



## Audit and Risk Management Committee

<b>Date:</b>	Tuesday, 22 September 2015
<b>Time:</b>	6.00 pm
<b>Venue:</b>	Committee Room 1 - Wallasey Town Hall

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### AGENDA

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

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

**2. MINUTES (Pages 1 - 12)**

To approve the accuracy of the minutes of the meeting held on 8 June 2015.

**3. IT UPDATE**

Minute 5(2) dated 8 June 2015 refers. **(Report to Follow)**

**4. INTERNAL AUDIT UPDATE  
(Pages 13 - 28)**

**5. INTERNAL AUDIT QUALITY ASSURANCE IMPROVEMENT  
PROGRAMME  
(Pages 29 - 50)**

**6. ANNUAL GOVERNANCE STATEMENT 2015-16  
(Pages 51 - 70)**

7. **CORPORATE RISK REGISTER**  
(Pages 71 - 100)
8. **MANAGEMENT OF INSURANCE AND CORPORATE RISK**  
(Pages 101 - 104)
9. **EXTERNAL AUDIT - AUDIT COMMITTEE UPDATE**  
(Report to Follow)
10. **EXTERNAL AUDIT FINDINGS**  
(Report to Follow)
11. **EXTERNAL AUDIT FINDINGS - PENSION FUND**  
(Pages 105 - 128)
12. **PENSION FUND STATEMENT OF ACCOUNTS**  
(Pages 129 - 136)
13. **STATEMENT OF ACCOUNTS**  
(Report to Follow)
14. **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**  
(Pages 137 - 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

Monday, 8 June 2015

<u>Present:</u>	Councillor	J Crabtree (Chair)	
	Councillors	RL Abbey A Davies P Doughty	D Elderton P Gilchrist M Patrick
<u>Deputies:</u>	Councillors	S Williams A Sykes	

### 1 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.

### 2 MINUTES

**Resolved – That the minutes of the meeting held on 18 March 2015, be approved.**

### 3 AUDIT AND RISK MANAGEMENT COMMITTEE ANNUAL REPORT - 2014/15

The Chief Internal Auditor introduced the Audit and Risk Management Committee Chair's Annual Report 2014/15.

Prepared in consultation with Internal Audit, the Chair's Annual Report for 2014/15 had been compiled in accordance with the CIPFA best practice publication 'A Toolkit for Local Authority Audit Committees'. The report informed how the Audit and Risk Management Committee had fulfilled its terms of reference during a very difficult year and noted Member's commitment to helping improve the Council's governance and control environments during what could prove to be a very challenging year ahead.

The Chair's Annual Report further informed Members of specific matters regarding the Audit and Risk Management Committee's Core Activities during the year, covering the Committee Terms of Reference, reports, activities and key outcomes for the Municipal Year 2014/15.

The Committee confirmed its plans and priorities for 2015/16 i.e. to continue in its duties as specified in the Constitution, and to respond to, and implement any requirements arising out the new Public Sector Internal Auditing Standards and the Local Audit and Accountability Act 2014; further developing its role to become the recognised champion of good governance for the Council.

Taken in conjunction with the following agenda item (Annual Self-Assessment 2014/15) the Committee commented on the quality of the report, and were content to approve the recommendation.

**Resolved - That the Annual Report of the Audit and Risk Management Committee be approved and submitted to Cabinet.**

**4     **AUDIT AND RISK MANAGEMENT COMMITTEE ANNUAL SELF-ASSESSMENT - 2014/15****

Taken in conjunction with the previous item, the Chief Internal Auditor introduced his report that informed of the Audit and Risk Management Committee's compliance with best professional practice, utilising an annual evaluation checklist completed by the Chair.

The checklist, based on the CIPFA template, set out the operational duties, and key issues for each of the following areas:

- Establishment Operation and Duties
- Internal Controls
- Financial Reporting and Regulatory Matters
- Internal Audit
- External Audit
- Administration

Members were asked to consider and approve the checklist, noting that, for each of the above areas, tasks could be prioritised and marked as actioned in response to the questions set out in the checklist.

Members questioned the Officer with reference to write-offs, noting that such decisions fell to Cabinet. The Chief Internal Auditor confirmed that with regard to this subject and other matters listed, the Committee's role was 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.

Taken in conjunction with the previous item (Audit and Risk Management Committee Annual Report - 2014/15) the Committee were content to approve the recommendation subject to additional information relating to actions and/or evidence being included in the self-assessment checklist.

The Chief Internal Auditor confirmed that the information requested by Members would be included.

**Resolved - That the Audit and Risk Management Committee Annual Self-Assessment 2014/15 be approved.**

## 5 INTERNAL AUDIT UPDATE

The Chief Internal Auditor introduced his report that identified and evaluated the performance of the Internal Audit Section and included items of note arising from the actual work undertaken during the period 1 March to 20 May 2015. The report focused upon:

- 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.

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

Attendance Management - Members were informed that a good response had been received from senior management(s) and actions had been agreed to improve the current arrangements. Members were further informed that additional audit work is scheduled, that will include detailed testing of the arrangements during the second quarter of 2015/16. Members are to be advised of the outcome of this piece of work in due course; and

Schools - a follow up of audit work completed at schools audited during 2014/15, identifying that all agreed actions to improve systems in operation had been fully implemented.

Member's attention was also drawn to the Internal Audit Performance Indicators and development improvements, examples of which were provided. A table appended to the report, identified information related to audits where recommended actions included in audit reports where follow-up actions had been scheduled. The Chief Internal Auditor advised that all of the recommendations were currently Amber rated as being in indicating that progress is being made to address identified issues and actions are expected to be completed within the reported timescales.

Members offered their congratulations on the work of the Internal Audit team, but expressed concerns regarding two specific areas, namely data loss prevention and I.T. recovery. Members instructed that the Chief Information Officer provide a briefing on these and other I.T. business continuity and data

matters to the September meeting of the Audit and Risk Management Committee.

The Chief Internal Auditor informed that management of these issues was overseen by the Information Governance Board, and advised that, in the interim, Committee Members would continue to receive e-mail updates on these matters as per current arrangements.

**Resolved – That**

- 1) the report be noted; and**
- 2) a briefing on Business Continuity and key areas of data loss prevention and I.T. recovery be provided by the Chief Information Officer at the September meeting of the Audit and Risk Management Committee.**

**6 CHIEF INTERNAL AUDITORS ANNUAL REPORT - 2014/15**

The Chief Internal Auditor introduced his Annual Report that set out the Internal Audit assurance opinion on key areas of the Council's activity for 2014/15.

The report informed that audits conducted during the year were principally planned to review the financial control systems in accordance with the CIPFA Code of Audit Practice and the Public Sector Internal Auditing Standards. The report summarised attention paid to key risks in the following areas:

- Performance Management;
- Counter Fraud and Corruption;
- Corporate Governance;
- Risk Management;
- ICT Systems; and
- Service Delivery.

The report further detailed the audit outcomes, and the effectiveness of internal audit and internal control framework that assists the Council's management in the effective discharge of its responsibilities and functions. Members sought assurance on the matter of the arrangements for the Contract Procurement - Commissioned Care, and requested that the Head of Service with responsibility for these matters attend the next meeting of the Audit and Risk Management Committee to provide an update.

Members noted the opinion of the Chief Internal Auditor, namely 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”*.

Members thanked the Officer for his report.

