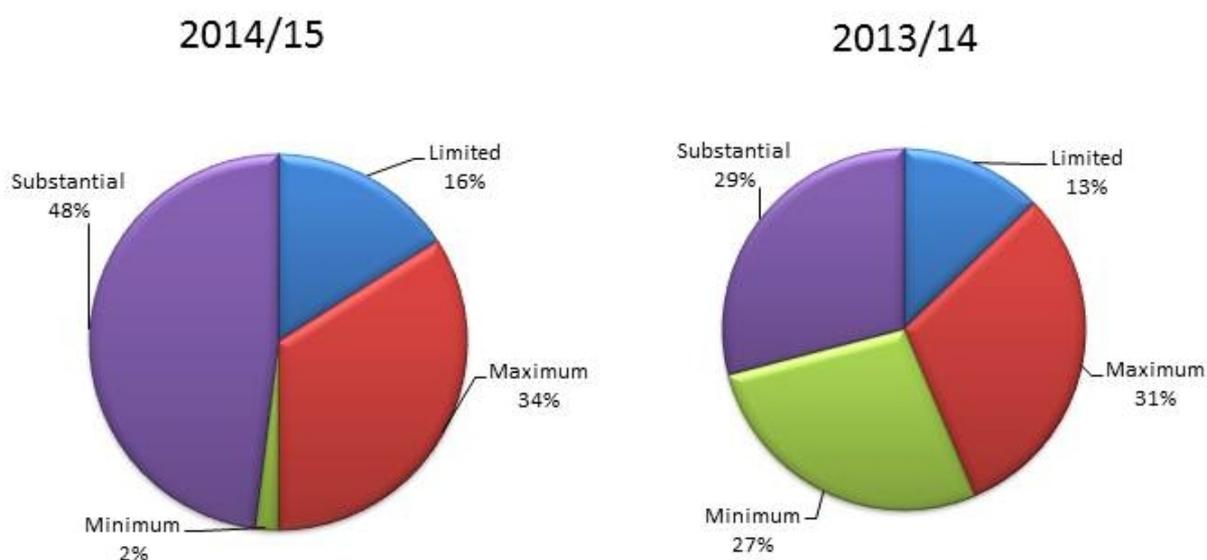
Assurances Issued During 2014/15

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

The charts below identify all those opinions on the effectiveness of the control environment included in individual audit reports produced during 2014/15 and the previous year 2013/14.

Following direct comparison of the opinions provided in audit reports over the two years it is notable that there has been a significant reduction, from 27% to 2% of the number of audits identifying a 'Minimum' opinion. Another feature is the increase from 2013/14 in the number of audits identifying a 'Substantial' opinion, from 29% to 48% whilst those audits identifying 'Maximum' and 'Limited' opinions remain fairly static across the periods. This suggests that there is an increased awareness and understanding of the need for robust systems of control and governance across management, something that is particularly important during periods of significant transformation and change.



These opinions are explained in more detail below:

3.2 **Maximum Assurance**

A Maximum assurance opinion indicates that a sound systems of control designed to achieve objectives is in operation and is being consistently applied. This opinion was provided for the following audits:

- Pensions Payroll
- Central Debtors System
- Adoption Reform Grant
- Accounts Receivable (CYPD)
- Payroll System
- Pension Investments
- Contract Final Account (C18924)
- Council Tax Recovery
- Pension Benefit Payments (LGPS2014)
- Council Tax Support Scheme

3.3 **Substantial Assurance**

A Substantial assurance opinion indicates that basically a sound system of control is in operation but that there are some weaknesses in design and/or operation that place some control objectives at risk. This opinion was provided for the following audits:

- Risk Management
- Better Care Fund
- Capital Investment Programme
- Income Management
- Regional Growth Fund
- Revenue Budget Cycle
- Performance Management
- Accounts Payable
- Officers Expenses
- Treasury Management
- Revenue Refunds
- Emslie Morgan Alternative Provision School
- Greasby Junior School
- Grove Street Primary School
- Heygarth Primary School
- Millfields CE Primary School
- St Bridgets CE School

- Clare Mount Specialist Sports College

3.4 Limited or Minimal Assurance

Limited or Minimum assurance opinions indicate that there are some serious weaknesses in the design and/or operation of the control environment that may have varying degrees of significant impact on the achievement of systems and/or corporate objectives.

The schedule below identifies the 10 reports out of the total of 85 produced during the year that contained 'Limited' or 'Minimal' assurance opinions. 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 as indicated.

| Subject | Outcome |
|------------------------------------|--|
| ResourceLink (HR) Access Controls | Actions were agreed with management to develop and improve control over the system by defining and enforcing an access control policy and procedure. Implementation and effectiveness of these actions will be reviewed during 2015/16. |
| Mobile Device Security | Following an audit the Council has procured a Mobile Device Management solution which will ensure that Council information is more comprehensively protected when accessed from mobile devices in the future and addresses the actions identified during the audit. |
| ICT Business Continuity | <p>Actions were agreed with management to improve the documenting of risks and the planning for business continuity in the event of the loss of ICT services.</p> <p>A Business Continuity Policy has now been produced and distributed. All critical services are completing a business continuity planning template which will be used to inform the corporate ICT business continuity plan in 2015.</p> |
| Consultancy Services Special Audit | Following a review actions have been taken by senior management to improve arrangements over the awarding, monitoring and payments processes regarding this type of service provider. All of the required audit recommendations have now been fully implemented including a commitment to review existing CPR's early in the 2015/16 financial year. |
| Procurement - Commissioned Care | Audit work during the year identified some areas for improvement regarding formal contract arrangements with organisations providing a service to Adult Social Services funded clients. Follow up work has not provided comprehensive assurance and this is an area that will be |

| | |
|---------------------------------------|--|
| | subject to further audit work during 2015/16. |
| Corporate Procurement | Follow up audit work undertaken during 2014/15 has indicated that whilst progress to address previously reported issues is being made some fundamental risks remain in this area and will be subject to further more detailed audit work during 2015/16. This item is included in the AGS action Plan for 2015/16. |
| Attendance Management - Sickness | Improvements have been made by senior management to the systems in operation for attendance management to ensure the accuracy and completeness of attendance information maintained implementing all actions identified during the audit review. Further audit work will be completed during 2015/16 to ensure ongoing compliance with corporate procedures. Related work in this area is included in the AGS action plan for 2015/16. |
| Officers Business Travel Arrangements | Good progress has been made by senior management to develop and improve systems in operation and address all actions identified during the audit. |
| Libraries | Management have made good progress during the year to address a significant number of weaknesses identified during a routine audit and covering a range of income/cash management risks. The follow up audit undertaken in-year indicated a marked improvement in the control environment. |
| The Learning Lighthouse | Significant improvements have been made to the control environment by management during the year specifically to implement all required actions to address areas identified for improvement regarding security of assets including IT equipment. |

3.5 Additional Work during 2014/15

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 CIPFA's new Code of Practice on Managing the Risk of Fraud and Corruption, which all authorities should assess themselves against. The subsequent findings indicate that overall good practice advocated by CIPFA was being followed, where appropriate, and that the necessary policies and procedures were in place to support this approach.

In July 2014 the team set up the Mersey Regional Fraud Group which consists of a number of neighbouring authorities and partner organisations. The group is committed to developing a regional approach to counter fraud, including the production of generic policies and procedures and undertaking collaborative working in targeted areas, such as data matching and other counter fraud exercises.

During the year the team coordinated a week long Employee Fraud Awareness Campaign, in collaboration with the Fraud Team (Benefits, Revenues and Customer Services), Trading Standards, Insurance & Risk, HR, Publicity and other neighbouring authorities.

The aim of the week was to heighten the awareness of the problem and scale of fraud in the public sector, to direct all employees to complete the mandatory Anti-Fraud and Corruption e-learning course and to encourage them to report any suspicions of fraud that they may have. The campaign involved posters, e-alerts and daily intranet bulletins and was supported by corporate messages from the CEO and Members.

Since the campaign the team has seen both an increase in the take up of the Anti-Fraud and Corruption e-learning course and 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.

Protecting the Public Purse Fraud Survey

The Audit Commission publishes an annual report on fraud and corruption in Local Government called Protecting the Public Purse (PPP). This publication provides details of the amount of detected fraud across the UK, warns of emerging fraud risks and promotes best practice across the sector. Much of the information for PPP is drawn from the results of the annual Fraud and Corruption Survey which were collated by the Audit Commission in May 2014 prior to publication at the end of October.

The report has specifically highlighted an increase in fraud nationally in the following relevant areas (extracts below quoted from the report identifying national trends):

- Social care – the number of detected cases has more than trebled since 2009/2010 and in 2013/2014 438 cases were detected with a value of £6.2million.....the policy of more choice and local control has changed the scale of the fraud risks councils face in this area.
- Insurance – the number of detected cases rose from 72 in 2009/2010 to 226 in 2013/2014, with a value of £4.8million.
- Disabled parking (also known as 'Blue Badge' fraud) – as in 2012/13, this produces the largest number of "other" cases, and in 2013/14, cases increased by 40 per cent to 4,055 with a value of £2 million.

These areas have been incorporated into the annual Internal Audit planning process and audit work has been identified that will be undertaken during 2015/16.

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.

Data sets were submitted in October 2014 for the 2014/15 National Fraud Initiative biennial data matching exercise and results of data matches were received at the end of January 2015. Good progress has been made by directorates to investigate the matches and a number of errors have been identified. 26 overpayments totalling £77,957 have been recorded on the NFI site, of which £51,856 has been recovered at the time of writing this report.

A more robust reporting mechanism has now been introduced to identify potential opportunities to recover monies owed to the Council earlier in the process and to instigate necessary recovery proceedings.

The Audit Commission powers to conduct the National Fraud Initiative will pass to the Cabinet Office on the 1st of April 2015, and the NFI will run under Cabinet Office powers from that date onwards.

Investigations

For the financial year 2014/15 Internal Audit received 18 referrals via a number of sources. This represents an increase of 6% from 2013/14. The type of issues covered a broad spectrum of the Council's activities.

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:

- Better Care Fund
- Intensive Families Intervention Programme ("Troubled Families Programme")
- Information Governance
- Liquid Logic
- Welfare Benefits System
- Commissioning and Procurement Board
- Mobile 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 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 undoubtedly increase and this has been reflected in the work plan. Some work has been undertaken to date to shape our approach including new operational practices and reporting formats that have been piloted during the year for Performance and Risk Management audits in particular. These include and encompass a review of the effectiveness/VFM approaches in place.

- Pilot reviews that include Risk and Performance Management
- Future Council / Organisational Change
- Parks and Countryside
- 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 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 3 Maximum and 7 Substantial assurance opinions.

The continuing use of the risk assessment process developed in 2013/14 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;
- Support to and attendance at the Corporate 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 Senior Leadership Team;
- 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 2014/15 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 2013 by the Chief Internal Auditor and revisited during 2014 that confirmed compliance with the code in all material aspects.

From 2013 Internal Audit are required to adhere to the new Public Sector Internal Audit Standards (PSIAS) which will replace the Code of Practice and require all public sector internal audit providers to be compliant with by 2018. Regular update reports on this have been presented to the Audit and Risk Management Committee during 2014 advising Members of the evolving requirements and progress being made by the service to become compliant. This has included the completion of a self-assessment exercise against the new standards that effectively introduce more demanding targets for internal audit across the public sector. A small number of areas have been identified for development and are included in an action plan being utilised by the service to ensure full compliance by the required deadline.

The new Public Sector Internal Audit Standards (PSIAS) 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 a sub group of the North West Chief Internal Auditors Group on which Wirral is represented. This approach is acknowledged and supported by the Chartered Institute of Public Finance Accountants (CIPFA), the Chartered Institute of Internal Auditors (CIIA) and External Audit colleagues as being a best practice method of satisfying the requirements of the Standards and ensuring that internal audit are providing a robust and effective service. The objective of the group is to implement this approach during 2015/16.

In March 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

A number of improvements have been made during the year to the Internal Audit Service that have been designed to increase the overall efficiency and effectiveness of systems of internal audit across the Council. Some of these improvements include:

- The implementation of a revised audit report format incorporating opinions on organisational impact;
- 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;
- Improved engagement with Chief Officers, managers and Members;
- Improved reporting arrangements for ARMC members;
- 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/Senior Leadership Team by the Chief Internal Auditor;
- The introduction of ongoing benchmarking against other audit service providers;
- Enhanced relations with Chief Internal Auditors from across the North West region;
- The development of a Mersey region counter fraud group including the establishment of protocols and collaborative cross boundary working;
- The development of a comprehensive quality assurance programme in compliance with the Public Sector Internal Auditing Standards;
- Recognition by the Chartered Institute Financial Accountants (CIPFA) of the contribution by the Chief Internal Auditor to better governance across the North West region.

Ongoing developments to be carried forward into 2015/16 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 collaborative proactive counter fraud working across the Mersey region;

- Development of more collaborative working arrangements with colleagues from other organisations to address skills and capacity requirements;
- Further develop the extent of the value for money work undertaken;
- Implementation of the Quality Assurance Assessment Programme;
- Full compliance with the Public Sector Internal Audit Standards;
- 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 internal audit service to the Council.

4.3 Performance Indicators

For 2014/15 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 2014/15 summaries of the post audit feedback forms indicate an overall satisfaction rate of 96% with the audit service, with over 60% 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 2014/15:

| IA Performance Indicator | Target | Actual |
|---|--------|--------|
| Percentage delivery of IA Plan 2014/15 | 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 | 98 |

Completion of the audit plan for 2014/15:

The plan was 95% complete as at the 31 March with 5% carried over into 2015/16 with completion during early April 2015. At the time of writing this report the IA Plan for 2014/15 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 NWCAE 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 ensure that improvements are made”

“draft and final reports all qualitative, adding value”

“the Auditor was helpful, courteous, constructive and professional”

“excellent service provided throughout”

Minuted feedback received from the Audit and Risk Management Committee:

“That the thanks of the Committee be accorded to the Internal Audit team for the exceptional quality of the work undertaken and for the clarity and conciseness of the reports presented to the Committee”

4.4 Follow up Procedure

Internal audit undertake a follow up audit of every completed assignment and report the findings to senior management, the Senior Leadership Team 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 SLT 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 2013. 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 until 2017. 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.

This page is intentionally left blank

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

8 JUNE 2015

| | |
|------------------------|---|
| SUBJECT | MANAGEMENT OF INSURANCE AND CORPORATE RISK |
| WARD/S AFFECTED | ALL |
| REPORT OF | ACTING S151 OFFICER |

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 2015/16. Progress made since March in relation to key actions planned for 2015/16 are also included.

2.0 BACKGROUND AND KEY ISSUES

2.1 Risk and insurance management comprises two significant areas of activity:

- One is the provision of advice and support to Members and officers in developing the corporate risk management framework and processes.
- The other is risk financing which incorporates insurance procurement, management of the Council's Insurance Fund and claims management.

2.2 In addition to day-to-day operations the insurance service is responsible for major procurement exercises and improvement activities. This report focuses on the latter. The key actions to be implemented during 2015/16 were included in the report to this Committee on 18 March. Progress to date in respect of those actions is summarised in the paragraphs below.

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

Premiums for the renewal of all policies were agreed with insurers in advance of their expiry on 1 April. Actual costs are approximately 2% (£10,850) less than those estimated. 'Casualty' is the insurance industry term for Liability insurance.

2.2.2 Possible extension of Casualty contract

Officers have held initial discussions with the Council's insurance brokers in relation to a possible competitive procurement exercise later in the year should the current insurers propose a further increase in premiums for the 2016/17 renewal.

2.2.3 Tender for Litigation Services

Three companies submitted tenders for the above contract. Evaluation took place between 20 and 30 April. As with the previous contract a panel of two firms is to be retained. Weightmans and BLM submitted the most

economically advantageous tenders and have jointly been awarded the contract which began on 1 June. The actual financial impact of the new contract will depend on the volume and nature of litigation brought against the Council.