**Resolved – That.**

**1) the report be noted; and**

**2) a briefing on the Contract Procurement - Commissioned Care be provided by the relevant Head of Service at the September meeting of the Audit and Risk Management Committee.**

**7 MANAGEMENT OF INSURANCE AND CORPORATE RISK**

The Risk and Insurance Officer introduced the report of the Acting S.151 Officer that set out the key actions to be taken in relation to corporate risk and insurance management during 2015/16. The report also included progress made since March in relation to key actions planned for 2015/16.

The Risk and Insurance Officer summarised the key actions focussing on procurement exercises and improvement activities falling under the primary areas of activity, namely:

- Provision of advice and support to Members - developing the corporate risk management framework and processes; and
- Risk financing – incorporating insurance procurement and management of the Council’s Insurance Fund and claims management - where Members will have an involvement and what form it would take.

Members were also informed that the Deputy Risk and Insurance Officer, Simon Hutchinson had been nominated and subsequently shortlisted in the category ‘Professional of the Year’ at the 2015 Alarm Risk Awards (the national forum for risk management in the public sector).

Members congratulated the Officer on his shortlisting and wished him every success at the forthcoming Awards Ceremony.

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

**8 CORPORATE RISK REGISTER**

The Risk and Insurance Officer 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.

The report informed 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.

Members noted the involvement and role played by Councillor Ann McLachlan in the examination of a number of the most critical corporate risks at her Portfolio Member briefings.

Members questioned the Officers on the matters of Transformational Change, and the Re-modelling Fund, particularly the use of the Fund to cover consultancy costs i.e. when the scale and pace of change could exceed organisational capacity. The Acting S151 Officer advised that the Fund had been established to meet costs associated with reducing the workforce and also as a fund for providing investment into services to assist with the delivery of improvements and efficiencies. The latter would include possible costs from temporary agency and short term contracts appointments.

Members noted that ongoing management processes were being undertaken to mitigate risk across different areas of the Council.

Members expressed their view on the need to record evidence to ensure resilience and security of I.T. and data, re-iterating the benefit of the Chief Information Officer's attendance at the Audit and Risk Management Committee meeting in September.

**Resolved – That**

- 1) progress on the management of the Council's corporate risks be noted; and**
- 2) further reports on the Corporate Risk Register be presented to future meetings of this Committee.**

**9 INSURANCE FUND ANNUAL REPORT**

The Audit and Risk Management Committee considered the report of the Acting S151 Officer that provided a review of the Risk and Insurance activity during 2014/15 and the plans for 2015/16 and beyond. The report detailed the underwriting arrangements and recent loss histories for the principal areas of insured risk and described the impact of measures taken to improve their management.

The report covered key points in relation to the following:

- The Council's approach to Risk Financing;
- Principal Areas of Insured Risk – Liability;
- Changes in the Civil Justice Regime;
- Public Liability Claims Statistics;
- Employers Liability Claims Statistics;
- Property and Business Interruption;
- Motor Insurance;
- Other Classes of Business;
- Review of Liability Reserves and Provisions;
- Insurance and Risk Management 2014/15; and
- Insurance Management 2015/16 and beyond – setting out key dates as follows:

<b>Task</b>	<b>Target Date</b>
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

Members noted the work undertaken by Officers, and that a reduction of 12% new Public Liability claims had been achieved against the previous year.

In answer to a question from a Member, the Deputy Risk and Insurance Officer informed that, in relation to highways matters this reduction was achieved with the support of the Highways Team within the Regeneration & Environment Directorate and that information on claims was mapped by locality.

The report also contained a review of other reserves and provisions – including the closedown of the Insurance Fund accounts for 2014/15 and review / amendment of the reserves and provisions held within it. Members were requested to endorse the following actions:

- i) the release of £1m from the Insured Liability Reserve to the General Fund; and

- ii) the release of the operating surplus of £238,000 to the General Fund.

**Resolved - That**

- 1) the report be noted;
- 2) members endorse the release of monies from the Insurance Fund to the General Fund as follows:
  - 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; and
- 3) the Insurance Fund Budget 2016/17 be prepared for presentation to the Audit and Risk Management Committee in January 2016.

10 **DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15**

The Acting S151 presented the report of the Strategic Director Transformation & Resources, which identified and explained the planned approach for the production of the Council's Annual Governance Statement for 2014/2015. The report (in draft) provided an outline of the work required to prepare the Statement in compliance with statutory requirements set out in the Accounts and Audit Regulations 2011 and the principles identified in the CIPFA SOLACE Framework – Delivering Good Governance in Local Government. Members noted that a final version of the Annual Governance Statement will be reported to the Committee in September 2015

The report outlined the role of the Members and Senior Officers in the production of a robust and accurate Statement and highlighted indicative dates and timescales. These specifically included the areas of:

- Responsibility;
- Purpose of the Governance Framework;
- Overview of Council Progress;
- 6 Core Principles of the Governance Framework;
- Reviewing Effectiveness; and
- Significant Governance Issues.

Members were advised and noted, that four significant governance issues were being addressed, namely:- I.T. Business Continuity and Resilience Plans, Corporate Procurement arrangement, Absence management and Organisational culture.

The Head of Legal and Member Services informed of work yet to be undertaken by the Member-led Standards and Constitutional Oversight Committee on a review of the Council's procedure rules.

Members noted that the draft Statement would be signed by the Leader and the Chief Executive. The final version of the Annual Governance Statement 2014/15 would be presented to the next meeting of the Audit and Risk Management Committee.

**Resolved – That**

- 1) the approach outlined in the report now submitted with regard to the production of the Annual Governance Statement 2014/2015, be endorsed and supported; and**
- 2) a final version of the Annual Governance Statement 2014/15 be presented to the Audit and Risk Management Committee in September 2015.**

**11 AUDIT COMMITTEE UPDATE**

Mr Chris Whittingham of Grant Thornton UK LLP, the Council's external auditors, presented a verbal report to Members on work being undertaken with regard to the operation of the Council.

Members were informed that the Council's Statement of Accounts 2014/15, has to be prepared by 30 June. The Statement is then subject to review by the auditors who will present for consideration by the Committee their findings in September 2015.

The Auditor provided a brief update on a number of subjects which form part of the review, that included:

- Completion of the interim test of management processes;
- Draft report of I.T. work – jointly undertaken with Council Officers;
- Financial review; and
- Value for Money work.

**Resolved – That the verbal update be noted.**

**12 AUDIT FEE LETTER 2015/16**

Mr Chris Whittingham of Grant Thornton UK LLP, the Council's external auditors, presented a summary of the scope and scale of audit fees for the 2015/16 audit – 'Audit Fee Letter' 2015/16.

The external auditor's letter set timings for the audit planning and interim audit procedures in November 2015 to March 2016, setting out timings for the audit plan and schedule for when findings and details of the audit approach would be issued. The letter also informed that the final accounts audit and work on the Value for Money conclusion would be presented in September 2016.

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

The Council's indicative grant certification fee had been set by the Audit Commission at £24,920, and the scale fee for the audit of the pension fund at £36,882.

No questions were asked.

Members thanked the Auditor for the clarity of the report and explanation of process.

**Resolved – That the External Auditor's Scale of Fees 2015/16 be received.**

13 **USE OF OFFICER DECISION NOTICES PERMITTED UNDER THE COUNCIL CONTRACT PROCEDURE RULES**

The Acting S151 Officer 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.

At the meeting of the Audit and Risk Management Committee held on 18 March 2015 (minute no. 56 refers), Members had requested further detail relating to the reason for the variations.

Members considered the report appendix that detailed cases subject to the Extension/Variation or Waiver rules for the period 1 December 2013 to 31 March 2015.

Members questioned the Acting S151 Officer on a number of points relating to contract extension and value for money (VFM). The Officer informed that extensions were only permissible if the ability to extend was specified within the contract and the agreement to the extension was subject to review to ensure VFM was achieved. He further informed that if the ability to extend

was not stated or that the permitted extension had been applied a re-tendering exercise would be required.

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

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

The Head of Legal and Member Services presented a summary of the use of covert surveillance by the Council, to detect evidence of criminal behaviour, between 27 January and 26 May 2015.

The report informed that during this period, the Council had used covert surveillance with the intention of detecting evidence of criminal behaviour, and that on 13 April 2015 a magistrate had approved an authorisation to use covert surveillance to detect suspected flytipping on a site in the Wirral.

Members were further informed that a similar offence had been detected by means of prior covert surveillance, and that on 3 March 2015 a member of the public had pleaded guilty to an offence committed on 25 July 2014 of unlawful flytipping in Brimstage Lane, and had been sentenced and fined accordingly.

Members questioned the Head of Legal and Member Services with regard to the cost of 'clean up' in these cases. Members were advised that it was the aim of the Council to maximise the recovery of all costs wherever possible.

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

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## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

22 SEPTEMBER 2015

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

#### 1.0 EXECUTIVE SUMMARY

1.1. This report identifies and evaluates the performance of the Internal Audit Section and includes details of any issues arising from the actual work undertaken during the period 1<sup>st</sup> June to 31<sup>st</sup> August 2015. There are seven items of note concerning audit work undertaken that are brought to the attention of the Members for this period and these are 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<sup>st</sup> June to 31<sup>st</sup> August 2015.

#### 2.2. Items of Note

##### 2.2.a Procurement of Commissioned Care

Following discussion at the previous meeting of this Committee regarding progress made by the department to address issues identified in the audit report. A follow up piece of work has now been undertaken by Internal Audit that identifies the following:

The original Internal Audit Report which was issued in October 2014 identified seven recommendations, two of which were assessed as being high priority.

During the follow up audit completed during August 2015 it was identified that significant progress has now been made with implementing the recommendations. The two high priority recommendations have been assessed as being fully implemented. Two other recommendations have also been assessed as implemented and the remaining three (1 x Medium Priority and 2 x Low Priority) have been assessed as partly implemented. The department has stated that it envisages full implementation will be achieved following the roll-out of further functions within the 'Liquidlogic' system which is scheduled for November 2015. The audit recommendations have increased the appreciation of the need for a robust flow of information between the department, Legal and Member Services and Corporate Procurement. Where applicable (i.e. for those recommendations that are more forward focussed), assurances have been provided to confirm that lessons have been learned that will benefit future procurement exercises for which the department is responsible.

#### 2.2.b ICT – Control and Governance

Following discussion at the previous meeting of this Committee a report has been prepared by the Chief Information Officer and will be presented to this Committee as a separate item on the agenda.

#### 2.2.c. Organisational Culture:

An audit was conducted of Organisational Culture, focusing on elements directed by Human Resources and Organisational Development. This relates directly to one of the Significant Governance Issues featured in the AGS 2014/15, and as such progress is monitored on a regular basis through the Corporate Governance Group.

The audit covered:

- Documentation, approval and dissemination of the organisation's vision and values,
- Extent of coverage of the performance appraisal process,
- Presence and dissemination of a training programme (highlighting mandatory training for all staff/members),
- Level of participation in the programme of mandatory training by staff/members, with action being taken in instances of non-compliance,
- Outcomes of training are being reviewed and the programme of training adjusted accordingly,
- Analysis of the results of the Staff Survey and appropriate action taken if/where necessary.

A number of recommendations were identified to significantly improve systems in operation that related to:

- Ensuring that the officers not already briefed on the organisational Vision, Values and behaviours receive formal notification of these, and that there is a continued commitment to embedding these,

- The need for the organisation to ensure commitment and compliance to Performance Appraisal and Development,
- The need for the organisation to have in place a clear, effective and efficient mandatory training programme that is delivering the expected benefits to staff and to the organisation,
- The need to report upon and address the Staff Survey Action Plan, and consider a future staff survey as part of an indicator of organisational culture.

Management has demonstrated a strong commitment to addressing the recommendations, with actions already in progress. Further Internal Audit work is to be completed in the forthcoming months so as to verify the progress made, and the regular reports to the Corporate Governance Group will ensure that the issue remains under close scrutiny.

#### 2.2.d Annual Governance Statement

A significant amount of work has been undertaken by the Internal Audit Service to support the production of the Annual Governance which is presented as a separate report to this Committee elsewhere on the agenda. This work has involved independent targeted reviews of compliance with the CIPFA/SOLACE guidance and also includes the provision of support to senior management in the assessment of significant governance issues. The Internal Audit service is also represented on the Corporate Governance Group and supports the work undertaken to ensure that the organisation has strong governance arrangements in place that comply with evolving professional best practice and operate effectively and for the benefit of the Council.

#### 2.2.e Public Sector Internal Audit Standards

To comply fully with the new Public Sector Internal Audit Standards 2014 (PSIAS) public sector internal audit providers are required to have in place an external quality assurance process. Members will be aware that I presented a report to Committee regarding this initiative in September 2014 and have subsequently provided regular updates on progress being made. I have personally been working very closely with relevant professional bodies and colleagues from across the North West Region to develop a process for the region that satisfies the exacting requirements of the standards. The position at the time of writing is that this has now been developed and endorsed by CIPFA and the CIIA and is currently being piloted across a number of Local Authorities from across the region prior to full implementation during 2016/17 to coincide with the 2018 PSIAS deadline. In addition, Wirral Internal Audit Services has developed a Quality Assurance and Improvement Programme to support this work and demonstrate compliance and this is presented to the Committee as a separate item on the agenda.

#### 2.2.f Debtor Write Offs

At the previous meeting of this Committee Members requested clarification of the role of Internal Audit and this Committee in the debt write off systems in operation across the Council.

To clarify, Internal Audit are not directly involved in the actual write off process but on a periodic basis independently review actual systems in operation and undertake sample testing of a number of 'written off accounts' for accuracy, correctness and reasonableness. The outcomes from these individual audits are reported to senior management in the agreed fashion and ultimately reported to this Committee via the Bi-Monthly reports and where appropriate as 'Items of Note' in the Internal Update Report. The role of this Committee is not to approve accounts for write off but to seek assurances that appropriate control systems are in operation and functioning correctly.

Work undertaken to date as part of the Internal Audit Strategic Plan (2013-16) has focussed on the following:

- Evaluating the progress in the implementation of the recommendations detailed in the 'Independent Review of Sundry Debt' report by Eugene Sullivan, dated 15<sup>th</sup> March 2013 and the subsequent Department of Adult Social Services (DASS) Action List, presented to Cabinet in May 2013,
- Reviewing the effectiveness of resources available within the Personal Finance Unit, including the Collection & Recovery Team (CART),
- Targeted reviews and testing of individual debt management operations throughout the Authority,
- Evaluating the overall control environment of the Debtors Central System that included debt recovery and write off.

#### 2.2.g Local Audit Accountability Act 2014

To comply with the requirements of this Act local public bodies are required to have in place an independent Auditor Panel to oversee the appointment and monitoring of external audit services by the 31 March 2017, the end of the current transitional period. A statement by the Secretary of State is scheduled for autumn of 2015 on this and early indications are that an extension to the current arrangements is likely to be announced as well as a national sector wide opt-in arrangement for the collective procurement of these services in the future. I will continue to monitor these developments and report any outcomes to this Committee.