2.2.4 Annual renewal of Property, Terrorism, Museums All Risks, Money, Fidelity Guarantee and Personal Accident / Business Travel policies

Information needed by insurers to enable them to provide renewal terms for these policies is being collated and will be supplied to them shortly. Premiums are expected to be within the 2015/16 budget. However the actual outcome will be reported to the next meeting of this committee.

2.2.5 Closedown of Insurance Fund accounts

The Insurance Fund accounts for 2014/15 were closed ahead of schedule. The annual out turn is the subject of a separate report to this committee. An operating surplus for 2014/15 of approximately £250,000 and a further £1m from Liability insurance provisions have been released to General Fund balances.

2.2.6 Alarm Award Nomination

The Deputy Risk and Insurance Officer has been nominated, and subsequently shortlisted, for the Professional of the Year award at the 2015 Alarm Risk Awards. This high profile nomination partly reflects the ongoing performance of Wirral's liability claims account but is also in recognition of the leading national role the officer has undertaken in relation to public sector liability issues in recent years. The awards dinner will take place during the Alarm national educational forum at Aston University, Birmingham on the 22nd June.

2.2.7 Launch risk management e-Learning modules

The manager and employee modules are currently subject to refinement and testing by the Organisational Development team. The managers' module forms part of the mandatory Management Development programme.

2.2.8 Agree requirements for reporting risk information to Policy & Performance Committees

Discussions have taken place between the Risk and Insurance Officer and the Head of Strategy Policy and Performance. The intention is to provide two updates to the Directorate risk register for Policy & Performance committees. These would be in addition to the information on key risks provided to Members within the Directorate plan. The content and format of the updates is currently under development.

2.2.9 Corporate risk register

The register is the subject of a separate report to this committee.

2.2.10 Service Planning 2015/16

The risk registers for all 3 strategic directorates have been refreshed to take account of objectives within directorate plans for 2015/16. The Corporate risk register is being updated with projects and activities within directorate plans which it is considered will also assist with the mitigation of corporate risks.

2.2.11 Corporate Risk Management Policy

Following approval of the draft Policy by this committee the Policy was put to Cabinet for formal adoption on 4 June.

2.2.12 Agree an approach for determining risk appetite

A paper setting out alternative methodologies for evaluating and expressing the Council's risk appetite has been prepared for the consideration of the Corporate Governance Group later this month. A recommended approach will put to the Strategic Leadership Team for implementation later in the year.

3.0 RELEVANT RISKS

- 3.1 The continuing 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.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Not relevant in relation to this monitoring report.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 None.

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 Premiums for those contracts which are renewable in June 2015 are expected to be within the 2015/16 budget.

9.0 LEGAL IMPLICATIONS

- 9.1 There are no specific 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 AND ENVIRONMENTAL 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 RECOMMENDATIONS

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.

REPORT AUTHOR: Mike Lane
Risk & Insurance Officer
telephone: 0151 666 3413
email: mikelane@wirral.gov.uk

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|---------------------------------------|-------------------|
| Audit & Risk Management Committee | |
| Corporate Risk & Insurance Management | 18 March 2015 |
| Corporate Risk & Insurance Management | 27 January 2015 |
| Corporate Risk & Insurance Management | 25 November 2014 |
| Corporate Risk & Insurance Management | 17 September 2014 |
| Corporate Risk & Insurance Management | 23 June 2014 |

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

8 JUNE 2015

| | |
|------------------------|--------------------------------|
| SUBJECT | CORPORATE RISK REGISTER |
| WARD/S AFFECTED | ALL |
| REPORT OF | CHIEF EXECUTIVE |

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 these 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 Following the Quarter 3 review undertaken by the Strategic Leadership Team (SLT) and which was reported to this Committee on 18 March the register contained 32 risks.

2.3 Review Quarter Four 2014/15

- 2.3.1 The Risk and Insurance Officer has collated information on progress towards the implementation of key additional controls for all current corporate risks as at 31 March 2015. That information is summarised in the Appendix to this report.

- 2.3.1 The above mentioned summary and the Quarter 4 Corporate Risk report were considered by the Corporate Governance Group at its meeting on 30 April. The report summarised high level risks within Directorate risk registers with an emphasis on those where officers believe that further mitigation will prove difficult. These documents will inform SLT's Q4 review of the register scheduled for 9 June.

2.3.2 Because SLT has not yet conducted the Q4 review there have been no changes to the register as reported to this committee on 18 March.

2.3.3 The next review will also consider / evaluate the risk of Child Sexual Exploitation (CSE) which was added to the corporate risk register at the Quarter 3 review.

2.4 Governance Commissioning and Improvement Portfolio Holder Briefings

2.4.1 Councillor Ann McLachlan has continued to examine a small number of the most critical corporate risks at each of her briefings. These examinations are structured around a summary from the Risk & Insurance Officer. Other officers with more detailed knowledge of the risks in question are also present to answer questions on the controls their effectiveness and whether further action could be taken.

2.4.2 The March briefing considered 'Withdrawal of support for the content management system could affect the security and effectiveness of the Council's web-site' (DA3) and 'Failure to ensure sufficient capacity and technical knowledge to deliver effective and compliant commissioning and procurement' (PE6). The current position in relation to the management of these risks is contained within the appendix. The next briefing planned for 16 June will consider 'Increasing demand for socially provided care exceeds the resources available - Council and NHS' (PE6) and 'Poor lifestyle choices continue to adversely affect public health and require different public provision' (SO2).

2.6 Next Steps

2.6.1 The Strategic Leadership Team will conduct the Quarter 4 review of the register. The outcome will be reported to this committee.

2.6.2 The Portfolio Holder for Governance Commissioning and Improvement will consider additional significant corporate risks at her monthly briefings.

2.6.3 Information on additional controls for corporate risks will be updated with relevant projects and activities identified in Directorate plans for 2015/16. The updated risk register will be considered by SLT at its Quarter 1 review and reported to this committee.

3.0 RELEVANT RISKS

3.1 The issues contained in the register are considered by the Strategic Leadership Team 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 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 None.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 None.

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

8.1 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.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising directly from this report.

13.0 RECOMMENDATIONS

13.1 That Members consider the report on progress with management of the corporate risks.

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

14.0 REASONS FOR RECOMMENDATIONS

14.1 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.

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

REPORT AUTHOR: Mike Lane
Risk & Insurance Officer
telephone: 0151 666 3413
email: mikelane@wirral.gov.uk

APPENDIX

2014/15 CRR Controls 310315

SUBJECT HISTORY

| Council Meeting | Date |
|-----------------------------------|-------------------|
| Audit & Risk Management Committee | 18 March 2015 |
| Audit & Risk Management Committee | 27 January 2015 |
| Audit & Risk Management Committee | 25 November 2014 |
| Audit & Risk Management Committee | 17 September 2014 |
| Audit & Risk Management Committee | 23 June 2014 |

Corporate Risks – Additional Controls – 31 March 2015

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|--|---|-----------------------------------|--|---|
| <p>Failure to deliver within immediate and long term budgets (FI1)</p> | <ul style="list-style-type: none"> • Corporate Plan reflects financial challenge • Delivery of budget options projects being progressed • Monitoring of budgetary position by Benefits Realisation Group (bi-weekly) and SLT (weekly) • Revenue monitoring on a monthly basis by SLT and Cabinet • Freeze on vacancies and non-essential expenditure • Deceleration of Capital Programme spend • Challenge process for budget growth | <p>12 (4x3)</p> | <ul style="list-style-type: none"> • Re-model early intervention and prevention services to ensure we manage demand efficiently and community based care effectively • Embed a strategic approach to commissioning • Progress opportunities for joint commissioning with health partners • Care Bill modelling and preparation for implementation in 2015/16 • Review of specialist rates for supported living and (LD/MH) for residential and nursing care • Support the implementation of the Future Council Programme | <ul style="list-style-type: none"> • Wirral Independence Service implementation is now underway with an intended go-live date of 1st July 2015. Phase 2 of the Liquidlogic implementation will see the client and citizen portals go-live in Quarter 2 of 2015/16 which will enable the department to manage demand through advice and information and appropriate screening processes. • The proposed structure for Public Health which includes a Strategic Commissioning function is currently under consultation. Finalisation and sign off of the structure is due to be completed on the 8th June 2015. • Proposed joint structure discussions are also in place with arrangements for health and social care joint commissioning. • A workshop has been held and a project officer has been in post to progress. Care Act implementation group has been set up, and is tracking progress and supporting decision making and governance. Training events have been commissioned and rolled out across the department. A full review of policies and procedures is currently underway. • Work is now progressing on the Liverpool City Region (LCR) footprint and officers from within DASS have been identified to take forward. • The £10.9 million savings remodelling target was scheduled to deliver over two years - £4.9m in 2014/15 and £6m in 2015/16. Work to review and remodel the organisation began in February 2014 |

| | | | | |
|--|--|--|---|--|
| | | | <ul style="list-style-type: none"> • Development of the revised transformation framework | <p>with a proposed implementation date of 1st January 2015. New structures are being implemented as consultations conclude, with all structures to be implemented by July 2015. There is currently an estimated shortfall in the overall target of £2.1m in 2015/16 which is anticipated to reduce to £1.5m by 2016/17</p> <ul style="list-style-type: none"> • £38m budget savings categorised into 5 key groups to ensure monitoring is focussed and risk based |
|--|--|--|---|--|

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|---------------------------------|--|--------------------------|--|--|
| Major fraud or corruption (F12) | <ul style="list-style-type: none"> • Counter Fraud and Corruption Policy • Whistle Blowing Policy • Counter Fraud Plan encompasses both proactive and reactive fraud work • Participation in National Fraud Initiative • Codes of conduct for Members and officers • Financial Procedure Rules • Contract Procedure Rules • Sound Internal Control systems • Effective recruitment and selection • Benefits Fraud Investigation team with trained investigators • Procedures for the Declaration of Conflict of Interests, Gifts and Hospitality and Pecuniary Interests • Mandatory training programme and fraud awareness campaign • Use of declarations and fair processing notices • Disciplinary procedures • Partnership working with neighbouring authorities – Mersey Region Fraud Group • Key role in the North West regional counter fraud network • Trained investigator – Corporate Fraud | 6 (3x2) | <ul style="list-style-type: none"> • Following the publication of CIPFA's new assessment tool (planned for June 2015) on the Code of Practice on Managing the Risk of Fraud and Corruption a full assessment will be undertaken. The outcome of which will help shape a new Counter Fraud Strategy. Target date Sep/Oct 15. • Develop the existing Corporate Counter Fraud Strategy following an assessment against CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption. Target date Oct/Nov 15. • Develop a regional approach to counter fraud including generic policies and procedures and involving collaborative working in targeted areas such as data matching and other counter fraud exercises– Target date – ongoing, a number of joint exercises are scheduled for 2015/16. • Regional public fraud awareness campaign – Target date 2015/16. • Implement the Fraud APP, hosted by INTEC. Target date Sept 2015. • Fraud monitoring system developed and implemented.- ongoing. | <ul style="list-style-type: none"> • Initial review undertaken against the Code of Practice on Managing the Risk of Fraud and Corruption. However CIPFA plan to release a new assessment tool during 2015. • Mersey Regional Fraud Group chaired by Wirral established including detailed terms of reference that specifies collaborative cross boundary working in targeted areas such as data matching and other counter fraud exercises. • Plans are in place to deliver a 'public' fraud awareness campaign across the region in collaboration with partners in neighbouring authorities. • DCLG funding has been secured to purchase a Fraud APP that individuals can download free of charge to report fraud and keep up to date with the latest fraud threats. • Senior Officer / Member support and involvement with planned counter fraud initiatives through presentations and reports to targeted groups that include SLT and A&RMC. • Development of corporate system for recording individuals cases of fraud and lessons learned/actions taken. • New reporting templates developed and hotline number advertised on posters, training materials and intranet. • Targeted training delivered to raise awareness of new legislation and requirements on individuals. • Improved take up of online fraud training following fraud awareness campaign. |

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|--|---|--|---|--|
| Failure to remodel the Council to meet its future challenges (GO1) | <ul style="list-style-type: none"> • Wirral's vision is set out in Corporate Plan • SLT focus on coherent new model • Revised contract procedure rules introduced • Robust technical design principles • Robust project and risk management arrangements for the remodelling programme | <p style="text-align: center;">8 (4x2)</p> | <ul style="list-style-type: none"> • Implement programme of ICT improvements • Implement new Asset Management Plan • Embed a strategic approach to commissioning • Support the implementation of the Future Council Programme | <ul style="list-style-type: none"> • Phases 1 & 2 are now complete. Work continues to roll out Windows 7 to Children's Centres and Adult Learning. The delivery of computers from now on will become part of the business as usual activities of the IT Service. • Full implementation across the Asset Management function is due to complete by the end of March 2015. Work continues on the disposal of surplus assets, with £2.8m having been raised so far in 2014/15. Sites identified in the original review of are nearly exhausted, but a number of additional assets have been identified for disposal in 2015/16. Marketing for the Acre Lane Centre has begun. Work towards the disposal of the other two major sites also continues • The proposed structure for Public Health which includes a Strategic Commissioning function is currently under consultation. Finalisation and sign off of the structure is due to be completed on the 8th June 2015. • The £10.9 million savings remodelling target was scheduled to deliver over two years - £4.9m in 2014/15 and £6m in 2015/16. Work to review and remodel the organisation began in February 2014 with a proposed implementation date of 1st January 2015. New structures are being implemented as consultations conclude, with all structures to be implemented by July 2015. There is currently an estimated shortfall in the overall target of £2.1m in 2015/16 which is anticipated to reduce to £1.5m by 2016/17. |

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|---|---|--------------------------|--|--|
| Failure to establish governance arrangements that support wholesale change and enable difficult decisions to be taken (GO2) | <ul style="list-style-type: none"> • Revised Constitution in place • Scheme of Delegation rolled out • Cohesive Strategic Leadership Team • Closer working with Cabinet • New Members briefing and decision-making processes implemented • Leaders Board established • Member development programme • Revised corporate risk management policy adopted • Co-ordination of governance issues through Corporate Governance Group | 6 (3x2) | <ul style="list-style-type: none"> • Further embed the new Constitution • Joint Cabinet / SLT sessions • Review / refresh Risk Management Policy • Increased Portfolio Holder engagement | <ul style="list-style-type: none"> • Reviews of the Constitution, Contract Procedure Rules and Financial Regulations have all begun • Joint sessions have been held to support preparation of the new Corporate Plan • The revised Corporate Risk Management Policy has been reviewed and approved by Audit & Risk Management Committee • The Portfolio Holder for Governance Commissioning and Improvement has held further monthly briefings |
| Internal policies & procedures could delay change (GO3) | <ul style="list-style-type: none"> • New Members briefing and decision-making processes implemented • Scheme of Delegation / Member Officer protocol updated • Code of Corporate Governance revised • Robust governance arrangements for the remodelling programme • Key policies reviewed (Whistleblowing, Grievance, transitional pay, redundancy) | 4 (2x2) | <ul style="list-style-type: none"> • Further embed the new Constitution • Monitor compliance with revised financial regulations and new Contract Procedure rules • Development of a new corporate plan and policy framework | <ul style="list-style-type: none"> • Reviews of the Constitution, Contract Procedure Rules and Financial Regulations have all begun • Timetable agreed for the development of a new Corporate Plan (July) underpinned by refreshed key strategies (September) • A matrix of all key plans and strategies has been mapped against the Code of Corporate Governance with responsible owners and refresh timescale |

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|--|--|---|--|-------------------------------|
| Failure to identify potential changes to government policy early enough to influence and respond (GO4) | <ul style="list-style-type: none"> • Work of the Policy Unit • Policy network established • Regular policy briefings provided to Senior Officers and Members • Performance Management and Business Intelligence resource • Regular item on SLT agenda | <p style="text-align: center;">6 (3x2)</p> | <ul style="list-style-type: none"> • Increased visibility of political and executive leaders with national government | |