The Council has previously considered proposals to strengthen the independent nature of the Audit and Risk Management Committee through the appointment of a majority of independent external members. Significant steps have also been taken by the organisation to improve its overall governance arrangements including many actions directly involving this Committee and its operation that have greatly improved its effectiveness and overall contribution to good governance across the Council.

Discussions with colleagues from across the North West Councils have identified that only two of the twenty six Councils represented currently utilise independent external members on their audit committees with varying degrees of success. It is not therefore considered necessary or appropriate at this moment in time to proceed with this action; however the operation of the Committee will continue to be monitored and evaluated annually against the CIPFA Code of Best Practice for Audit Committees and any Secretary of State direction or guidance and any necessary improvements implemented as required.

### 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. A number of these relate to audits undertaken within ITS and are the subject of a separate report to this Committee by the Chief Information Officer outlining actions currently being taken to improve and develop existing arrangements.

### 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.	33	26
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 (16)
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	97

2.4.b There are currently no significant 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 a Continuous Internal Audit Improvement and Development Plan has been formulated that incorporates new and developing areas of best practice from across the profession, ensuring that the service continues to constantly challenge how efficient and effective it is at delivering its service to all of its stakeholders and making any relevant changes and improvements as required. Some of the actions currently ongoing include

- Implementation of new improved audit report template, including new organisation risk impact opinion,
- Development of Quality Assurance and Improvement Programme,
- Collaborative counter fraud exercises across Mersey region,
- Improving corporate counter fraud awareness across the Council,
- Developing and improving reporting arrangements for stakeholders,
- 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,
- Development of North West Region Quality Assurance Peer Review Process.

## **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  
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## **APPENDICES**

Appendix 1: Audit Recommendations Status Report

## **REFERENCE MATERIAL**

Internal Audit Plan 2015/16

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

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

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**INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS  
PERIOD: 01 APRIL 2014 TO 31 AUGUST 2015**

<b><u>Summary</u></b>	<b>Total</b>	<b>R</b>	<b>A</b>
<b>1. Completed Audits</b>	<b>21</b>	<b>0</b>	<b>21</b>
<b>2. Follow Up Audits Completed</b>	<b>9</b>	<b>0</b>	<b>9</b>

**INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS**

**PERIOD: 01 APRIL 2014 TO 31 AUGUST 2015**

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

Audit / Date	Directorate [Service]	Organisational Risk	Areas for Development / Improvement and comments	Total Recs (H)	Timescale / Strategic Director	Follow Up Scheduled	Outcome	RAG Status
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	Following reorganisation and corresponding changes in structure/responsibilities, this follow up has been incorporated into an full audit scheduled for September 2015.	A
Central Libraries - Cash Systems 10/11/2014	T&R  [Business Processes]	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	Oct 15	Recommendations agreed with Principal Librarian and currently being followed up. Significant developments within the division have resulted in the follow up being deferred until this time.	A
Elder Care Fund 15/01/2015	Families & Wellbeing (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	Sep 15	No formal recommendations made. "Areas for Further Work" were agreed and work is in progress to address these.  Meeting undertaken on 01/09/15 with Head of Transformation to verify current position.	A
Community Patrol 27/01/2015	Regeneration and Environment (R&E)  [Housing and Community Safety]	Minor	Five recommendations were made which do not present a significant risk to the organisation.	5 (0)	May 2015  Strategic Director Regeneration and Environment	Oct 15	Recommendations agreed with the Head of Regeneration. Follow up rescheduled to allow changed to embed.	A
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	Oct 15	A follow up review is scheduled for October 2015 (this should provide time for any changes to processes for 2015/16 to become embedded).	A
Creditors (IDEA) Testing 26/02/2015	T&R  [Resources]	Minor	Four recommendations were made which do not present a significant risk to the organisation.	4 (0)	April 2015  Strategic Director Transformation and Resources	Sep 15	Follow up work due to commence week commencing 21st September.	A
MPF Retirement Benefit Payments 10/04/2015	T&R  [Merseyside Pension Fund]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	August 2015  Strategic Director Transformation and Resources	Sep 15	Follow up work underway	A

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Audit / Date	Directorate [Service]	Organisational Risk	Areas for Development / Improvement and comments	Total Recs (H)	Timescale / Strategic Director	Follow Up Scheduled	Outcome	RAG Status
Attendance Management - Sickness 17/04/2015	T&R [Human Resources & OD]	Moderate	Improve the control, management and reporting systems in operation, by <ul style="list-style-type: none"> <li>• updating the e-learning training modules to ensure that they are relevant to current processes in operation;</li> <li>• accurately maintaining attendance records be for all members of staff, which are checked on a regular basis;</li> <li>• recording all sickness notifications on SelfServe;</li> <li>• ensuring that information held on SelfServe for each manager is accurate.</li> </ul>	4 (2)	August 2015  Strategic Director Transformation and Resources	Sep 15	Management have agreed to implement the recommendations within an agreed timescale. Internal Audit will continue to monitor progress and report on this.  Follow up is currently in progress with a meeting scheduled to discuss the progress on 15/09/2015	A
Grievances 28/04/2015	T&R [Human Resources & OD]	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.  Email sent to audit client to request update on implementation of the recommendations on 12/08/2015.	A
Safeguarding Children 22/05/2015	F&W [CYPD]	Moderate	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	September 2015  Strategic Director Families & Wellbeing	Sep 15	Management have accepted the recommendations and are progressing with the implementation.	A
Organisational Culture 09/06/2015	T&R [Human Resources & OD]	Major	- Ensure commitment and compliance to Performance Appraisal and Development. - Put in place a clear, effective and efficient mandatory training programme that is delivering the expected benefits to staff and to the organisation. - Report upon and address the staff Survey Action Plan, and consider a future staff Survey as part of an indicator of organisational culture.	4(3)	September 2015  Strategic Director Transformation and Resources	Sep 15	The recommendations have been accepted and implementation is being progressed. Measures to date have included the re-launch of the Performance Appraisal system that encompasses a newly developed and much improved approach as well as extensive management and staff briefings on related cultural topics.	A
Health, Safety & Resilience 16/06/2015	T&R [Health, Safety & Resilience]	Moderate	Three recommendations were made which do not present a significant risk to the organisation.	3 (0)	October 2015  Strategic Director Transformation and Resources	Oct 15	The recommendations have been accepted and implementation is being progressed.	A
Contract Tender Procedures - West Kirby Concourse 17/06/2015	U&I [Corporate Asset & Facilities Management]	Moderate	Improve the identified control weaknesses in the selection of potential tenderers.	2 (1)	October 2015  Head of Universal and Infrastructure Services	Oct 15	The recommendations have been agreed with management, and implementation is being progressed and will be included in the exercise being undertaken to review and update the Contract Procedure Rules.	A
Direct Payments 26/06/2015	F&W [DASS]	Major	Ensure clear policies and procedures are in place, up-to-date and adhered to in practice, specifically regarding <ul style="list-style-type: none"> <li>- when and who is responsible for conducting, reporting and acting upon the reviews/assessments required as part of the direct payments process;</li> <li>- the robustness of contract monitoring.</li> <li>- ensuring individual Direct Payment contracts are signed appropriately.</li> <li>- the robustness information is entered in the Liquidlogic system.</li> </ul>	5 (1)	October 2015  Strategic Director Families and Wellbeing	Nov 15	The recommendations have been accepted and implementation is being progressed.	A
Bank Reconciliation Drawings Account 30/06/2015	T&R [Resources]	Moderate	Four recommendations were made which do not present a significant risk to the organisation.	4 (0)	October 2015  Strategic Director Transformation and Resources	Oct 15	Recommendations have been agreed.	A

Audit / Date	Directorate [Service]	Organisational Risk	Areas for Development / Improvement and comments	Total Recs (H)	Timescale / Strategic Director	Follow Up Scheduled	Outcome	RAG Status
Confidential Reporting (Whistleblowing) 15/07/2015	T&R [Resources]	Moderate	Three recommendations were made which do not present a significant risk to the organisation.	3(0)	November 2015 Strategic Director Transformation and Resources	Nov 15	The recommendations have been accepted and implementation is being progressed.	A
Income and Banking 29/07/2015	T&R [Business Processes]	Minor	Three recommendations were made which do not present a significant risk to the organisation.	3(0)	November 2015 Strategic Director Transformation and Resources	Nov 15	The recommendations have been accepted and implementation is being progressed.	A
CRCEES 03/08/2015	U&I [Design Consultancy]	Minor	One recommendation was made which does not present a significant risk to the organisation.	1(0)	December 2015 Head of Universal and Infrastructure Services	Dec 15		A
Parks & Countryside Services 10/08/2015	R&E [Parks and Countryside]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2(0)	December 2015 Strategic Director Regeneration and Environment	Dec 15	The recommendations have been accepted.	A
Transport Unit 21/08/2015	T&R [Design Consultancy - Maintenance function] F&W [CYPD Transport - Taxi and Home to school transport functions]	Moderate	Policies and procedures should be added to so as to ensure responsibilities are fully detailed. Policies should be finalised, approved by the appropriate person(s) and circulated to all relevant staff.	7(1)	December 2015 Strategic Director Transformation and Resources Head of Branch - Planning and Resources	Dec 15	The recommendations have been accepted.	A
Pensions Reform 2015 (Freedom & Choice) 27/08/2015	T&R [Merseyside Pension Fund]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2(0)	November 2015 Strategic Director Transformation and Resources	Nov 15	The recommendations have been accepted and implementation is being progressed.	A

**INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS**

**PERIOD: 01 APRIL 2014 TO 31 AUGUST 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
Corporate Procurement 10/06/2015  Feb 2014	T&R  [Corporate Procurement]	Minimum	Minimum	Major	Ensure: - Completion of the No PO No Pay process - Regular updating of Contracts Register - Finalisation of formal contracts	6 (4)	September 2015  Strategic Director Transformation and Resources	Sep 15	Progress has been made with the implementation of some of the recommendations, specifically the liaison between Procurement, Legal, and Project Officers regarding the completion of contracts, and the current implementation of P-cards across the Council.	A
Procurement of Commissioned Care (Domiciliary Care and Reablement Services) 26/08/2015  August 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	Nov 15	Significant progress has been made. The two high priority recommendations have been assessed as being implemented. Two other recommendations have been assessed as implemented and the remaining three (1 x Medium Priority and 2 x Low Priority) have been assessed as partly implemented. It is expected that full implementation will be achieved following the final roll-out of functions within Liquidlogic - which is expected by November 2015. Where applicable, assurances have been provided to confirm that lessons have been learned that will benefit future procurement exercises.	A
Resource Link – Access Controls 04/09/2015  Oct 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)	December 2015  Strategic Director Transformation and Resources	Dec 15	The client has stated they will follow up on the recommendations mid- September. (A combination of annual leave and sickness has delayed a discussion of the implementation of the recommendations by the auditee and his colleagues.) The implementation of the recommendations will continue to be assessed by Internal Audit in Q3.	A
Mobile Phone Security 04/09/2015  Nov 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)	December 2015  Strategic Director Transformation and Resources	Dec 15	No significant developments since the last update. Some of the risks identified in the Internal Audit report will be addressed as part of the work to agree a corporate DLP policy. The implementation of the recommendations will continue to be assessed by Internal Audit in Q3.  The Chief Information Officer is to attend ARMC in September 2015 to discuss.	A
ICT Business Continuity 04/09/2015  Dec 2014	Universal and Infrastructure Services (U&I) / 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)	December 2015  Strategic Directors	Dec 15	Strategic Leadership Team (SLT) has agreed 32 business critical systems. The system owners for each of the 32 critical systems have been asked to produce a BCP. At 21/08/2015, a number of BCP's had been completed. The implementation of the recommendations will continue to be assessed by Internal Audit in Q3.  The Chief Information Officer is to attend ARMC in September 2015 to discuss.	A

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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 04/09/2015  Feb 2014	Transformation & Resources (T&R)  [Resources]	Limited	No opinion required at the time the audit was carried out		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)	December 2015  Strategic Director Transformation and Resources	Dec 15	Discussions regarding the responsibility for compilation of the register are to be undertaken within ITS. The implementation of the recommendations will continue to be assessed by Internal Audit in Q3.  The Chief Information Officer is to attend ARMC in September 2015 to discuss.	A
Payment Card Industry - Data Security Standard 04/09/2015  July 2014	Authority-Wide	Minimum	No opinion required at the time the audit was carried out		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)	December 2015  Strategic Director Transformation and Resources	Dec 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. The implementation of the recommendations will continue to be assessed by Internal Audit in Q3.  The Chief Information Officer is to attend ARMC in September 2015 to discuss.	A
Data Loss Prevention 04/09/2015  Oct 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)	December 2015  Information Governance Board	Dec 15	A number of controls are in place to ensure the risk of unauthorised access is minimised. Corporate DLP policies on the classification and risk-based protection of different types of Council information will be developed under the oversight of the Information Governance Board. Technical controls will be then be applied in accordance with the agreed policies. The implementation of the recommendations will continue to be assessed by Internal Audit in Q3.  The Chief Information Officer is to attend ARMC in September 2015 to discuss.	A
IT Services Disaster Recovery 04/09/2015  Jan 2015	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	Dec 15	The Chief Information Officer is to attend ARMC in September 2015 to discuss.	A

**KEY:**

Organisational Risk		
MAJOR	The likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to major risk.	
MODERATE	The likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to moderate risk.	
MINOR	The likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to minor risk.	
NEGLIGIBLE	There were no weaknesses identified during the review.	
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.	
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.	

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## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

22 SEPTEMBER 2015

<b>SUBJECT:</b>	<b>INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>
<b>KEY DECISION ?</b>	<b>NO</b>

#### 1.0 EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to seek agreement of the Members of the Audit and Risk Management Committee in respect of the monitoring and reporting arrangements detailed in the attached Wirral Council Internal Audit Services Quality Assurance and improvement Programme.

#### 2.0 BACKGROUND AND AUDIT OUTPUT

- 2.1 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Internal Audit develops and maintains a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity.

- 2.2. The purpose of the QAIP is to provide reasonable assurance that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the PSIAS definition of Internal Auditing and Code of Ethics;
- Operates in an effective and efficient manner; and
- Is perceived by Stakeholders as adding value and improving Internal Audit's operations.

- 2.3. Internal Audit's QAIP has been developed in accordance with PSIAS Standard 1300 (Quality Assurance and Improvement Programme). It documents the approach that is taken in respect of the following:

- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner (Ref: 1300);
- Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics (Ref: 1300);
- Helping the Internal Audit activity add value and improve organisational operations (Ref: 1300);
- Undertaking both periodic and on-going internal assessments (Ref: 1311); and
- Commissioning an external assessment at least once every five years, the results of which are communicated to the Audit and Risk Management Committee in accordance with Standard 1312 and 1320.