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|---|---|--------------------------|---|--|
| Failure to maintain a focus on economic growth (GO5) | <ul style="list-style-type: none"> • Investment Strategy • Investment Strategy Board • Priority within Corporate Plan • Policy & Performance committee – scrutiny function | 8 (4x2) | <ul style="list-style-type: none"> • ERDF business growth programme • Regional Growth Fund projects • Implement Investment Strategy delivery plan • Marketing activity -implementing the Inward Investment Targeting Plan | <ul style="list-style-type: none"> • The programme continues to support businesses enabling them to grow and sustain/create employment. It has exceeded targets for the number of businesses supported and the number of jobs created • Resources from the Wirral RGF programme have been fully committed, but Round 4 LEP RGF is still available and Wirral companies with growth plans are utilising this resource • Activity within the Enterprise Zone includes investment in a new college building and a major office development. Industrial premises focused on key growth sectors are being constructed to provide units for expansion and inward investment. External resources secured to develop programmes aimed at supporting residents into employment • Attendance at a range of relevant trade shows and exhibitions has led to opportunities for supply chain growth in key sectors. Officers have also met with intermediaries working with companies active in Wirral's key growth sectors |
| A failure to maximise our influence with key stakeholders limits our ability to capitalise on opportunities (GO6) | <ul style="list-style-type: none"> • Chief Executive and senior members / officers engage outside Wirral with national decision-makers • Leader of the Council is chair of the Combined Authority • LEP membership • CX influence via LCR Chief Executive group | 4 (2x2) | | |

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|---|--|-------------------------------|---|--|
| Use of untried / untested models (mutuals, social enterprises, shared services) (GO7) | <ul style="list-style-type: none"> • Transformational Change projects based on robust business cases • Learning from other local authorities • Accessing external expertise (legal, financial and operational) | 12 (4x3) | <ul style="list-style-type: none"> • Embed a strategic approach to commissioning | <ul style="list-style-type: none"> • The proposed structure for Public Health which includes a Strategic Commissioning function is currently under consultation. Finalisation and sign off of the structure is due to be completed on the 8th June 2015. |
| Scale and pace of change could exceed organisational capacity – especially in key areas (PE1) | <ul style="list-style-type: none"> • Full senior management team in place • New governance model for programme management • Focus of Change Team • Matrix management arrangements adopted • Weekly project review meetings | 12 (4x3) | <ul style="list-style-type: none"> • Re-modelling fund for additional capacity if required • Programme management approach to identify capacity requirements • Ongoing resource planning | <ul style="list-style-type: none"> • Funds identified and available subject to business case • “Leading & Managing Change” and “Working through Change” workshops now feature on the Change Support Programme • “Embracing & leading change” is a key module of Leadership programme • Initial resource requirements agreed by SLT on 28/01/2015. Work is underway to review the skills and capacity of the programme office |
| Skills within the Council could be insufficient to support our future operating model (PE3) | <ul style="list-style-type: none"> • Redeployment training support in place • Change agent programme • Leadership and Management Development Programmes • Performance Appraisals for senior managers • Remodelling has been based on stress testing | 8 (4x2) | <ul style="list-style-type: none"> • Continue Leadership Development Programme • Continue Management Development Programme • Roll out Performance Appraisals to all staff | <ul style="list-style-type: none"> • The fourth cohort began in February 2015. Completion remains behind target. But should increase to 85% in May. • Management Development programme remains behind target. But changes in the programme and reporting will improve this. • Year-end performance was 49% of target. An improved programme will be introduced for 2015/16 |

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|--|---|--|---|--|
| Failure to ensure that the culture of the organisation supports the future operating model (PE4) | <ul style="list-style-type: none"> • Link of values to behaviours in Performance Appraisal • Change agent programme | <p style="text-align: center;">9 (3x3)</p> | <ul style="list-style-type: none"> • Design / implement cultural change programme • Continue Leadership Development Programme • Continue Management Development Programme • Roll out Performance Appraisals to all staff • Respond to the 2013/14 Staff Survey | <ul style="list-style-type: none"> • The Dignity at Work including 'The Values' element training commenced in December 2014 and was successfully completed by 36 employees in January 2015 of which 34 advisors have been recruited into the role and are now available for support to employees throughout the Council. • The fourth cohort began in February 2015. Completion remains behind target. But should increase to 85% in May. • Management Development programme remains behind target. But changes in the programme and reporting will improve this. • Year-end performance was 49% of target. An improved programme will be introduced for 2015/16 • A high level Staff Survey action plan has been developed, (including an Employee Engagement Panel, an Employee Reward Scheme and the new Dignity at Work Policy) |

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|--|--|--------------------------|--|--|
| A failure in health and safety management leading to death or serious injury (PE5) | <ul style="list-style-type: none"> • Register of corporate H&S risks • Corporate H&S policy specifies management roles & responsibilities, specific management arrangements have been developed • Legislative Compliance Audit programme & Fire Risk Assessments of all Council premises • Programme of auditing management compliance against H&S policy • Delivery of essential emergency training for fire and first aid • H&S Officers investigate all significant accidents & incidents, including ELI claims • Specific H&S training • Health surveillance arrangements for occupational health risks • Delivery of (IOSH) Managing Safely training to Managers and Supervisors below HoS | <p>8 (4x2)</p> | <ul style="list-style-type: none"> • Continue offering H&S IOSH management training to all managers • Merging of Schools H&S team with the Corporate H&S team and development of SLA with schools • Continuous review and develop of H&S arrangements • Continuing programme of compliance audits of H&S policy • Maintaining health surveillance programme for occupational health risks • Continuous programmed assessment of legislative compliance and fire risk at all Council premises • Senior management teams H&S training programme | <ul style="list-style-type: none"> • 2 IOSH managing safely courses run for managers during last quarter. A waiting list is in place for managers who are still to complete this course. • Integration of team to increase ability to support schools and council with H&S guidance & advice. New SLA for schools for H&S and OH are in place for the majority of Wirral schools. • The Health, Safety & Resilience team has continued to review H&S arrangements and carry out its programme of compliance audits - although the team have experienced some difficulties recently with personnel changes and reorganisation in certain service areas. Proposals for the redesign of H&S governance arrangements (including a refresh of the Corporate H&S committee) has been agreed and is being implemented • Delivery of a H&S training programme for senior management teams is delayed and awaiting the redesigned corporate structure |

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|--|--|-------------------------------|---|--|
| Failure to ensure sufficient capacity and technical knowledge to deliver effective and compliant commissioning and procurement (PE6) | <ul style="list-style-type: none"> • Staff development and training • Recruitment and retention policies • Review of structure | 12 (3x4) | <ul style="list-style-type: none"> • Acceleration of recruitment • Re-allocation of staff with necessary skills • Use of temporary staff • Develop and deliver a longer-term plan for the service • Recruit to support new structure | <ul style="list-style-type: none"> • Both the Senior Procurement Officer (SPO) and Procurement Officer (PO) have been engaged and have started wef 1 April 2015. • The SPO appointment was an internal promotion leaving a PO vacancy, which has been advertised w/c 13 April 2015. • Five temporary staff had been recruited for a 6 month period. This has been extended to the end of June 2015, by which time the new structure will have been agreed. • The longer term service plan and structure is near completion and should be agreed in May 2015. • Recruitment and embedding will start once the structure is agreed. This is expected to take around 6 months. |
| Quality and availability of data & intelligence could be insufficient to enable us to design services & target effective interventions DA1 | <ul style="list-style-type: none"> • Performance Management and Business Intelligence resource within Policy, Performance and Public Health function • Provision of dashboard reports to Policy & Performance committees • Breadth and depth of data from Service Reviews • Corporate Governance Group | 9 (3x3) | <ul style="list-style-type: none"> • Implement Data Warehouse | <ul style="list-style-type: none"> • The Data Warehouse project continues to progress as planned. |

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|---|--|---|--|--|
| A failure in information governance leading to a significant disclosure of sensitive information (DA2) | <ul style="list-style-type: none"> • IG Board and IG Operational Group established • Guidance on information handling/security circulated • Technical ICT controls • Independent security assessments of the council's ICT infrastructure • PSN accreditation attained • Training delivered to Members and key officers on information governance • IG communications for non-IT users developed • IG checklist for departments/managers developed • Checks to ensure that PSN users are BPSS cleared | <p style="text-align: center;">8 (4x2)</p> | <ul style="list-style-type: none"> • Training for IGOs • Annual refresh of training for managers and key staff • Implement the Information Governance Action Plan • Secure all council mobile and printing devices • Implement technical solution to protectively monitor the council's ICT infrastructure • Achieve Level 2 IG toolkit accreditation • Centralise IG policies and procedures and risks • Retain PSN accreditation | <ul style="list-style-type: none"> • Final figure for completion of mandatory online training is 94%. Refresh training will be aided by procurement of Policy Management Software. • Some remedial tasks, as detailed in the IG Toolkit submission, are still to be completed. These are dependent on receipt of the IAO returns. • All new Windows 7 laptops are configured securely and have McAfee hard disk encryption installed. A project is underway to install McAfee Mobile Device Management software on all council smartphones and tablets. • McAfee (Security Incident & Event Management) system purchased and implemented in 'test' state. Further configuration has taken place and the SIEM should be 'Live' by the end of Q1 15/16 • Accreditation achieved. A date for setting up the council's N3 connection is awaited • Policy Management Software will support the centralisation of IG policies and procedures • The Council achieved PSN accreditation on 25th March 2015 |
| Withdrawal of support for the content management system could affect the security and effectiveness of the Council's web-site (DA3) | <ul style="list-style-type: none"> • Project plan to rebuild the website approved • IT resources allocated • Temporary web editors in post supporting the project | <p style="text-align: center;">12 (4x3)</p> | <ul style="list-style-type: none"> • Deliver the web-site rebuild project | <ul style="list-style-type: none"> • The project began in February 2015. This will involve an update of the content management system. The launch date has been put back to August, because one member of the team has been taken off the project and another person is leaving. It is still expected that the project will be completed before support for the existing version of the content management system reduces to such a degree that it adversely affects the web-site. |

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|--|---|--|--|---|
| Failure to ensure resilience and cohesion in key partnerships (PA2) | <ul style="list-style-type: none"> • Health & Wellbeing Board established • Local Public Sector Board established • Support for Combined Authority | <p style="text-align: center;">9 (3x3)</p> | <ul style="list-style-type: none"> • Conduct a review of partnerships • Develop a register of key partnerships • Refresh partnership toolkit • Develop the Local Public Sector Board and Health & Wellbeing Board | <ul style="list-style-type: none"> • Following the production of the draft revised partnership register a review of those partnerships is being conducted by the Head of Strategy, Policy, Performance and Scrutiny. |
| Failure of a major provider (private, public or voluntary, community and faith sector) or partner leading to interruption of service (PA4) | <ul style="list-style-type: none"> • External suppliers identified and position statement compiled as to their arrangements • Procurement Strategy and the agreed procurement process checks on potential contractor. • Contract and performance management arrangements • Monitoring of contract delivery by Strategic Directors • Linkages to Business Continuity arrangements | <p style="text-align: center;">12 (4x3)</p> | <ul style="list-style-type: none"> • 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 • Ensure all external suppliers / contractors provide a position statement in regard to their individual business continuity plans on a two yearly basis • Incorporate an annual financial check is as part of the regular contract performance management arrangements | |

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|--|--|-------------------------------|---|---|
| Inadequate safeguarding arrangements exposing children or vulnerable adults to greater risk of abuse or exploitation (CU1) | <ul style="list-style-type: none"> Local Safeguarding Children Board and Safeguarding Adults Partnership Board monitor serious case review action plans. Business priorities for the WSCB monitored through the WSCB Executive Weekly performance monitoring of changes to contact and referral taking in CADT. Reports to CESG and strategic Directors DMT on Corporate Safeguarding performance. National Notification of Serious Child Care Incidents to OFSTED. Continuing programme for disseminating learning from serious child care incidents. Monthly meetings of the Merseyside Child Death Overview Panel. Continuing review of S118 IRO applications. Market supplement is paid to social workers in hard to recruit and retain posts. Reviews carried out by District Managers of children / young people known to a number of different agencies | 15 (5x3) | <ul style="list-style-type: none"> Implement a strengths based model of working with families. Support Council staff and partners in learning from best practice and serious/critical case reviews. Implement 'Making Safeguarding Personal' (MSP) and evaluate its impact | <ul style="list-style-type: none"> A provider has been identified to work with and a meeting set this month to schedule the work plan over an 18 month period. A specific session provided to members on the 26th March 2015 on Child Sexual Exploitation. The Safeguarding Reference Group was established and met for the first time on the 3rd February of this year with terms of reference which include briefing on current SCRs and Case reviews and any learning. A conference for DASS colleagues was held 14th January this year, with over 100 staff attending, facilitated by one of the national MSP leads. There is a clear plan for revising safeguarding policies and procedures to make them MSP and Care Act compliant and to explore MSP tools with practitioners to develop which will be supported in Wirral. |

| | | | | |
|---|--|---------------------|---|--|
| | <ul style="list-style-type: none"> • 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. • Strategic Review Process implemented for contracted providers giving cause for concern • Regular meetings of the Domestic Abuse sub-committee of the SAPB and LSCB • Multi Agency Safeguarding Hub for vulnerable children and adults established. | | | |
| <p>Child Sexual Exploitation (CU2)</p> | <ul style="list-style-type: none"> • LSCB sub-group established for CSE and working with a clear action plan for 2015/16 • Updates to safeguarding reference group meeting • Wirral is an active member of the regional CSE gold meeting and signed up to a regional multi-agency protocol | <p>To be scored</p> | <ul style="list-style-type: none"> • Programme of training and awareness raising | <ul style="list-style-type: none"> • Awareness raising session given to school governors on 26 February • 'Listen to my story' campaign launched on 18 March • Training for Members was delivered on 26 March |

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|--|---|--------------------------|---|---|
| A major physical incident compromises the delivery of essential services (PH1) | <ul style="list-style-type: none"> • Dedicated Health, Safety & Resilience Team provides support and guidance with 24/7 duty officer cover • External Partner organisations and suppliers identified and position statement compiled as to their arrangements • Awareness sessions delivered to key staff • Exercises conducted to test efficiency of plans • Departmental business continuity plans in place for critical service areas • Wirral Business Continuity Plan • Wirral Flood and Water Management Partnership formed • Review of winter maintenance arrangements conducted. • Merseyside Community Risk Register • Business interruption and Loss of Revenue insurance • Wirral Emergency Volunteer Scheme introduced | <p>8 (4x2)</p> | <ul style="list-style-type: none"> • All critical service areas to complete the new BC template • Critical services areas to exercise their BC plans/template • EP Training and Exercising programme • Continue to review and capture any lessons learnt from incidents and exercises | <ul style="list-style-type: none"> • Out of the 31 identified critical services 7 completed plans have been returned, outstanding plans will be chased up • No BC exercises have taken place • CESG – Table Top Exercise & Open Golf response completed. Severe Weather Workshop Dec 2014 completed. Ebola Response 2014-2015. CESG table top exercise postponed due to departure of former CX. • Ongoing |