2.4. The QAIP outlines measures which are applied to ensure that Internal Audit continues to operate effectively and efficiently and identifies and responds to opportunities for improvement. These measures are detailed below:

- An internal quality control checklist;
- Customer Questionnaires and Annual Performance Evaluation Feedback Forms designed to obtain client feedback, the outcome of which facilitates effective monitoring of the internal audit activity and enables opportunities for improvement to be identified; and
- An Auditor Skills Appraisal Assessment system developed and implemented during 2015/16 that incorporates elaborate post audit assessments to identify improvement areas and any training/development needs;
- Internal performance targets that are monitored and regularly reported to the Audit and Risk Management Committee.

2.5. Full details of each of these performance monitoring measures are appended to the attached QAIP.

2.6. PSIAS Standard 1320 requires that the form and content of the QAIP should be established through communication with the 'Board' (Audit & Risk Management Committee).

### **3.0 RELEVANT RISKS**

3.1 Potential failure of the Internal Audit Service to comply with the mandatory Public Sector Internal Audit Standards by not effectively evaluating its performance and making necessary improvements to ensure continued added value.

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 have been regularly consulted throughout the process via regular routine report updates.

### **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 Agree and endorse the monitoring and reporting arrangements outlined in the Wirral Council Internal Audit Quality Assurance and Improvement Programme.

## **13.0 REASON FOR RECOMMENDATION**

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

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

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

**REPORT AUTHOR:** Mark P Niblock  
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## **APPENDICES**

Appendix 1: Internal Audit Services Quality Assurance & Improvement Programme

## **REFERENCE MATERIAL**

Public Sector Internal Audit Standards

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

<b>Council Meeting</b>	<b>Date</b>
Audit and Risk Management Committee	Regular PSIAS updates presented to meetings of this Committee.

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# **WIRRAL COUNCIL INTERNAL AUDIT SERVICE**

## **QUALITY ASSURANCE & IMPROVEMENT PROGRAMME 2015/16**

**Prepared by: Mark Niblock  
Chief Internal Auditor**

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## **1. Introduction**

- 1.1 Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of the Internal Audit activity that Internal Audit:
- Performs its work in accordance with its Charter, which is consistent with The Public Sector Internal Audit Standards' (PSIAS) definition of Internal Auditing and Code of Ethics;
  - Operates in an effective and efficient manner; and
  - Is perceived by stakeholders as adding value and improving Internal Audit's operations.
- 1.2 Internal Audit's QAIP covers all aspects of the Internal Audit activity in accordance with the PSIAS Standard 1300 (Quality Assurance and Improvement Programme), including:
- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner (1300);
  - Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics (1300);
  - Helping the Internal Audit activity add value and improve organisational operations (1300);
  - Undertaking both periodic and on-going internal assessments (1311); and
  - Commissioning an external assessment at least once every five years, the results of which are communicated to the Audit & Risk Management Committee in accordance with Standard 1312 and 1320.
- 1.3 The Chief Internal Auditor is ultimately responsible for the QAIP, which covers all types of Internal Audit activities.

## **2. Internal Assessments**

2.1 In accordance with PSIAS Standard 1300, internal assessments are undertaken through both on-going and periodic reviews.

### **On-going Reviews**

2.2 Continual assessments are conducted through:

- Management supervision of all engagements;
- Structured, documented review of working papers and draft reports by Internal Audit management;
- Audit Policies and Procedures used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards;
- Comprehensive Internal Quality Reviews of audit processes including report findings, conclusions and working papers undertaken prior to completion of all audits. Control Checklist completed to ensure consistency of reporting and reduce administrative error (Appendix A);
- Feedback from audit clients obtained through completion of Customer Questionnaires at the closure of each engagement (Appendix B);
- Auditor Skills Appraisal Assessments undertaken following completion of audit assignments designed to evaluate an individual's performance against PSIAS best practice and the CIPFA Guidance document "The Excellent Internal Auditor" to identify areas of good practice and any development/improvement opportunities (Appendix C).
- Monitoring of internal performance targets (Appendix D) and quarterly outturn reporting to Audit & Risk Management Committee;
- Review and approval of all final reports, recommendations and levels of assurance by the Chief internal Auditor or Audit Manager; and
- Regular team briefings attended by all members of the Internal Audit team and chaired by the Chief Internal Auditor;

# WIRRAL COUNCIL INTERNAL AUDIT

## Quality Assurance & Improvement Programme 2015/16

### Periodic Reviews

- 2.3 Periodic assessments are designed to assess conformance with Internal Audit's Charter, the PSIAS' Definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Periodic assessments are conducted through:
- Quarterly Internal Audit Update Reports, presented to the Audit & Risk Management Committee;
  - Annual performance evaluation form to all Chief Officers/Heads of Directorates (Appendix E);
  - Annual risk assessments, in accordance with the Internal Audit Strategy, for the purposes of annual audit planning;
  - Annual review of the effectiveness of Internal Audit, undertaken by the Chief Internal Auditor culminating in a 'balanced scorecard' for the service identifying actions for development and improvement;
  - Annual review of compliance against the requirements of this Quality Assurance & Improvement Programme, the results of which are reported to Senior Leadership Team and the Audit & Risk Management Committee via the Chief Internal Auditors Report;
  - Feedback from the Chief Executive, Section 151 Officer and Chair of the Audit & Risk Management Committee to inform the annual appraisal of the Chief Internal Auditor, in accordance with Standard 1100;
  - Periodic Skills and Competency appraisal conducted for each Internal Auditor based on the principles of the CIPFA Guidance document "The Excellent Internal Auditor" (2010) to inform the appraisal process.
- 2.4 Results of internal assessments will be reported to the Audit & Risk Management Committee quarterly and to the Council at least annually. The Chief Internal Auditor will implement appropriate follow-up to any identified actions to ensure continual improvement of the service.
- 2.5 Any significant areas of non-compliance with the PSIAS that are identified through internal assessment will be reported in the Chief Internal Auditors Annual Report and used to inform the Annual Governance Statement (AGS).

## **3. External Assessments**

3.1 External assessments will appraise and express an opinion about internal audit's conformance with the PSIAS' Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

### **Frequency of External Assessment**

3.2 An external assessment will be conducted at least every five years, in accordance with the PSIAS. Appointment of the External Assessor and scope of the External Assessment will be endorsed by the Audit & Risk Management Committee.

### **Scope of External Assessment**

3.3 The external assessment will consist of broad scope of coverage that includes the following elements of Internal Audit activity:

- Conformance with the *Standards*, Definition of Internal Auditing, the Code of Ethics, and internal audit's Charter, plans policies, procedures, practices, and any applicable legislative and regulatory requirements;
- Integration of the Internal Audit activity into Wirral's governance framework, including the audit relationship between and among the key groups involved in the process;
- Tools and techniques used by Internal Audit;
- The mix of knowledge, experiences, and disciplines within the staff, including staff focus on process improvement delivered through this Quality Assurance and Improvement programme;
- A determination whether Internal Audit adds value and improves Wirral Council operations.

3.3.1 Results of external assessments will be provided to the Senior Leadership Team and the Audit & Risk Management Committee. The external assessment report will be accompanied by a written action plan in response to significant comments and recommendations identified. Any significant areas of non-compliance will be reported in the Annual Report of the Chief internal Auditor and in the Council's Annual Governance Statement (AGS).

## 4. Review of the QAIP

These documents will be appropriately updated following any changes to the PSIAS or internal audit's operating environment and will be reviewed at least on an annual basis.

### **APPENDIX A**

### **CONTINUOUS/FINAL QUALITY REVIEW RECORD (Item 4)**

**Audit Assignment: .....**

Ref	Issue Raised	Action Undertaken	Cleared Yes?

Quality Reviewed by: ..... Date .....

Title: .....

Points cleared ..... Date .....

**WIRRAL COUNCIL INTERNAL AUDIT  
Quality Assurance & Improvement Programme 2015/16**

**'AUDIT REPORT' - QUALITY CONTROL CHECKLIST**

**Report Title:** .....

<b>Cover</b>	
Report title, Draft issue date and Distribution details including relevant officer's names / job titles have been completed.	<input type="checkbox"/>
<b>Contents</b>	
Headings and sub-headings match those in the body of the report	<input type="checkbox"/>
Page numbers are correct	<input type="checkbox"/>
Report title has been added to the footer	<input type="checkbox"/>
<b>Executive Summary</b>	
Appropriate length	<input type="checkbox"/>
No "....." or "£XXXX" remain from the template	<input type="checkbox"/>
Assurance opinion is provided, is relative to the risk and agreed with client	<input type="checkbox"/>
Correct no of recommendations and appropriate priority rating identified	<input type="checkbox"/>
Highlighted instructions have been removed	<input type="checkbox"/>
<b>Report Headings</b>	
Correctly Identified	<input type="checkbox"/>
All relevant detail included and numbered correctly	<input type="checkbox"/>
<b>Review of Effectiveness</b>	
Appropriately summarised, supported by evidence obtained and numbered correctly	<input type="checkbox"/>
<b>Areas of Good Practice</b>	
Appropriate, balanced and correctly annotated and numbered	<input type="checkbox"/>
<b>Findings &amp; Recommendations</b>	
Numbering within sections is consecutive	<input type="checkbox"/>
Recommendation(s) edited to correctly reflect number of recommendations made.	<input type="checkbox"/>
Priority levels included and correct	<input type="checkbox"/>
<b>Action Plan</b>	
Recommendations are identical to those in the "Findings & Recommendations" section	<input type="checkbox"/>
<b>Appendix</b>	
Customer Feedback form included	<input type="checkbox"/>
<b>General</b>	
Bullet style used is consistent throughout report and aligned with text: • <i>Example</i>	<input type="checkbox"/>

**WIRRAL COUNCIL INTERNAL AUDIT  
Quality Assurance & Improvement Programme 2015/16**

Bulleted lists formatted: <ul style="list-style-type: none"> <li>• item a;</li> <li>• item b; and</li> <li>• item c.</li> </ul>	<input type="checkbox"/>
Text is justified correctly and tables are aligned to text/page margins	<input type="checkbox"/>
<b>Final Reports</b>	
Ensure the draft watermark has been removed	<input type="checkbox"/>
Cover: Final issue date and additional Distribution details including relevant officer's names / job titles have been completed and report authors etc identified.	<input type="checkbox"/>
<b>Working Papers</b>	
All working papers completed, signed and dated	<input type="checkbox"/>
Quality Review Record (Item 4) included/completed	<input type="checkbox"/>
Post Audit Assessment scheduled/completed	<input type="checkbox"/>
All Relevant Quality Checks identified completed	<input type="checkbox"/>

Checked by (Auditor):	
Date:	

Final checked by (Manager):	
All issues identified recorded on Item 4	<input type="checkbox"/>
Date:	

**APPENDIX B**

**9. Customer Feedback**

To help us to improve the service we deliver, it is important that you provide us with regular feedback. Therefore, please complete the following:

<b>How satisfied were you with the overall service received from Internal Audit?</b>								
<b>Please Indicate</b>	<b>Very Satisfied</b>		<b>Satisfied</b>		<b>Dissatisfied</b>		<b>Very Dissatisfied</b>	
<i>Please explain your answer</i>								

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If you would like to discuss any issues regarding this audit, please contact the Chief Internal Auditor.

Completed by: ..... Signed:..... Date:.....

**APPENDIX C**

**AUDITOR SKILLS APPRAISAL SYSTEM**

**POST-AUDIT ASSESSMENT**

**Guidance for Completion**

This assessment should be completed and discussed by the auditor and the manager within one week of the completion of the audit review and sending of the audit report. A copy of the completed document should be forwarded to the Chief Internal Auditor.

**The process should take no more than one hour in total.**

The audit details should be completed, and details of any variances of hours spent on the audit, and any other relevant comments or contextual information included.

The form records the appraisal of the auditor's competence (in relation to the named audit) in each of the skills listed. The auditor and the manager complete their respective columns, utilising an assessment of 1 to 3 (in relation to their post level):

1 = Not meeting expectations

2 = Meeting expectations

3 = Exceeding expectations

The auditor and manager should hold a brief meeting to discuss their assessments, and agree a set of scores which should be recorded on the form. The "comments" column can be used to give any further details necessary to explain the assessment.

**WIRRAL COUNCIL INTERNAL AUDIT**  
**Quality Assurance & Improvement Programme 2015/16**

The auditor's development should then be discussed in light of their objectives and planned development opportunities as recorded on the Development Plan. The Development Plan should be updated to record the positive performance and progress evident during the audit, and any additional objectives or development opportunities required.

Please refer to the "Auditor Skills Framework - Explanatory Note" for further details.

**Audit Details**

Auditor name:.....

Manager name:.....

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Audit Title	Start date (date of first hours used by auditor)	End Date (date of final report issue)	Budget Hours (for auditor being assessed)	Actual hours (for auditor being assessed)	Reasons for variances:  - budget hours exceeded - final report not issued in accordance with dates given in the Terms of Reference	Level of difficulty of this audit for an auditor of this post level (delete as appropriate)
						1. Routine 2. Challenging 3. Significantly Challenging

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**Quality Assurance & Improvement Programme 2015/16**

**Any other relevant comments/contextual information**

**Appraisal of Skills**

1 = Not meeting expectations

2 = Meeting expectations

3 = Exceeding expectations

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In relation to the named audit, how did the auditor perform in comparison with the expectations of their post:	Auditor Score	Manager Score	Agreed Score	Comments
<b>BEHAVIOURAL</b>				
1. Negotiating – successfully achieved win/win outcomes.				
2. Influencing – successfully and persuasively conveyed a point of view.				
3. Communication – raised the level of mutual understanding.				
4. Assertiveness – interacted with others in a positive and confident manner.				
5. Enthusiasm and initiative – was self-motivated and proactive.				
6. Team work – worked with others to achieve a common goal.				
7. Professionalism – presented self and function in a professional manner.				

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In relation to the named audit, how did the auditor perform in comparison with the expectations of their post:	Auditor Score	Manager Score	Agreed Score	Comments
<b>TECHNICAL</b>				
1. Audit methodology and scope – defined the scope of the audit.				
2. Analytical review – applied appropriate techniques and evaluated results.				
3. Testing – identified key controls and defined testing accordingly.				
4. Interviewing and questioning – extracted information effectively, using appropriate skills.				
5. Sampling – selected suitable samples from appropriate sources.				
6. IT Skills – used appropriate IT throughout audit.				
7. Specialist Skills - used appropriate skills and knowledge in audit work.				
<b>MANAGEMENT</b>				
1. Performance management – produced high quality output to meet deadlines.				
2. People management – encouraged development of self and others.				
3. Leadership – encouraged and motivated others.				

**Sign and date:**

**WIRRAL COUNCIL INTERNAL AUDIT  
Quality Assurance & Improvement Programme 2015/16**

Auditor:..... Date:.....

Manager:..... Date:.....