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|---|--|--------------------------|---|--|
| Failure to implement new IT systems / hardware in time to support the new Council model (PH2) | <ul style="list-style-type: none"> • Replacement / upgrade projects agreed as part of 'Future Council' programme • Control and monitoring meetings for all projects within ICT improvement programme • Temporary engagement of Strategic IT Advisor to provide direction and capacity • Initial group of servers implemented | 9 (3x3) | <ul style="list-style-type: none"> • Implement programme of ICT improvements (including refresh of hardware) | <ul style="list-style-type: none"> • Phases 1 and 2 are now both complete. Work continues to roll out Windows 7 to Children's Centres and Adult Learning. The delivery of computers from now on will become part of the business as usual activities of the IT Service. |
| A sustained catastrophic failure in IT systems (PH3) | <ul style="list-style-type: none"> • Second machine room • Fire suppressant system in rooms • Additional backup /security based at Cheshire Lines implemented | 10 (5x2) | <ul style="list-style-type: none"> • Implement programme of ICT improvements • Review of IT service continuity arrangements | <ul style="list-style-type: none"> • Phases 1 and 2 are now both complete. Work continues to roll out Windows 7 to Children's Centres and Adult Learning. The delivery of computers from now on will become part of the business as usual activities of the IT Service. • The Chief Information Officer is working with Asset Management to develop a plan to create two separated data centre(s) at least one of which will be in operation by the end of 2015. Work has started on the production of a business continuity plan for IT services in line with the Council's new Business Continuity Policy. |

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|-----------------------|---|-------------------------------|---|--|
| Welfare Reforms (EC2) | <ul style="list-style-type: none"> • Ongoing Council-led strategic approach to assess the implications and prepare effective policy & delivery response e.g. through WEDS & Welfare Reform partnership • Discretionary Funds Housing Payment Fund for those on Housing Benefit impacted by the reforms inc. under occupancy • Localised Welfare Assistance Scheme for those impacted directly or indirectly and at risk • Collaborative working with social and rented sector landlord stakeholders • Collaborative working with DWP Local Partnership Lead • Delivery Partnership Agreement with DWP to April 2015 | 16 (4x4) | <ul style="list-style-type: none"> • Develop and deliver a Welfare Reform Dashboard • Local Welfare Assistance Member Task and Finish Group for post March 2015 continued support as specific funding ends • UC continued live roll-out of national scheme, corresponding engagement with DWP those accessing and impacted upon by this Reform. Local Delivery Partnership Agreement – Nov 2014 review | <ul style="list-style-type: none"> • A draft Welfare Reform Dashboard has been considered by the WEDS partnership. The Head of Business Processes is now leading a review of the range of actions required to mitigate the Welfare Reform risk and the Dashboard will be considered as part of this process • Reserve of £900,000 agreed, current scheme to 31st July 2015 and report to Cabinet late June to consider best use of reserve for any ongoing scheme or support. • Universal Credit transfer of cases is proceeding slowly and will await new central government on speed of case transfer. Ongoing system issues persist at DWP. The Council is considering on-going local support agreement for both claimants at its One Stop Shops and with DWP in back office support. |

| Description | What are the main controls for the risk? | Current Risk Score (I x L) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|--|--|-------------------------------|---|---|
| Increasing demand for socially provided care exceeds the resources available (Council and NHS) (SO1) | <ul style="list-style-type: none"> • Vision 2018 programme • Integrated Care programme • Joint Commissioning arrangements with the CCG • Enhanced monitoring and reporting arrangements • Joint Carers Strategy between Social Care and Health | 16 (4x4) | <ul style="list-style-type: none"> • Re-model early intervention and prevention services to ensure we manage demand efficiently and community based care effectively • Implement 7 Day Working within the Integrated Discharge Team and Care Arranging Team • Enhance market capacity to prevent avoidable hospital admissions and supporting timely hospital discharges | <ul style="list-style-type: none"> • Wirral Independence Service implementation now underway with intended go-live date of 1st July. Phase 2 of the Liquidlogic implementation will see the client and citizen portals go-live in Quarter 2 of 2015/16 enabling the department to manage demand through advice and information and appropriate screening processes • Integrated seven day response is in place for care teams. Work underway to ensure full implementation of seven day response by Sept 15 • A short term (72 hour) service was commissioned to help avoid unnecessary delays during the discharge process where packages of care could not be immediately commissioned. The Helping People Home grant has enabled the additional winter beds to be extended until June. A further tender issued to increase availability of intermediate care / transitional beds from 70 to 110. This will be available from September 15 |
| Poor lifestyle choices adversely affect public health and require different public provision (SO2) | <ul style="list-style-type: none"> • Commissioned lifestyle services (i.e. stop smoking services, weight management, drugs and alcohol services) • Role of sports development service • Health & Wellbeing Board provides focus and a forum for collaboration • Vision 2018 work stream on early intervention and prevention | 12 (4x3) | <ul style="list-style-type: none"> • Develop a new Public Health strategy for 2015-20 • Conduct four health promotion campaigns – Stoptober, National Smile Week, Dry January and Mental Health Awareness Week | <ul style="list-style-type: none"> • The new Public Health strategy continues to progress as planned. It will be delivered through the new Health & Wellbeing Strategy. • All campaigns were conducted |

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|--|--|--|--|---|
| Failure to equip the community to be more self-reliant (SO3) | <ul style="list-style-type: none"> Asset based community development (ABCD) projects Public sector transformation network Existing support through the Voluntary, Community and Faith sectors Engagement of individuals and groups through Constituency Committees Wirral Emergency Volunteer Scheme Direct Payments Advisory Service commissioned | <p style="text-align: center;">9 (3x3)</p> | <ul style="list-style-type: none"> Create a social enterprise delivery vehicle for disability services | <ul style="list-style-type: none"> Acting Managing Director and Acting Head of Finance posts have been recruited to with work now ongoing to establish the company. These posts will oversee the establishment of the company ensuring that it is fit for purpose and ensuring long term sustainability. |
| Technological advance leads to digital exclusion of individuals and businesses (TE1) | <ul style="list-style-type: none"> Council is leading a partnership approach to increasing digital inclusion ('Go ON Wirral'). Draft Wirral Digital Inclusion Action Plan (under development) As part of the response to Welfare Reforms, an interactive profile of access and available support has been developed through Wirral Well website | <p style="text-align: center;">12 (4x3)</p> | <ul style="list-style-type: none"> Roll out of ongoing Community learning; training and IT skills, particularly with Housing partners Ongoing work with partners to increase the network of publicly accessible PCs & Internet Council project to encourage access to Council services online Increasing availability of free Wi-Fi Merseyside Connected (BDUK) superfast broadband project | <ul style="list-style-type: none"> A range of community courses & training has continued to be delivered by Council and its partners. (215 enrolments between January and April 2015). The interactive profile of IT access and support is now available through the Wirral Well website The National superfast broadband take up TV and multi-media campaign "Now's the time" was successfully delivered. The need for future campaigns is under review A Merseyside Business Voucher Scheme was launched on 1/4/15. Up to £3,000 is available to each Wirral SME to cover broadband connection charges. This scheme runs for 12 months. |

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|---|---|-------------------------------|---|---|
| Growing incidence of extreme weather events (EN2) | <ul style="list-style-type: none"> • Wirral Flood & Water Management Risk Partnership • Merseyside Strategic Flood & Coastal Risk Management Committee • NW Regional Flood & Coastal Committee • Contribute to existing NW RFCC levy scheme. • Merseyside Local Resilience Forum (Multi-Agency) & Wirral Council Flooding & Adverse Weather Response Plans • Met Office and Env Agency weather and flood alerting systems – council cascade to partner agencies • Wirral Emergency Volunteers Scheme – Flood Wardens | 12 (4x3) | <ul style="list-style-type: none"> • Progress implementation of the Wirral Flood Risk Partnership action plan. • • Wirral Coastal Strategy 2013 – resultant Action Plan identifies 4 areas where intervention is required within 20 years • Surface Water Investigation work (RFCC Levy Bid for works to be delivered in 2014/15) • Develop a Severe Weather Action Plan | <ul style="list-style-type: none"> • A meeting of the Wirral Flood and Water Management Partnership on 7 October 2014 considered a report on the floods in December 2013 and a series of improvements actions. • Bids for Grant Aid funding for 3 of the 4 priority areas included in EA 6 Year Programme. Local Levy and internal Capital funding bids made for scheme delivery at first priority area of West Kirby 12/16 & 16/17. • Business Case in progress to secure EA Grant Aid for West Kirby • Consultation on draft Local Flood Risk Management Strategy now closed • Partnership working with other Flood Risk Management agencies to identify areas where collaborative working can inform understanding of existing and future flood risk. Draft report now complete • Information from Council officers and representatives of partner agencies is being collated to inform the Plan |
| Growth of academies / free schools complicates our ability to raise educational attainment and provide skills (LE1) | <ul style="list-style-type: none"> • Dialogue with schools becoming Academies • Retention of support networks e.g Cluster Headteacher Groups • Wirral Education Quality Services (WEQS) offered to all schools, including Academies • Existing structures (e.g. WASH, WISP, Children’s Trust Board) provide focus and forums for collaboration | 9 (3x3) | <ul style="list-style-type: none"> • Exploring with schools grouped Academy structures • Facilitating continuing dialogue with schools re Academy options • Expand and enhance the traded services offer to schools | <ul style="list-style-type: none"> • The Community Interest Company owned and controlled jointly by Wirral and CW&C Councils to provide traded services has been formed. |

| Description | What are the main controls for the risk? | Current Risk Score (IxL) | What additional actions are being taken to mitigate the risk? | What Progress has there been? |
|---|--|--------------------------|--|--|
| Failure to process applications for DoLS assessments within prescribed timescales (LE2) | <ul style="list-style-type: none"> • DoLS manager and administrative support in place • Prioritisation of cases to reduce risk to individuals • Regular reporting to Strategic Leadership Team • Best interest assessors (3 FTE's) seconded into DoLS team | <p>12 (3x4)</p> | <ul style="list-style-type: none"> • Extend mental capacity assessment across the workforce • Train additional Best Interest Assessors (BIA) | <ul style="list-style-type: none"> • Two social workers completed the DoLS training in January 2015. • A number of other social workers are completing the BIA training. <p>The backlog of unallocated assessments has increased. The department has been allocated a one-off government grant of £192,000 and there are on-going discussions regarding its use.</p> |

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

8 JUNE 2015

| | |
|-------------------------|-------------------------------------|
| SUBJECT: | INSURANCE FUND ANNUAL REPORT |
| WARD/S AFFECTED: | ALL |
| REPORT OF: | ACTING S151 OFFICER |

1.0 EXECUTIVE SUMMARY

1.1 This report provides a review of the Risk and Insurance activity during 2014/15 and the plans for 2015/16 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 2014/15 are confirmed.

2.0 BACKGROUND AND KEY ISSUES

Approach to Risk Financing

- 2.1 Since 1988 the Authority 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 motor accidents involving Council vehicles and damage to Council buildings.
- 2.3 Other more minor, expected, losses such as damage to equipment and plate glass are wholly self-insured.
- 2.4 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 (currently levied at 6%) 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.
- 2.5 Claims are met from the Insurance Fund with the Fund being maintained through proportionate annual contributions from all directorates and from schools.
- 2.6 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

- 2.7 The Council currently self-insures liability risks to a maximum aggregate of £3.5m for 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 £7.25m in 2005/06. In addition the Council's maximum liability for any single insured claim is currently limited to £250,000. Any costs above this are met by the insurer Zurich Municipal. At renewal on 1 April this year the Council took an option to extend the contract for a further 2 years to 31 March 2017.
- 2.8 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 risk and insurance function within 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. As the insurers have no financial interest in claims below the deductible they may have little motivation to secure the most efficient outcomes. On the rare matters that have the 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.
- 2.9 It is of note that the per-claim self-insured retention on liability has remained stable at £250,000 for over 15 years. In this period the real terms value of this deductible has been eroded by the effect of inflation and officers will consider the relative merits of increasing to a higher level when the liability insurance contracts are next marketed.
- 2.10 Inflation pressures within the claims environment have been running far ahead of inflation in the wider economy for many years. This was predominantly caused by a relentless uplift in claimant solicitors' fees as damages elements have remained relatively stable. There have been few barriers to cost increases by claimant solicitors since the introduction of the Woolf reforms in 1999. In recent years it has become common for costs settlements to outstrip damages by a factor of up to 10:1 on contested low value claims. Indeed, during the 2014/15 financial year in respect of one particular claim in which the court awarded damages of £1,500 the claimant solicitor subsequently submitted a costs bill for over £80,000. That bill was ultimately settled, following protracted negotiation, for £37,500.

Changes in the Civil Justice Regime

- 2.11 This gross disproportionality was recognised by both the judiciary and the government and it has now been addressed by the "Jackson" reforms. Members of this committee have been kept apprised of the progress of these reforms given the leading role undertaken by Wirral in the national process over recent years.
- 2.12 Whilst we have experienced a transition period for the last 18 months, managing cases brought via both the new and old regimes, almost all new claims now received will now be captured by the new process, the key features of which are that;

- Conditional Fee Agreements and After the Event Insurance premiums are no longer recoverable from defendants.
- Lower value personal injury claims are now all initially submitted, and handled, via a paperless portal process with strict, short, associated timescales for decisions.
- In most cases, and subject to a few important exceptions, Wirral will not be able to recover its own costs from the opponent. This is known as Qualified One Way Costs Shifting (QOCS).
- There is a fixed (vastly reduced) cost structure for cases that remain in the portal process.
- There are higher (but still substantially reduced) fixed costs available for cases that fall out of the portal.

2.13 If the claim outlined in 2.10 above was settled under this new regime it would have incurred fixed fees under the new structure of around £5,000 plus disbursements, or circa 8% of the bill actually submitted on that case.

2.14 The Council has now started to see relevant costs savings come through on individual cases but, given Wirral's unusually high defence rates, we will not see the same level of benefit across the entire account as other defendants simply because Wirral settles fewer cases. The Council will also be somewhat harder hit by the process of qualified one way cost shifting than others may be, as its trial success / discontinuance rates are also above the norm, and it will no longer be able to recover its legal costs on the majority of such litigated matters.

2.15 At this point it is not possible to accurately model the effects of these changes as historic claimant behaviours and claims frequencies will not provide a suitable basis. Whilst it is probable that the overall outcomes will be positive, risks remain that the landscape could change. The uncertainty is based on concern that claimant solicitors may adapt strategies and tactics to attempt to drive settlements based on leveraging the new economic pressures of litigation (QOCS). It is also possible that the substantially reduced costs regime may lead to an up-lift in claims frequency as solicitors consolidate and move to, lower cost, volume handling models.

2.16 The situation is being closely monitored, through reference to the Council's own experience and that of its peers, and procedures will be adapted as necessary to respond to developments. The authority has, over many years, developed an excellent reputation as a tough target and it must remain vigilant that this reputation is not damaged by making short term economic decisions on individual cases which may encourage further unwelcome pressure to be applied in other matters. The Council will maintain its firm but fair approach irrespective of the economics.

Public Liability Claims Statistics

2.17 Despite these legal and regulatory changes, the current rate of receipt of new Public Liability (PL) claims remains reasonably steady. During 2014/15 a total of 390 new claims were received. This was a 12% reduction on the previous year. Whilst the majority of claims relate to simple highway 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 / or inappropriate removal. Table 1 below shows the rate of receipt of Public Liability claims over the last 5 years.

Table 1: Claims received – Public Liability

| | Number of new Public Liability Claims Received within year | | | | |
|----------------|--|---------|---------|---------|---------|
| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
| Highway Claims | 399 | 423 | 435 | 373 | 319 |
| Other | 59 | 75 | 55 | 72 | 71 |
| Total | 458 | 498 | 490 | 445 | 390 |

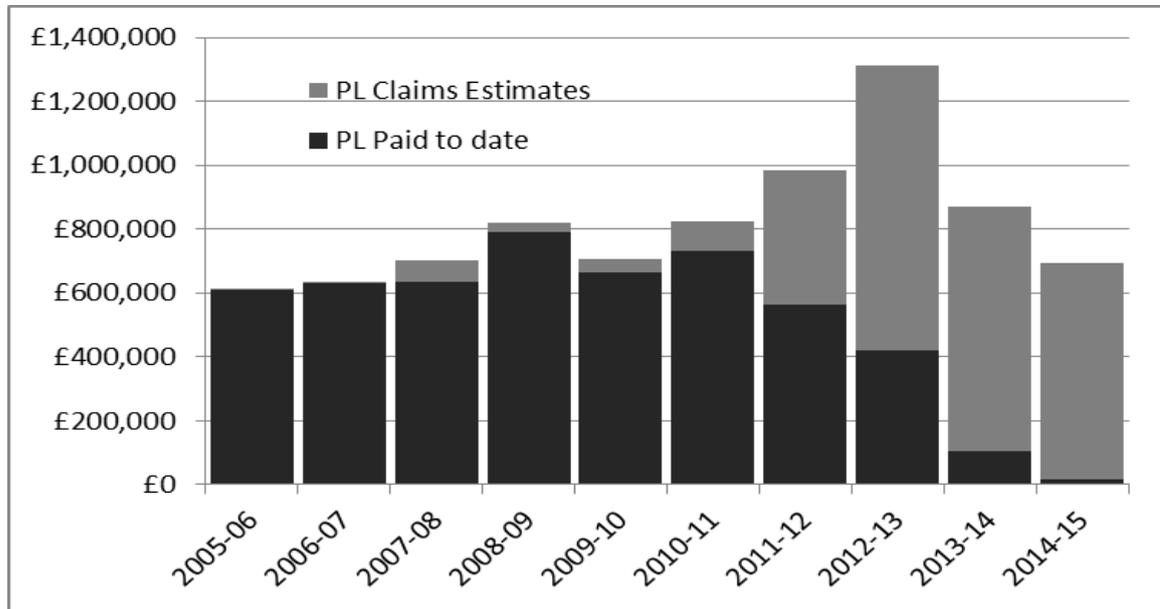
2.18 Whilst good risk management activity can affect the outcome of PL claims, by providing a defence, the frequency of receipt is influenced by factors over which the Council has little control. Dominant influences will include the incidence of severe weather, claims farming activity and the prevailing propensity to claim within the populace. It will be noted that the winter of 2014/15 was relatively mild and this is likely to have contributed to the fall in highway claims receipt.

2.19 This “claims received” data is not necessarily reflective of the impact on individual account years as a claim could be received many years after the incident. Whilst this is more of an issue on Employers liability matters, as will be shown, it should be noted.

2.20 Chart 1 below indicates the expected final costs of known public liability claims occurring over a 10 year period. The yearly totals are split between amounts paid and reserves for claims outstanding. The chart does not incorporate any element of the necessary funding 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 £1m per year. As noted above, the recent civil justice developments have however increased the level of uncertainty in this prediction. The obvious anomaly showing within the data for 2013 demonstrates 2

unconnected claims each of which have the potential to breach the £250k deductible.

Chart 1: Cost of Public Liability claims by date of incident.



2.21 Table 1 is based on the date that the claim was received to indicate the rate of receipt of claims, whereas within Chart 1 the date of accident has been used to show payments and reserves as per policy years. This data does not therefore directly correspond. It was considered that this varying format best illustrated the account performance but if Members require claims data in any other format it can be provided.

2.22 Individual claims can take many years to settle. A portfolio of over 600 open public liability files with a potential combined value over £3.5m is currently being managed.

Employers Liability Claims Statistics

2.23 Following relatively high levels of claims in the preceding years, the number of Employers Liability (EL) claims received in 2014/15 reduced to a total of 36. Although the frequency is down from the peak, the figure remains high in comparison with the long term average and particularly when viewed alongside the reducing headcount. In recent years much of the EL growth has resulted from vibration and noise related claims from Parks employees that are very difficult to defend. 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 table 2 below.

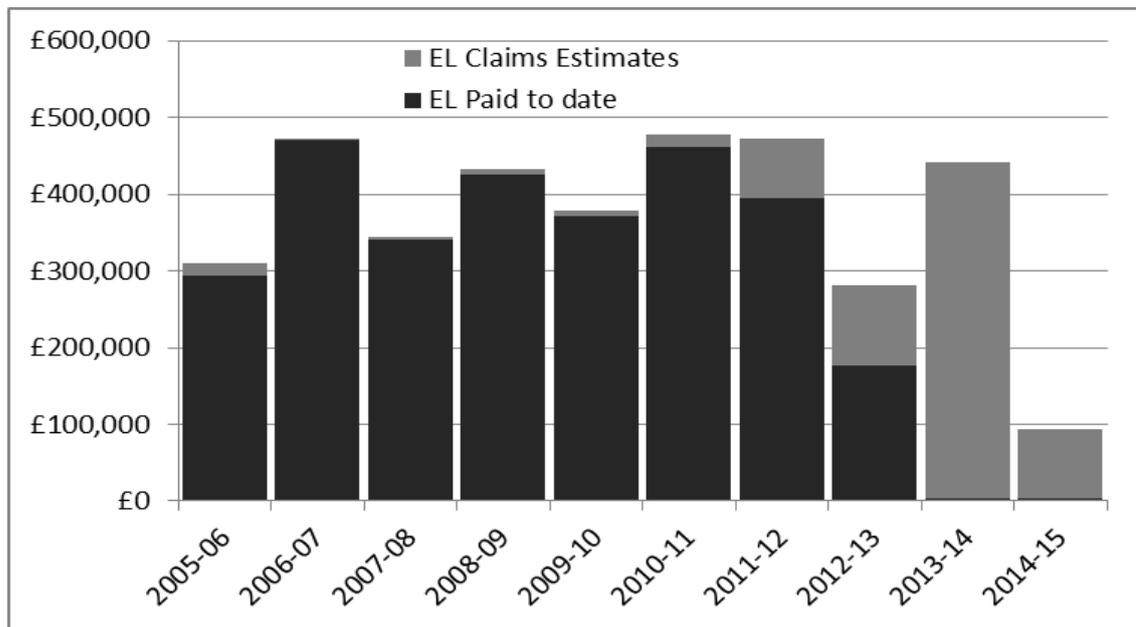
Table 2: Claims Received – Employers Liability

| New Employers Liability Claims Reported by Date with Alleged Cause | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
| Vibration | 12 | 17 | 6 | 7 | 6 |
| Noise (NIHL) | 6 | 16 | 6 | 15 | 5 |
| Asbestos | 0 | 1 | 0 | 1 | 0 |
| Slip / trip / trap / fall | 12 | 11 | 11 | 18 | 12 |
| Others including assault / stress and harassment | 14 | 20 | 22 | 9 | 13 |
| Total for year | 44 | 65 | 55 | 50 | 36 |

Note that figures within this table will differ slightly from reports extracted from claims database due to the impact of historic matters that are recorded elsewhere. These historic exposure matters added a total of 7 claims (all NIHL) to the figures.

- 2.24 Employers liability claims generally take much longer than PL claims to be reported, investigated and, if necessary settled. 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 2014/15 we also received a new claim alleging asbestos exposure with Birkenhead Corporation in the 1940's resulting in a fatal mesothelioma. Much of this exposure was uninsured as insurance records for some parts of 1940's exposure cannot be traced.
- 2.25 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 40 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 Corporation and Birkenhead) and exposure to some employment prior to 1950 for which no insurer details can be traced.
- 2.26 The overall reserve for known EL claims was £930,708 at 31/03/15 across 84 current live files. The distribution of estimates and payments amongst the more recent policy years is shown within chart 2.

Chart 2: Cost of Employers Liability Claims by Policy Year



2.27 As the complexity of individual EL cases continues to increase, it is also generally becoming more difficult to track down essential witnesses and documents. A lack of documentation for historic cases is therefore expected. However the ongoing reorganisation and contraction within services can often make the location of evidence and witnesses for even recent incidents difficult. The Council's ability to defend Employers' liability claims is now regularly impacted by this position and we are therefore working closely with colleagues in the Health and Safety team to use the post loss analysis to identify and improve corporate processes.

2.28 Management of Liability claims continues to require a substantial amount of work. Amongst the new cases in 2014/15 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.

2.29 Improvements reported in claims management in previous years were sustained through the continuing efforts of departments to manage their liability risk, particularly the Highways risk. The 'firm but fair' stance on liability and the counter-claims fraud strategy (that has resulted in a successful criminal prosecution) 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.

2.30 Wirral has continued to play a national role in relation to insurance issues. The Council has established, and maintains, a reputation within the market as a leading authority on liability claims matters.

Property and Business Interruption

- 2.31 The Council self-insures to a maximum of £500,000 damage to property through fire and £1m for damage to commercial properties and to schools through storm flood and escape of water. It also has a maximum liability of £500,000 for business continuity losses through fire and £1m 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.
- 2.32 Although all property losses are reported to insurers minor claims are investigated and administered directly by the Council. A loss adjuster would be appointed to investigate and report to insurers on larger losses (those estimated to cost in the region of £30,000 or more). However the authority would still have a significant role in managing any necessary reinstatement process and ensuring the optimum settlement is achieved from the insurer.
- 2.33 The table below shows the number and cost of claims in the last 5 policy years.

| Year | Number | Paid to Date | Outstanding | Total |
|-----------|--------|--------------|-------------|----------|
| 2010/11 | 47 | £203,842 | £ 0 | £203,842 |
| 2011/12 | 11 | £ 27,974 | £ 0 | £ 27,974 |
| 2012/13 | 16 | £ 31,508 | £ 0 | £ 31,508 |
| 2013/14 | 17 | £ 28,122 | £ 2,407 | £ 30,529 |
| 2014/15 * | 10 | £ 22,069 | £33,898 | £ 55,967 |

* Part year figures (as at 15 May 2015)

Motor

- 2.34 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 is subject to a Long Term Agreement until 31 March 2017 with an option to extend for a further 2 years.
- 2.35 The Risk and Insurance team 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.
- 2.36 The reduction in vehicle numbers has been partly responsible for the 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, minibuss assessment process and a more robust approach to the investigation of accidents and the management of claims are all elements of this approach.

2.37 The table below shows the number and cost of claims in the last 5 policy years.

| Year | Number | Paid to Date | Outstanding | Total |
|-------------|---------------|---------------------|--------------------|--------------|
| 2010/11 | 47 | £76,519 | £ 2,250 | £ 78,769 |
| 2011/12 | 29 | £18,305 | £ 0 | £ 18,305 |
| 2012/13 | 42 | £89,016 | £12,294 | £101,310 |
| 2013/14 | 32 | £44,027 | £ 9,230 | £ 53,257 |
| 2014/15 | 42 | £31,901 | £ 5,595 | £ 37,496 |

Other Classes of Business

2.38 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

2.39 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.

2.40 To help ensure that the Fund is sufficient meet the cost of liability claims but is not over resourced reviews are undertaken every three to four years by an external actuary who assesses the amount needed to fund anticipated liabilities for previous years. In the intervening years internal evaluations are undertaken for the same purpose.

2.41 The output from last external review to be commissioned was reported to this committee on 28 January 2014. As in 2013/14 a further evaluation of the sums required as at 31 March 2015 has been undertaken to inform this report.

2.42 The evaluation took as its starting point the figure recommended by the actuary as the provision required as at 31 March 2013. To this the liability funding figures for 2013/14 and 2014/15 were added and all liability claims payments made during those years deducted (including payments due under the MMI Scheme of Arrangement and payments made against the uninsured liability reserve).

2.43 This initial calculation indicated that a sum of £9,600,166 was required as at 31 March 2015 to meet outstanding liabilities as per the middle column of the following table.

| Combined Liability | Position as at 01/04/2014 £ | Calculated Requirement at 31/03/15 £ | Restated Requirement at 31/03/15 £ |
|--|--|---|---|
| Provisions < 1 year (275 x IF028 provision for known liability claims that is expected to be utilised entirely within 14/15) | 1,550,000 | 1,500,000 | 1,500,000 |
| Provisions > 1 year (276x IF028 provision for known liability claims where payment is expected to be made beyond the next year) | 4,278,326 | 2,547,064 | 2,547,064 |
| Insured Liability Reserve (475x IF028 reserve for insured claims incurred but not yet received, or claims received but insufficiently reserved) | 2,157,619 | 4,208,546 | 3,208,546 |
| Uninsured Liability Reserve (475x IF056 reserve to cover claims payments for periods of insurer insolvency or policy coverage deficiency) | 1,006,000 | 914,364 | 1,000,000 |
| MMI reserve / provision (475x IF022 + 275x IF022 reserve to cover claims payments for periods of insurer insolvency or policy coverage deficiency) | 430,192 | 430,192 | 430,192 |
| Total liability reserves / provisions | 9,422,137 | 9,600,166 | 8,685,802 |

2.44 The fund calculation was then subjected to further analysis based on officers' assessment of the variance in account performance post receipt of the actuary report, as the claims landscape has altered substantially in the intervening period.

2.45 This further analysis of the Liability Funds indicated that the figure held at the end of 2014/15 was greater than that which current claims volumes and patterns would suggest is required, even allowing for the current uncertainty surrounding the

impact of the civil justice reforms. This improvement in outlook is largely based on a substantial reduction in provisions for known claims following successful claims management outcomes. As such the required funding level indicated by analysis of the actuary report has been reduced and £1,000,000 has been released from the reserve for Liability claims to General Fund balances in 2014/15. The revised funding position, which also incorporates the replenishment of the uninsured liability fund from the operating surplus is shown in the right hand column of the table.

2.47 The 'claw back' clause in the Scheme of Arrangement for Municipal Mutual Insurance was triggered by the company's administrators during 2012/13 and in 2013/14 the Council made an initial payment of £74,708 representing 15% of its historic liability. The Council also now faces contributing 15% to all future liability settlements attributable to the MMI period of insurance. Whilst this leaves an open ended liability Wirral is less affected by this development than other authorities and officers remain satisfied that current funding levels are adequate to manage the exposure. Industry commentators are suggesting that another 40% claw back from this fund may be activated within the next 2 years which would again also include contributing such an uncapped sum to all future settlements.

Review of Other Reserves and Provisions

2.48 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.

| Class | Position as at 01/04/14 | Sum Required at 31/03/15 |
|--|------------------------------------|---|
| | £ | £ |
| Property (IF020) | 2,500,000 | 2,500,000 |
| Motor (IF018) | 200,000 | 200,000 |
| Wholly self-insured claims (such as plate glass and equipment) (IF051, IF103, IF104, IF105) | 175,998 | 183,998 |
| Civil Contingency (funds improvements in resilience to service disruption) (IF021) | 1,500,000 | 1,500,000 |

| | | |
|---|------------------|------------------|
| Professional Indemnity (funds excesses on Professional Indemnity claims any claims for uninsured services.) (IF046) | 50,000 | 50,000 |
| Risk Management (supports individual risk improvement initiatives) (IF024) | 144,400 | 150,000 |
| Claims Management (funds the legal costs of handling uninsured liability claims) (IF047) | 150,000 | 150,000 |
| Contaminated Land (funds uninsured liability claims for environmental impairment) (IF023) | 500,000 | 750,000 |
| Budget Surplus / Deficit (balance of Fund income v expenditure) (IF052) | 82,993 | 82,993 |
| Total | 5,557,391 | 5,566,991 |

2.49 In addition to the £1m returned to General Balances from the reserves, the Risk and Insurance service also achieved an operating surplus of £238,000 for 2014/15. This figure is attained from the premiums taken into the Insurance Fund, combined with fee income derived from traded services and consultancy services, less the claims paid and necessary provision / reserve adjustments within the year. This surplus has also been returned to General Fund balances in 2014/15.

2.50 The closedown of the Insurance Fund accounts for 2014/15 and review / amendment of the reserves and provisions held within it therefore resulted in the following key actions.

(i) **The release of £1m from the Insured Liability Reserve to the General Fund.**

(ii) **The release of the operating surplus of £238,000 to the General Fund.**

2.51 The reserves and provisions within the Insurance Fund amount to a substantial sum. Whilst all are clearly earmarked for specific purposes Members may take the view that the Authority's financial position is such that further amounts should be released to support general balances. Any decision would depend on Members risk appetite as such a release could mean that the Fund had insufficient resources to meet its future liabilities.

Insurance and Risk Management 2014/15

2.52 Throughout 2014/15 regular progress reports on Risk and Insurance Management were presented to the Audit & Risk Management Committee.

Services for Schools

2.53 The insurance facility for Academy schools established in 2011/12 continued to prove very popular with schools which have taken the decision to convert. The authority assists schools with tendering to obtain competitive quotations for academy-specific insurance packages, critically appraises policy wordings verifies all policy documentation provides support with claims and general risk management advice. The service generated income of approximately £38,000 in 2014/15. This helped to offset the Council's own insurance administration costs.

2.54 Wirral has remained at the forefront of developments in the Academy Insurance sphere as it has taken a lead national role in appraisal of the DFE's Risk Protection Arrangement. This development could negatively impact both the quality of insurance protection available for these schools and the future fee income from Academies. The teams work aims to mitigate these potential impacts.

Budget

2.55 The Insurance Fund Budget 2015/16 was approved by Audit & Risk Management Committee on 27 January 2015. The report confirmed that the cost to the General Fund would be £88,000 less than the Budget for 2014/15.

Insurance Management 2015/16 and beyond

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

2.57 The following table shows the key insurance / claims tasks for the year ahead and the target dates for completion.

| Task | Target Date |
|---|--------------------|
| Procurement of Civil Litigation Defence Services | 1 June 2015 |
| Negotiate annual renewal of Property, All Risks, Money, Fidelity Guarantee and Personal Accident / Business Travel policies | 30 June 2015 |
| Possible extension of the Liability insurance contract | 30 September 2015 |
| Compile the Insurance Fund Budget 2016/17 | January 2016 |
| Negotiate annual renewal of the Motor, Engineering and Foster Care policies. | March 2016 |
| Procurement of Computer insurance policy | March 2016 |

2.58 As reported previously to this committee the Council took the option to extend the Liability insurance contract to 31 March 2017. However there remains a possibility that insurers could break the Long Term Agreement by proposing unreasonable changes to the premium or cover. Should this happen officers will conduct a competitive tender exercise for this contract. The risk of an adverse outcome from

such an exercise is reduced because there is now a wider market for local authority Liability risks than was the case only a year ago. Officers continue to explore the merits of bringing the Liability claims handling function fully in-house. Requesting quotations on the basis of external claims handling and alternatively of self-handling will enable the Council to identify precisely the financial benefit which would result from bringing claims handling in-house. An update on this issue will be provided to this committee at its meeting 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 The evaluation of funding requirements whether by external actuaries or Council officers are based on historic exposures claims and payments patterns. It is possible that as a result of changes in the organisational risk profile or the environment for civil litigation the recommendations could subsequently prove to be inadequate or overstated. This risk is mitigated by officers' ongoing reviews and statistical assessments.
- 3.3 The small Risk & Insurance team is reliant upon the specialist technical skills of a limited number of officers. Capacity and capability would be an issue in the event of a surge in claims or a single long term absence.

4.0 OTHER OPTIONS CONSIDERED

- 4.1. The original calculated requirement for Liability claims could have been retained within the Insurance Fund. However this would have presented a lost opportunity to support General Fund balances.

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 2016/17 is to be presented to this committee in January 2016.

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 RECOMMENDATION/S

12.1 That members endorse the release of monies from the Insurance Fund to the General Fund indicated in paragraph 2.50.

12.2 That the Insurance Fund Budget 2016/17 be prepared for presentation to this committee in January 2016.

13.0 REASONS FOR RECOMMENDATIONS

13.1 To maintain appropriate financial reserves.

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

REPORT AUTHOR: Mike Lane
Designation Risk and Insurance Officer
Telephone (0151) 666 3413
Email mikelane@wirral.gov.uk

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|---|-------------------|
| Insurance Fund Budget 2015/16 - Audit & Risk Management Committee | 27 January 2015 |
| Insurance Fund Annual Report – Audit & Risk Management Committee | 23 June 2014 |
| Insurance Fund Budget 2014/15 - Audit & Risk Management Committee | 28 January 2014 |
| Insurance Fund Annual Report – Audit & Risk Management Committee | 18 September 2013 |
| Insurance Fund Budget 2013/14 - Cabinet | 29 November 2012 |
| Insurance Fund Annual Report - Cabinet | 21 June 2012 |

This page is intentionally left blank

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

8 JUNE 2015

| | |
|-------------------------|--|
| SUBJECT: | ANNUAL GOVERNANCE STATEMENT 2014-15 |
| WARD/S AFFECTED: | ALL |
| REPORT OF: | STRATEGIC DIRECTOR – TRANSFORMATION & RESOURCES |
| KEY DECISION | NO |

1.0 EXECUTIVE SUMMARY

- 1.1 The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2011, Regulation 4(3).
- 1.2 This report presents Audit and Risk Management Committee with a draft Annual Governance Statement for consideration by committee members. A final version will be reported to the Committee in September 2015.

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 2014-15

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 Strategic Leadership Team 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) 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).

A review of reports by external agencies has also been completed, e.g. External Audit, Local Government Association, OFSTED, and the Care Quality Commission; so as to highlight key governance issues and findings.

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 the Portfolio Holder for Governance, Commissioning and Improvement, Council Leader and External Audit to inform the draft of the Annual Governance Statement.
- 6.2 The production of the statement has been led by the Council's Strategic Leadership Team and supported by officers of the Corporate Governance Group.

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 Council's Strategic Leadership Team, 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 Council's Strategic Leadership Team, 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 Council's Strategic Leadership Team, 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 Council's Strategic Leadership Team, 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 2015.

14.0 REASON FOR RECOMMENDATION

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

REPORT AUTHOR: Lucy Barrow
0151 691 8006
lucybarrow@wirral.gov.uk

APPENDICES

1. Draft Annual Governance Statement 2014-15

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 2014-15 | 18 March 2015 |

ANNUAL GOVERNANCE STATEMENT 2014-15

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. 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 cannot 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 2015 and up to the date of approval of the annual statement of accounts.

3. Overview of Council Progress

The Council has continued to progress its plans during 2014-15 to continually strengthen its governance arrangements and build on previous improvements overseen by Wirral's Improvement Board which withdrew in November 2013. Internal governance controls have been strengthened and this is demonstrated by improvements delivered during 2014-15 to address the Council's existing governance issues.

The Council has identified four governance issues in 2014-15 which are outlined in this statement. This presents an improved position from five governance issues in 2013-14 and demonstrates significantly strengthened governance arrangements from the 2012-13 statement which outlined fifteen issues.

The Council has made considerable progress to conclude its 2013-14 governance issue related to its asset management plans and this issue is therefore no longer considered significant. Cabinet approved a revised Asset Management Strategy in June 2014 and has delivered capital receipts of £3.3 million during 2014-15 through disposal of assets with a target of £20 million identified by 2017-18. Other improvements include the introduction of an asset management system and the consolidation of a new asset management function as a single structure within the Council.

There have been no 'new' governance issues identified during 2014-15 which demonstrates the Council is one which is stable and has embedded and consolidated arrangements to strengthen governance. The four remaining issues are related to procurement, ICT business continuity, absence management and organisational culture. These are existing issues which require further work to demonstrate a sufficiently improved position before they can be removed from the Council's annual governance statement. On this basis the Council has decided to retain these as significant governance issues to ensure that there are robust review and scrutiny arrangements in place to ensure they are addressed. Plans have been developed to deliver improvements which will be regularly reported to senior management and elected members.

Further evidence of the Council's improved position can be illustrated by the Council success in its award of 'Most Improved Council' at the 2015 LGC Local Government awards in March 2015. This award highlights that the Council has been recognised by its peers for the improvements that have been achieved. The Council was also shortlisted for awards in a further three categories for entrepreneurialism, efficiency and driving economic growth.

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

The Council can demonstrate that it is focusing on outcomes for the community and on a longer- term vision for the area. The Council has in place a three-year corporate plan for the period 2013-16, setting out a clear vision and set of priorities to guide the allocation of 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”.

An updated Corporate Plan for 2015-16 was approved by Council in December 2014 to further embed the Council’s vision and to respond to emerging local and national policy drivers. The plan provides a clearly defined approach to deliver projects and activity in accordance with the Council’s priorities and within available resources. The plan is underpinned by a range of plans and strategies as defined in the Council’s code of corporate governance.

Directorate plans have also been reviewed and refreshed for 2015-16 to reflect the corporate plan priorities and the Council’s vision. The plans have been approved by the relevant Portfolio Holders and presented to Member-led Policy and Performance Committees during March 2015 for consideration and to inform their future work programmes.

The Strategic Leadership Team review performance of the Corporate Plan on a monthly basis with regular reports provided to Cabinet on a quarterly basis. The Policy and Performance committees receive performance reports on directorate plans on a quarterly basis.

The Council is now focused on developing its future plans to ensure that the Council can effectively respond to meet resident’s needs and deliver its vision and priorities. The Council’s leadership is working with its Strategic Leadership Team under the direction of the new Chief Executive to develop a new Council plan which will shape the way the Council operates over the next three years.

The Council continues to demonstrate strengthened financial management and stability. The Medium Term Financial Strategy was agreed by Council in February 2015 and sets out how we will resource the priorities set out in the Corporate Plan. The Council has achieved a balanced budget for 2014-15 which includes the delivery of £36 million savings. A further £38 million savings have been approved by Council for 2015-16 with early decisions agreed by Council in December 2014.

The Council is currently reviewing its partnership arrangements. During 2015-16, we will work closely with its partners to establish a long term vision for the borough. A Public Service Board is in place with the lead officers of public sector organisations in Wirral meeting on a regular basis to discuss issues relevant to a wide range of public sector

partners, including service redesign and improved integration.

An independent review of Wirral's Health and Wellbeing Board took place during January 2015 and identified the need for a clear vision for Wirral. This will be progressed during 2015-16 to ensure that there is a single agreed vision for Wirral partners.

The Council continues to implement its multi-agency approach to public sector reform supported by a range of national initiatives. Wirral is one of only nine areas in the country and the only metropolitan Council to participate in the Public Service Transformation Network. This includes an innovative programme to tackle health-related worklessness in Wirral through a partnership approach. The Council has also recently been selected as one of nine areas to achieve national vanguard status for primary and acute care services. This status will provide a framework to focus on a whole system 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 way on transport-related initiatives. Wirral Council Leader Phil Davies is the Chair of the Combined Authority and is leading discussions with central government to develop a devolution package for the city region.

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

The Council's political leadership provides the strategic direction for the delivery of the long-term vision of the Council, working closely with senior officers and all elected members.

The Council's Constitution provides a clear framework to ensure that Members and Officers have clearly defined functions and roles. This includes a scheme of delegation and a protocol on Member / Officer relations that clarify the expectations and boundaries between Member and Officer roles and responsibilities.

The Council's Member-led Standards and Constitutional Oversight Committee has undertaken some work to review the Council's Constitution during the 2014-15 municipal year. This work will inform further proposed revisions to the Council's Constitution which it is anticipated will be presented for approval to Council in July 2015 to ensure that it remains fit for purpose.

Three Policy and Performance Committees are in place and 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.

Dedicated planning sessions take place with Cabinet and the Strategic Leadership Team to develop the future direction of the Council. Cabinet portfolios clearly outline the role and responsibility of Cabinet in promoting and delivering the Council's corporate plan and its budget, and to ensure that Cabinet Members champion and deliver activities which will result in improved outcomes for Wirral residents and create a Council fit for the future.

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. 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.

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

The Council has an agreed set of organisational values and behaviours which inform and shape how staff across the Council provides services to Wirral residents, businesses and other stakeholders. The values are for staff to deliver with integrity, ambition, confidence and efficiency.

The Council adopted a new performance appraisal process for 2014-15 which requires managers and staff to evidence how the organisational values have been demonstrated. The 2014-15 target for completion of performance appraisals has not been achieved and this will be considered as part of the Council's approach to organisational culture as set out in the governance issues section of this statement. Targets have been agreed and a timetable is in place for completing performance appraisals during 2015-16.

The Council's Constitution sets out a Code of Conduct for Members to ensure there is clear accountability and clarity. During the 2014-15 municipal year, the Standards and Constitutional Working Group has reviewed the protocol on Member / Officer relations to provide a framework to govern how Members and Officers work together. The protocol gained Council approval in March 2015 and will be embedded into the Council's Constitution.

The Council refreshed its grievance and confidential reporting policies during 2014-15 and the application of the Council's grievance policies received a positive audit report during 2014-15 marking a significant improvement from the previous position.

The Council has launched a new intranet which gives prominence to these policies and others including information security. The Council's Code of Corporate Governance was also made available on the intranet site to provide visibility to all employees.

A new 'dignity at work' policy has also been implemented during 2014-15 to support the Employee Code of Conduct. The policy provides a process to follow when dealing with allegations of bullying and harassment and has been fully communicated to all staff with a briefing session provided to senior managers in October 2014. The Council has also introduced dignity at work advisors to support employees through these processes.

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

The Council reviewed and refreshed its Corporate Risk Management policy during 2014-15 to ensure that the policy sets out clear roles, responsibilities and reporting lines within the Council. The policy was approved by Audit and Risk Management Committee in March 2015 and will be presented to Cabinet for approval in June 2015.

The Council has participated in a benchmarking exercise with other authorities during 2014-15 to further develop its approach to managing risks and incorporating best practice from others. Risk monitoring reports are routinely reported to the Council's Corporate Governance Group and Strategic Leadership Team, as well as 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 ensure there is compliance and robust arrangements for Financial Regulations and Contract Procedure Rules. The Council is currently reviewing its Contract Procedure Rules which will be incorporated into a revised Constitution which will be presented to Audit and Risk Management Committee before being referred to Council for approval. There is still further work required to further strengthen the Council's procurement arrangements and action will be taken during 2015-16 to progress this work.

Plans are in place to strengthen the independent nature of the Audit and Risk Management Committee through the appointment of a majority of external members. Measures are currently being undertaken to progress the recruitment exercise. 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.

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.

In January 2014, Wirral began an ambitious programme of transformation designed to remodel the authority in line with the Council's priorities. This programme included a review of all Council services and officer structures to ensure 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.

The Council has a 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.

The Council 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.

The agreed set of management expectations are in place and linked to performance appraisals. The 'Wirral Management Development Programme' provides essential training for managers to ensure that they have the support to meet the expectations framework. The Framework has nine essential modules which contain a mixture of workshops and e-learning modules. A new online Training needs analysis assists in identifying priorities for managers, alongside specific targeted programmes. A calendar of upcoming training sessions is advertised prominently on the new intranet.

The Authority offers members, including the newly elected, a programme of training covering the Member Charter, Code of Conduct, Code of Corporate Governance, Regulatory Framework. All Elected Members also have the opportunity to complete a personal development plan.

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 completed a major budget consultation initiative in autumn 2014 to ask local residents, staff and stakeholders for their views on proposals for where the Council could deliver savings. Over 8,000 responses were received on a range of budget options during an extensive consultation process and in December 2014, 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 budget decisions recommended for approval by Council. These decisions led to further detailed engagement work with residents, stakeholders and service users.

The Council moved forward its neighbourhood working arrangements which are designed to bring communities closer to the decision-making process via four constituency areas. Constituency Managers work in partnership with the Police, Fire and Rescue, Health and Social Care sectors. Each constituency committee has developed a neighbourhood plan and has been allocated an initial 'start up' grant to spend according to constituency priorities.

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.

Corporate Management Assurance

The Council's Strategic Leadership Team 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.

An officer Corporate Governance Group is chaired by the Strategic Director for Transformation and Resources. The group includes 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 monitored and responded to in a timely manner.

The Council's Chief Information Officer has been appointed as the Authority's Senior Information Risk Owner and is a member of the Officer Information Governance Group which is chaired by the Strategic Director for Transformation and Resources.

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.

The Council also complies with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations 2010. The Chief Internal Auditor provides reports to the Council's Strategic Leadership Team and Audit and Risk Management Committee on a monthly basis. On the basis of the programme of work undertaken, the Chief Internal Auditor has concluded that there is a sound system of internal control, designed to meet the Council's objectives, and that controls are generally being applied consistently.

Council

Council sets the authority's overall policies and budget each year and holds the Cabinet to account. Annual Policy Council meets in July to discuss, debate and further shape the future purpose of the organisation through the consideration of the Council's corporate plan.

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 Audit and Risk Management Committee has an important role in maintaining the Council's system of internal control. It provides an 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.

External Audit

Grant Thornton is the Council's independently appointment External Auditor with a broad remit covering the Council's finance and governance matters. The 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. The Auditors work considers the Council's key risks when reaching its conclusions under the Code.

Grant Thornton works closely with the Council to review its governance arrangements and regularly meets with the Strategic Director for Transformation and Resources and other statutory officers to review progress and ensure the Council is fulfilling its responsibilities.

The Council secured an unqualified external audit opinion on its value for money conclusion for 2013-14 and feels confident that it will achieve the same opinion for 2014-15.

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 2014-15 and will be addressed through appropriate actions.

ICT Business Continuity and Resilience Plans

The Council has previously identified weaknesses in its overarching business continuity arrangements which may be susceptible due to the Council not having in place robust ICT business continuity plans. The Council must ensure these plans are in place for its identified critical services to ensure these services can function effectively in the event of an incident.

The Council has identified the need to strengthen its ICT resilience and respond to risks related to the current location of its data centres. Plans are in place to address this issue by December 2015.

Corporate Procurement Arrangements

The Council has taken action to address previously identified weaknesses in relation to its corporate procurement arrangements. It must now address current structural issues relating to capacity and capability. Plans are in place to strengthen the Council's procurement function and ensure the Council is fully responding to local, national and European policy and legislative requirements.

Absence Management

The Council has taken action to address sickness absence which has previously been identified as a significant governance issue. These actions include availability of management information to facilitate regular and timely review of sickness absence rates.

The Council's absence monitoring rate remains high at 10.15 average days absence per full time employee against a 2014-15 target of 9.75. Internal Audit has also identified issues relating to under reporting of absence by managers which is currently being investigated.

The Council must now review its approach to ensure that absence is reported and managed effectively in accordance with Council policies.

Culture

The Council has identified issues within the organisation relating to staff and management adherence to internal controls, including completion of essential training, performance appraisals and procurement procedures.

The Council is developing plans to reinforce its expectations of all staff in relation to the Council's internal controls and ensure that managers are committed to creating a culture where these controls are visible and understood.

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

This page is intentionally left blank



Eric Robinson
Chief Executive
Wirral MBC
Wallasey Town Hall
Brighton Street
Wallasey
Wirral
CH44 8ED

Grant Thornton
Royal Liver Building
Liverpool L3 1PS
T +44 (0)151 224 7200
www.grant-thornton.co.uk

20 April 2015

Dear Eric

Planned audit fee for 2015/16

Before it closed on 31 March 2015, the Audit Commission was asked to set the scale fees for audits for 2015/16. The Commission published its work programme and scales of fees for 2015/16 at the end of March 2015. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2015/16 has been set by the Audit Commission at £159,863, which compares to the audit fee of £213,150 for 2014/15. The reduction in fees has been enabled by the procurement exercises run by the Commission across both the Local Government and Health sectors.

After the Commission's closure, the 2015/16 work programme and fees will be accessible from the archived Audit Commission website from the National Archives http://webarchive.nationalarchives.gov.uk/*/http://www.audit-commission.gov.uk/ and on the Public Sector Audit Appointments PSAA website psaa.co.uk

The audit planning process for 2015/16, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and provide feedback in our Audit Findings Report.

Certification of grant claims and returns

The Council's indicative grant certification fee has been set by the Audit Commission at £24,920.

Pension Fund audit

The Audit Commission has established a scale of fees for pension fund audits based on a fixed element with uplift based on the percentage of net assets. The scale fee for the audit of the pension fund is £36,882. Our work on the pension fund will be undertaken by our specialist pension fund audit team, led by Fiona Blatcher.

Billing schedule

Fees will be billed as follows:

| Main Audit fee | £ |
|----------------------------|----------------|
| September 2015 | 39,965 |
| December 2015 | 39,965 |
| March 2016 | 39,965 |
| June 2016 | 39,968 |
| Grant Certification | |
| December 2016 | 24,920 |
| Total | 184,783 |
| Pension Fund audit | |
| March 2016 | 36,882 |

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2015 to March 2016. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion and work on the whole of government accounts return in September 2016.

| Phase of work | Timing | Outputs | Comments |
|----------------------------------|------------------------------|--|--|
| Audit planning and interim audit | November 2015- March 2016 | Audit plan | The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM. |
| Final accounts audit | June to Sept 2016 | Audit Findings (Report to those charged with governance) | This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance. |
| VfM conclusion | Jan to Sept 2016 | Audit Findings (Report to those charged with governance) | As above |
| Financial resilience | Jan to Sept 2016 | Financial resilience report | Report summarising the outcome of our work. |
| Whole of government accounts | September 2016 | Opinion on the WGA return | This work will be completed alongside the accounts audit. |
| Annual audit letter | October 2016 | Annual audit letter to the Council | The letter will summarise the findings of all aspects of our work. |
| Grant certification | June to December 2016 | Grant certification report | A report summarising the findings of our grant certification work |

Our team

The key members of the audit team for 2015/16 are:

| | Name | Phone Number | E-mail |
|------------------------|-------------------|--------------------------------|--------------------------|
| Engagement Lead | Robin Baker | 0161 214 6399 07880 456 159 | Robin.J.Baker@uk.gt.com |
| Engagement Manager | Chris Whittingham | 07880 456 174 | C.Whittingham@uk.gt.com |
| Pensions Audit Manager | Fiona Blatcher | 0161 234 6393 07880 456 196 | Fiona.Blatcher@uk.gt.com |
| In Charge Auditor | Gordon Haworth | 0151 214 6385 07554 338 557 | Gordon.Haworth@uk.gt.com |

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Head of Public Sector Assurance (Sarah.Howard@uk.gt.com)

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Baker' with a stylized flourish at the end.

Robin Baker

Engagement Lead
For Grant Thornton UK LLP

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

8 JUNE 2015

| | |
|------------------------|---|
| SUBJECT | USE OF OFFICER DECISION NOTICES PERMITTED UNDER THE COUNCIL CONTRACT PROCEDURE RULES |
| WARD/S AFFECTED | ALL |
| REPORT OF | HEAD OF PROCUREMENT |

1 EXECUTIVE SUMMARY

- 1.1 This report informs Committee of contracts awarded which have been subject to Contracts Procedure Rules (CPR) E111 - Extension/Variation or Waiver and Rules E117 to E123 – Waiving the Rules, as required under the CPR. It updates the report presented on 18 March 2015 providing the additional information requested by Members and includes awards to 31 March 2015.
- 1.2 The Appendix details the cases subject to the Extension/Variation or Waiver rules for the period 1 December 2013 to 31 March 2015 which under Contracts Procedure Rule E123 requires that all contracts which meet the following criteria are reported to Audit and Risk Management Committee:-:
- a) A contract is awarded the total value of which exceeds £500,000.
 - b) A variation or extension to a contract approved by the Director of Resources.
 - c) A variation or extension to a contract approved by the Director of Resources; and
 - d) A waiver or breach of the Contract Procedure Rules in relation to a contract which exceeds £50,000 in value.

2 BACKGROUND AND KEY ISSUES

- 2.1 The revised Contracts Procedure Rules which came into effect on 1 December 2013 significantly changed the rules and their application.
- 2.2 The rules placed responsibility for the approval of contracts on officers of the Council and a new process of Officer Decision Notices (ODN's) was introduced.
- 2.3 Each contract listed on the ODN directory has a corresponding ODN document which identifies the purpose and details of the contract and is signed by the authorised Designated Senior Manager, Procurement Officer or Director of Resources according to the nature and value of the contract.
- 2.4 Each contract is posted on the Council's Contracts Register 'The Chest', which is the Regional e-Sourcing Portal for the North West local authorities.

- 2.5 A complete review of the Contract Procedure Rules is under way. This includes adoption of the revised EU Procurement Directives and any amendments required that have been identified during the past twelve months. The outcome of this review will be subject to Member approval in September 2015 before implementation.

MEMBERS REQUEST FOR FURTHER INFORMATION

- 2.6 Further information was requested to indicate 'why' contracts were varied. The Appendix has been updated to incorporate this information where it was not shown in the previous report.
- 2.7 The Beers, Wines and Spirits Officer Decision Notice dated 28 January 2014 was for the Floral Pavilion and associated sites.
- 2.8 Contract Extensions/ Variations are only allowed if there is provision within the contract specification, and, need approval through an Officer Decision Notice if the increase in value of the contract singly or cumulatively is 10% or more.

3.0 RELEVANT RISKS

- 3.1 There are none arising directly from this report.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 The Council's Contract Procedure Rules require this report be presented to this Committee so no other options were considered.

5.0 CONSULTATION

- 5.1 There was no specific consultation undertaken in respect of this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 There are no outstanding previously approved actions.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There was no specific consultation undertaken in respect of this report.

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

- 8.1 The revised CPR's to improve the efficiency and effectiveness of the Council's commissioning and procurement processes has impacted upon individual workloads.

8.2 The ODN process includes assurances that the financial resources are available to fund the contracts and achieves value for money which are prior to any approval being given.

9.0 LEGAL IMPLICATIONS

9.1 The Council must comply with its Contract Procedure Rules and relevant procurement legislation.

10.0 EQUALITIES IMPLICATIONS

10.1 This is a report for information so there is no requirement of an Equality Impact Assessment.

11.0 CARBON REDUCTION IMPLICATIONS

11.1 There are none arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION

13.1 That the report be noted.

14.0 REASON FOR RECOMMENDATION

14.1 To provide the Members with assurance that the Council is taking appropriate measures to comply with Contract Procedure Rules.

REPORT AUTHOR: Ray Williams
Head of Procurement
Telephone: 0151 666 3377
Email: raywilliams@wirral.gov.uk

APPENDIX

Officer Decision Notices Directory

SUBJECT HISTORY

| Council Meeting | Date |
|-------------------------------------|---------------|
| Audit and Risk Management Committee | 18 March 2015 |

This page is intentionally left blank

OFFICER DECISION NOTICES

APPENDIX

| Date | Project Status | Project Title | Directorate | Service Area | Project Description | Value | Departmental Contact | Signed By | Approved By |
|-------------------|----------------|----------------------|----------------------------|-------------------------|---|---------|-------------------------|-------------------------|--|
| Extensions | | | | | | | | | |
| 28/01/14 | Extension | Property Valuation | Transformation & Resources | Merseyside Pension Fund | To extend an existing contract with Colliers to provide property valuation services for a further two years for a sum of approx. £50,000 pa (0.004% of value of property portfolio). Contract was let from 1 February 2010 for a period of four years with an option to extend for a further two years. Officers have assessed the quality of the service provision since then as fully satisfactory and, in view of the competitive bid at the initial tender stage and the costs/resources of retendering, have exercised the option to extend for a further two years. Review of the contract and retender by 31 January 2016 | 100000 | Property Manager | Head of Pension Fund | Strategic Director - Transformation and Resource |
| 18/02/14 | Extension | Property Adviser | Transformation & Resources | Merseyside Pension Fund | To extend an existing contract with CBRE to provide strategic property advice for a further two years for a sum of approx. £50,000 pa (0.004% of value of property portfolio). Contract let from 1 January 2010 for a period of four years with an option to extend for a further two years Officers have assessed the quality of the service provision since then as fully satisfactory and, in view of the competitive bid at the initial tender stage and the costs/resources of retendering, have exercised the option to extend for a further two years. Review of contract and likely retender by 31 December 2016. | 100000 | Property Manager | Head of Pension Fund | Strategic Director - Transformation and Resource |
| 02/02/14 | Extension | Assistive Technology | Families and Wellbeing | Adult Social Services | Take up extension option within the Assistive Technology contract with Eldercare for one further year 2014/15. The future Assistive Technology contract has been scoped and re-specified and is currently in a tender process for new contract effective June 2015. | 1200000 | QA Team Manager | Head of Procurement | Strategic Director - Transformation and Resource |
| 06/03/14 | Extension | Working Wirral | Regeneration & Environment | Housing | Extension contract with Involve Northwest to provide the supply of the Working Wirral Programme. On 2 August 2012 the Leader of the Council approved the appointment of a consortium led by Involve Northwest to supply the Working Wirral Programme (operating name of ReachOut Partnership). The contract was awarded for a 12 month period from 1 September 2012 to 31 August 2013 and the Invitation to Tender allowed the Council the option to review and extend the contract for further period(s) up to 31 August 2015, subject to funding provision. On 24 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 September 2013 to 31 March 2014. On 25 February 2014 Council agreed to award £700,000 of Council funds to extend the contract of the ReachOut Partnership. | 700000 | Economic Policy Officer | Economic Policy Officer | Strategic Director Regeneration and Environment |
| 14/03/14 | Extension | Remodelling | Transformation & Resources | Chief Executive | To extend the Ernst & Young contract up to value of £250k, in compliance with the existing contact terms, for a further 12 months to support the Future Council Project including support for the Council Re-modelling. | 250000 | Business Analyst | Head of HR | Strategic Director - Transformation and Resource |

| | | | | | | | | | |
|----------|---------------------------------------|---|----------------------------|--|--|---------|-----------------------|----------------------|--|
| 14/04/14 | Extension | Business Travel | Transformation & Resources | Procurement | To extend the contract with Redfern to provide Travel Services in compliance for a sum of £104K for a further year from 1/9/2014 to 31/8/2015. After a full market evaluation and review of contract performance the extension of the contract proved best Vfm for the Council. This contract was awarded by Knowsley Council following a competitive process using the CCS Framework | 104000 | Procurement Officer | Head of Procurement | Director of Resources |
| 13/05/14 | Extension - subject to Cabinet report | Public Health Contracts | Chief Executive | Performance, Business Intelligence and commissioning | Extension of multiple Public Health contracts (service specifications updated) with a) the providers identified in the Cabinet paper (November 2013) b) Cheshire and Wirral Partnership Trust and 57 GP Practices (included in the paper but not identified as required service specification changes). Extension of current contracts with providers for 2014/15 for a sum up to £7.9m (consists of £3.6m identified in the original paper plus £3.9m for CWP and £0.5m for health checks). A notice of extension is required to support a Cabinet paper submitted in November 2013 and relates to contracts subject to updated service specifications. | 7900000 | Head of Public Health | Head of Performance | Strategic Director - Transformation and Resource |
| 13/06/14 | Extension | Actuarial | Transformation & Resources | Merseyside Pension Fund | To compliantly extend, within existing provision, current contract with Mercer to provide actuarial services to MPF for a sum up to £750,000. MPF undertook the joint procurement of actuarial services with Lancashire and Cumbria Pension Funds and Pensions Committee approved the appointment of Mercer for a period of 3 years, from October 2011 with the option to extend for a further 3 years. The contract is on a 'time/cost' basis. At that time MPF estimated the value of the contract to be £1m. MPF has assessed the advice and service provided by Mercer as satisfactory and proposes to exercise the option to extend the contract for a further 3 years. Since the award of the contract, use of Mercers' services has increased significantly in the last two years particularly in relation to Academies, closure of employers and re-letting of large council contracts. Spend over the next 3 years is likely to exceed £750k of which 45% will be recharged to employers. | 750000 | Head of Pension Fund | Head of Pension Fund | Strategic Director - Transformation and Resource |
| 24/06/14 | Extension | Domestic Furniture | Transformation & Resources | Revs and Bens | To extend current contract, within the existing provision, with David Phillips for the provision of furniture for welfare assistance to 31/03/15 for a sum of no more than £50,000. The Council tendered for the provision of furniture to meet the requirements of Wirral's Local Welfare Assistance scheme for 2013/14 with provision for a further year's extension. Take up has been less than expected. This is for the contract to be extended for a further year with minimum disruption until the end of the centrally funded scheme in March 2015. Now expired. | 50000 | Operations Manager | Operations Manager | Director of Resources |
| 16/12/14 | Extension | Provision of the human resources and payroll system | Transformation & Resources | Human resources | To approve the extension of the existing contract with Northgate HR Ltd for provision of the human resources and payroll system for 3 years. Renewal of the existing contract will allow continued development of the currently deployed system and extension of the functionality to allow for greater efficiencies to be realised from improved business processes. | 512618 | HR Project Manager | Head of HR | Strategic Director - Transformation and Resource |

| | | | | | | | | | |
|----------|-----------|--|----------------------------|--------------------|---|---------|-----------------------|---------------------------|-------------------------------------|
| 23/12/14 | Extension | Extension to existing litigation services suppliers | Transformation & Resources | Risk and insurance | Extension to existing litigation services suppliers (Weightmans & BLM). The existing contract with both suppliers expires 31/03/2015 and service continuity must be maintained. Current suppliers have agreed to existing terms for this short extension The procurement process was completed in 31/05/2015. | 75000 | Commissioning Officer | Risk & Insurance Officer | Director of Resources |
| 18/12/14 | Extension | Extension to Our life/Drinkwise contract 2015-2016 | Public Health | Public Health | Extension to Our life/Drinkwise contract 2015-16. The Cheshire and Merseyside Directors of Public Health of the nine local authorities completed a review of this service and concluded that an extension to the current contract should be granted from 1/04/2015 to 31/03/2016. The value to extend the contract by 12 months represents a saving of approx. £20,712 (29%). During the lifetime of this extension a new selection process will be undertaken. | 51288 | Commissioning Officer | Commissioning Officer | Head of Procurement |
| 18/12/14 | Extension | Extension to CALM service contract with Liverpool Community Health | Public Health | Public Health | 12 month extension to CALM service contract with Liverpool Community health. The Cheshire and Merseyside Directors of Public Health of the nine local authorities completed a review of this service and concluded that an extension to the current contract should be granted from 1/04/2015 to 31/03/2016. A break in continuity of service would result in the 7 Day helpline not being available to support men in crisis and those bereaved by suicide. The value to extend the contract by 12 months represents a saving of approx. £21,555 (20%). During the lifetime of this extension a new selection process will be undertaken. | 88148 | Commissioning Officer | Commissioning Officer | Head of Procurement |
| 02/03/15 | Extension | PH rollover of contracts | Families and wellbeing | Public Health | Public health rollover of contracts identified in Cabinet report on the 15/01/2015, This relates to updated service specifications and for which there is provision for extension in the original contracts. | 4913219 | Commissioning Officer | Director of Public Health | Head of Legal / Head of Procurement |

| Variations | | | | | | | | | |
|------------|-----------------------|---------------------------|----------------------------|-----------------------|---|--------|----------------------|--------------------|--|
| 19/02/14 | Variation | Hay Job Evaluation Scheme | Transformation & Resources | HR | To enter into a variation of the contract with Hay to implement Job Evaluation for a sum up to £150k. The variation of the contract was agreed to support the Council Re-modelling programme. | 150000 | Principal HR Officer | Head of HR | Strategic Director - Transformation and Resource |
| 13/06/14 | Extension / Variation | Variation of Liquidlogic | Families and Wellbeing | Adult Social Services | To approve variation of current contract with Liquidlogic (NWCE-949VWF) to include the purchase of a Provider Portal a sum up to £80,000. During the procurement process a number of additional modules were submitted as "optional modules" as part of the tendering exercise. | 80000 | Project Manager | Interim Head of IT | Director of Resources |

Waivers

| | | | | | | | | | |
|----------|--------|------------------------------|----------------------------|-------------------|---|---------|-----------------------------|--------------------|---|
| 19/02/14 | Waiver | Beers, wines and spirits | Regeneration & Environment | Cultural services | Direct award to Matthew Clark under framework. Currently provides to the Floral pavilion and associated sites via the TUCO (The Universities Catering Organisation) framework. The Council's previous supplier entered administration and Matthew Clark were appointed to ensure continuity of supply late 2012 via a compliant procurement framework. A full EU tender process was conducted in 2013/14 and was unsuccessful in sourcing a supplier who could meet all requirements. Therefore Matthew Clark were reappointed via this compliant procurement framework. Regulation CPR 21.1.1 Where there is only one viable contractor and there is no genuine competition. E120 - Exemptions and Exceptions. Call-offs under framework agreements, providing procedures are adopted which are broadly equivalent to these rules and compliant with national and EU legislation" This framework was subject to a full OJEU process. | 100000 | Procurement Officer | Solicitor | Head of Procurement |
| 24/02/14 | Waiver | Mental Health Service | Families and Wellbeing | CHAMPS | To implement the agreement made at Nov 7 2013 Cabinet to commission CALM via the Public Health Collaborative Service but to retain the current provider as Liverpool Community Health NHS Trust and not to commission the CALM charity directly. | 109703 | Manager CHAMPS | Manager CHAMPS | Head of Legal / Head of Procurement |
| 20/03/14 | Waiver | Sprint 2 IT Call Off | Transformation & Resources | IT | To enter into a contract under sprint 2 framework of contracts for IT requirements for a sum up to £4m. Wirral IT Services have accessed the Government Procurement Service (GPS) framework agreement to enable the purchasing of IT Equipment this framework is fully compliant with Contract Procedure Rules and EU Directives. Wirral will be assessed for our continuing access to the Public Sector Network (PSN) in June 2014 and Windows 7 will play a significant part in our assessment. CPR E120 - Exemptions and Exceptions. Call-offs under framework agreements, providing procedures are adopted which are broadly equivalent to these rules and compliant with national and EU legislation applies. | 4000000 | Interim Head of IT | Interim Head of IT | Chief Executive / Head of Legal / Head of Procurement |
| 20/03/14 | Waiver | Annual Entitlement (Schools) | Transformation & Resources | IT | SIMS AE with Capita. To enter into a contract with Capita to provide SIMS annual Entitlement (AE) for schools. In compliance with the Contract Procedure Rules for a sum of £138,081.92. Only provider for SIMS Annual Entitlement (AE). Wirral LA hold the SIMS licence for maintained schools, this attracts an annual entitlement charge covering support and upgrades, this is re-charged to schools. Wirral maintained schools will receive software upgrades to the SIMS system to comply with statutory regulations. The annual entitlement is from 1.4.14 to 31.3.15 and requires a 90 day termination period. | 138081 | IT Business Support Officer | Interim Head of IT | Head of Legal / Head of Procurement |

| | | | | | | | | | |
|----------|--------|--|----------------------------|---------------|---|---------|-----------------------|---------------------------|---|
| 28/04/14 | Waiver | Printing | Transformation & Resources | IT | Use of framework. To join the Merseyside Collaborative Framework led by Halton Council for the Corporate Print Contract Framework Agreement to provide Print Services for a sum of approx. £250k per annum. Authorisation is requested for Wirral Council to join the Merseyside Collaborative framework for "Corporate Print Contract Framework Agreement" under E119 of the Contract Procedure Rules as part of E120 - Exemptions and Exceptions. "Call-offs under framework agreements, providing procedures are adopted which are broadly equivalent to these rules and compliant with national and EU legislation" This framework was subject to a full OJEU process. | 500000 | Interim Head of IT | Interim Head of IT | Chief Executive / Head of Legal / Head of Procurement |
| 20/05/14 | Waiver | School Catering | Transformation & Resources | Procurement | Adopting single source supply for school meals within existing Council framework contract. Saving £50,000. To enter into a contract with Brakes Group via a legally compliant TUCO framework, to provide all catering supplies to schools. The total value for this contract is estimated at £2,276,282. This is based on the latest historical figure of £1,371,955 spend for the period April 2013 to March 2014 (194 days). Plus an additional spend increase of £904,327 is anticipated for the increased uptake of school meals due to the national roll out of the Universal Infant Free School Meal Provision. CPR E120 - Exemptions and Exceptions. "Call-offs under framework agreements, providing procedures are adopted which are broadly equivalent to these rules and compliant with national and EU legislation" applies. This framework was subject to a full OJEU process. | 2276282 | Sr Catering Officer | Sr Catering Officer | Head of Procurement |
| 09/09/14 | Waiver | To enter into a contract with North Meols Pharmacy | Families and Wellbeing | Public Health | Prescribe Nicotine Replacement Therapy, Emergency Hormonal Contraception & Alcohol Screening. Payment by results capped at £50,000. Sole provider. In November 2013 a Cabinet Report was submitted proposing Public Health contracting arrangements for 2014/15. E120 - Exemptions and Exceptions. "• Goods, services or execution of works are obtainable only from one source or contractor and there is no reasonably satisfactory alternative" | 50000 | Commissioning Manager | Director of Public Health | Head of Procurement |
| 12/09/14 | Waiver | To enter into contract with Logic Healthcare Ltd t/a Higher Bebington Pharmacy | Families and Wellbeing | Public Health | Prescribe Nicotine Replacement Therapy, Emergency Hormonal Contraception & Alcohol Screening. Payment by results capped at £50,000. Sole provider. In November 2013 a Cabinet Report was submitted proposing Public Health contracting arrangements for 2014/15. E120 - Exemptions and Exceptions. "• Goods, services or execution of works are obtainable only from one source or contractor and there is no reasonably satisfactory alternative" | 50000 | Commissioning Manager | Director of Public Health | Head of Procurement |
| 15/09/14 | Waiver | Office Supplies | Transformation & Resources | Procurement | Enter into a contract with Banner to provide office supplies. The current Stationery contract is due to expire on 30 September 2014. This is a collaborative contract with Merseyside members and Knowsley led on the Procurement. A collaborative approach identified that a Framework with Crown Commercial Services was the most appropriate option to use due to the success in the past of using this framework and the reduced timescales and resource required with using a Framework. Start date of new contract 1 October 2014. CPR E120 - Exemptions and Exceptions. "Call-offs under framework agreements, providing procedures are adopted which are broadly equivalent to these rules and compliant with national and EU legislation" applies. This framework was subject to a full OJEU process. | 320000 | Procurement Officer | Head of Procurement | Director of Resources |

| | | | | | | | | | |
|----------|--------|----------------------|------------------------|-----------------------|---|--------|---------------------------|-----------------------------------|-------------------------------------|
| 23/12/14 | Waiver | Consultancy services | Public Health | Public Health | Consultancy services with Capita Business services. Exemption under CPR E120 - use of framework contracts - Crown Commercial Services Framework Contract fully OJEU compliant | 500000 | Director of Public Health | Director of Public Health | Head of Legal / Head of Procurement |
| 20/02/15 | Waiver | Helping People Home | Families and Wellbeing | Adult Social Services | Helping people home service with local Solutions. The 'Helping People Home' grant was received at short notice to help local authorities relieve current seasonal pressures on hospital beds. It must be spent prior to March 31 2015 on services which can prevent hospital admissions, and accelerate discharge for those who are medically fit to return home. | 50000 | Commissioning Officer | Director of Adult Social Services | Procurement Manager |

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

8 JUNE 2015

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

1.0 EXECUTIVE SUMMARY

- 1.1 This report summarises the use of covert surveillance by the Council between 27 January and 26 May 2015.
- 1.2 This report was requested in the work plan for the Committee.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Regulation of Investigatory Powers Act 2000 (RIPA) governs how public bodies use surveillance methods. The Council may use covert surveillance for the purpose of preventing or detecting crime or preventing disorder.
- 2.2 The origin of RIPA lies in the Human Rights Act 1998 which places restrictions on the extent to which public bodies may interfere with a person's right to respect for his or her home and private life and correspondence during the course of an investigation into suspected criminal activities. The provisions of RIPA ensure (in summary) that any such interferences are in accordance with the law and are necessary and proportionate (i.e. the seriousness of the suspected crime or disorder must outweigh any possible interferences with the personal privacy of the persons being investigated and of persons who associate with them).
- 2.3 The Council's Constitution authorises Directors to designate Heads of Service and Service Managers to authorise the use of covert surveillance in accordance with the procedures prescribed by RIPA. Since 1 November 2012 such authorisations require the further approval of a magistrate.
- 2.4 The Office of Surveillance Commissioners (OSC) is responsible for overseeing the operation of RIPA. The OSC inspected the Council on 8 June 2012. The outcome of that inspection was reported to the Committee on 19 September 2012. The Committee approved amendments to the Council's Policy and Guidance Document made in response to the Report which were adopted by the Cabinet on 18 October 2012. There was a further inspection by the OSC on 13 May 2015 the report of which is awaited.

2.5 On 18 September 2013 the Committee approved an updated Policy and Guidance Document. It was further updated to reflect changes in legislation and approved by the Committee at its meeting on 18 March 2014.

3.0 THE USE OF RIPA BY THE COUNCIL

3.1 Since 27 January 2015 the Council has used covert surveillance with the intention of detecting evidence of criminal behaviour as set out below.

3.2 On 13 April 2015 a magistrate approved an authorisation to use covert surveillance to detect suspected flytipping on a site in the Wirral.

4.0 CHANGES IN LEGISLATION

4.1 The Protection of Freedoms Act 2012 came into force on 1 November 2012 and made the following changes to the law;

- A Magistrate's approval is required for a local authority's use of RIPA. It is in addition to the authorisation needed from a senior officer and the more general oversight by elected councillors.
- Use of RIPA to authorise directed surveillance is confined to cases where the offence under investigation carries a custodial sentence of six months imprisonment or more except in relation to underage sales of alcohol and tobacco, where this sentencing threshold will not apply.

5.0 SUCCESSFUL PROSECUTIONS

5.1 On 3 March 2015 a member of the public pleaded guilty to an offence committed on 25 July 2014 of unlawful flytipping in Brimstage Lane. He was sentenced to 200 hours of unpaid community service and ordered to pay £775.

5.2 The offence was detected by means of covert surveillance.

6.0 RELEVANT RISKS

6.1 These have been discussed in previous reports.

6.2 There is a risk that some investigations of anti-social behaviour will not be able use covert surveillance because the suspected criminal behaviour does not carry a custodial sentence of 6 months or more.

6.3 The Anti-Social Behaviour Team are however intent on applying to the Court for approval of covert surveillance in suitable cases of suspected harassment of individuals which would amount to an offence under the Protection from Harassment Act 1997 (which can attract a sentence of 6 months or more imprisonment).

7. VISIT OF THE ASSISTANT SURVEILLANCE COMMISSIONER

7.1 Sir David Clarke carried out an inspection of the Council's use of covert surveillance on 13 May 2015. His report was not available at the time this report was prepared. It will be presented to the next meeting of this Committee.

8.0 OTHER OPTIONS CONSIDERED

8.1 None.

9.0 CONSULTATION

9.1 None.

10.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

10.1 None.

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

11.1 None at present.

12.0 LEGAL IMPLICATIONS

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

13.0 EQUALITIES IMPLICATIONS

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

No because there is no proposal which is relevant to equality.

14.0 CARBON REDUCTION IMPLICATIONS

14.1 None.

15.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

15.1 See paragraphs 4 and 6.

16.0 RECOMMENDATION/S

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

17.0 REASON/S FOR RECOMMENDATION/S

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

REPORT AUTHOR: **Colin Hughes**
Group Solicitor
telephone: (0151 691 8502)
email: colinhughes@wirral.gov.uk

REFERENCE MATERIAL

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

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|---|---|
| Reports to the Audit & Risk Management Committee | 1 February 2012 14 June 2012 19 September 2012 10 June 2013 18 September 2013 28 January 2014 18 March 2014 17 September 2014 27 January 2015 |
| Report to the Cabinet | 18 October 2012 |