Copy to the Chief Internal Auditor and Audit Manager

**APPENDIX D**

**INTERNAL AUDIT – PERFORMANCE TARGETS**

<b>CATEGORY</b>	<b>DESCRIPTION</b>	<b>NARRATIVE</b>	<b>HOW IT'S MEASURED</b>	<b>TARGET</b>
<b>COMPLIANCE</b>	<b>PSIAS Compliance</b>	<b>Level of compliance with requirements of PSIAS / LGAN<sup>1</sup></b>	<b>PSIAS Annual Self-Assessment External Assessment (5 yearly)</b>	<b>100%</b>
<b>PRODUCTIVITY</b>	<b>Audit days utilised</b>	<b>Number of audit reviews completed within planned days allocated</b>	<b>APACE audit time recording / Performance Spreadsheet management system</b>	<b>&gt;90%</b>
<b>PRODUCTIVITY</b>	<b>Audit days utilised/audit turnaround</b>	<b>Number of audit assignments delivered within ten days of completion of fieldwork</b>	<b>APACE audit time recording / Performance Spreadsheet management system</b>	<b>&gt;95%</b>
<b>OUTPUTS</b>	<b>Audit coverage</b>	<b>%age of Audit Plan completed</b>	<b>APACE audit time recording / Performance Spreadsheet management system</b>	<b>&gt;90%</b>
<b>OUTPUTS</b>	<b>Planned Audits completed</b>	<b>%age of planned audit reviews completed</b>	<b>APACE audit time recording / Performance Spreadsheet management system</b>	<b>&gt;90%</b>

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<sup>1</sup> Public Sector Internal Audit Standards (PSIAS) / CIPFA Local Government Application Note (LGAN)

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<b>QUALITY</b>	<b>Client Satisfaction</b>	<b>%age of Post Audit Customer Feedback Questionnaires in which management have responded as “Very Satisfied” or “Satisfied” with quality of audit</b>	<b>Post Audit Questionnaire</b>	<b>100%</b>
<b>ADDED VALUE</b>	<b>Management Perception</b>	<b>%age of positive responses in respect of perceived benefits and value of Internal Audit work</b>	<b>Customer Post Audit Feedback Questionnaire Annual Performance Evaluation Form (Heads of Service)</b>	<b>95%</b>
<b>ADDED VALUE</b>	<b>Corporate Management Satisfaction</b>	<b>%age of High priority recommendations agreed with clients</b>	<b>Returned Audit Action Plans</b>	<b>100%</b>

**WIRRAL COUNCIL INTERNAL AUDIT  
Quality Assurance & Improvement Programme 2015/16**

**APPENDIX E**

**ANNUAL PERFORMANCE EVALUATION FORM**

**Directorate**

A number of performance indicators have been adopted by Internal Audit and one of the most important of these is your view of the service you receive.

Please spare the time to complete and return this survey.

Your responses will help Internal Audit to develop and maintain high levels of service.

**Are you satisfied that:**

Internal Audit is proactive in ensuring its role and objectives are understood	Click to respond
Internal Audit exhibits a good understanding of the Council's objectives	Click to respond
There are clear and effective lines of communication between Internal Audit and yourself	Click to respond
Internal Audit Reports are a valuable management tool	Click to respond
Internal Audit can be relied upon to provide objective and independent advice	Click to respond
Internal Audit staff respect confidentiality	Click to respond

**Please add any additional comments and/or suggestions**

Name	
Position	
Date	

Thank you for your time in completing this survey.

Please return to: Mark Niblock, Chief Internal Auditor

**WIRRAL COUNCIL  
AUDIT AND RISK MANAGEMENT COMMITTEE  
22 SEPTEMBER 2015**

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

## **1.0 EXECUTIVE SUMMARY**

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

1.2 This report presents Audit and Risk Management Committee with the final Annual Governance Statement and an action plan for approval by committee members.

## **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:

Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.

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

Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

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

Developing the capacity and capability of Members and Officers to be effective.

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 review agencies has 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.

6.3 Wirral's External Auditors have also had the opportunity to consider the draft Annual Governance Statement and comment accordingly.

## 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 final draft of the Annual Governance Statement and action plan are considered by the Audit and Risk Management Committee and presented to Cabinet for approval in October 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

Annual Governance Statement 2014-15  
Significant Governance Issues Action Plan

## 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
Audit and Risk Management Committee – Annual Governance Statement 2014-15	8 June 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](http://www.wirral.gov.uk). This statement explains how Wirral Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4 (3), which requires all relevant bodies to prepare an annual governance statement.

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

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It 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 ending 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 relating 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 residents’ 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 provide 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 the 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 the 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.

The Local Audit Accountability Act requires local public bodies to have in place an independent Auditor Panel to oversee the appointment and monitoring of external audit services by 31 March 2017. A statement by the Secretary of State is scheduled for autumn 2015 and early indications are that an extension to the current arrangements is likely to be announced as well as a national sector wide opt-in arrangement for the collective procurement of these services in the future.

The Council has previously considered proposals to strengthen the independent nature of the Audit and Risk Management Committee through the appointment of a majority of external members. Significant steps have also been taken by the organisation to improve its overall governance arrangements including many actions directly involving this committee and its operation that have greatly improved its effectiveness and overall contribution to good governance across the Council.

Discussions are also taking place with colleagues from across the North West Councils which have identified that only two of the twenty six Councils represented currently utilise independent external members on their audit committees with varying degrees of success. It is not therefore considered necessary at this moment in time to proceed with this action, however, the operation of the committee will continue to be monitored and evaluated annually against the CIPFA Code of Best Practice for Audit Committees and any Secretary of States direction/guidance. All necessary improvements will be implemented as required.

***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, and 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 identified weaknesses in its business continuity arrangements, which may be susceptible due to the Council not having in place robust ICT business continuity plans. The Council must ensure that 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.

### **Corporate Procurement Arrangements**

The Council must continue to take action to address identified weaknesses in relation to its corporate procurement arrangements.

### **Absence Management**

The organisation failed to meet its absence target for 2014/15.

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 relating to staff and management adherence to internal controls.

The Council is developing plans to reinforce its expectations of all staff in relation to 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



**ANNUAL GOVERNANCE STATEMENT 2014/15: SIGNIFICANT GOVERNANCE ISSUES ACTION PLAN**

Governance Issue	Action Being Taken	Performance Measure(s)	Lead Officer	Oversight Body	Expected Completion Date
<p><b><u>ICT Business Continuity and Resilience Plans</u></b></p> <p>The Council has identified weaknesses in its business continuity arrangements, which may be susceptible due to the Council not having in place robust ICT business continuity plans. The Council must ensure that these plans are in place for its identified critical services to ensure these services can function effectively in the event of an incident.</p> <p>The Council has identified the need to strengthen its ICT resilience and respond to risks related to the current location of its data centres.</p>	<p>A Business Continuity Policy has been produced and publicised on the Council's Intranet. This accompanies a business continuity planning template which is in the process of being completed for all those services deemed to be critical. 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.</p> <p>The project to move one of the Council's data centres is being initiated, with a number of options being researched. These options include:</p> <ul style="list-style-type: none"> <li>• Co-location with a public sector organisation</li> <li>• Co-location with a commercial organisation</li> <li>• Use of Wirral-owned assets.</li> </ul>	<p>Effective and tested Business Continuity Plans in place for all critical services.</p> <p>Completion of relocation project.</p>	<p>Head of Corporate and Community Safety</p> <p>Chief Information Officer</p>	<p>SLT</p> <p>SLT</p>	<p>Q4 2015/16</p> <p>Q4 2015/16</p>

**ANNUAL GOVERNANCE STATEMENT 2014/15: SIGNIFICANT GOVERNANCE ISSUES ACTION PLAN**

<b>Governance Issue</b>	<b>Action Being Taken</b>	<b>Performance Measure(s)</b>	<b>Lead Officer</b>	<b>Oversight Body</b>	<b>Expected Completion Date</b>
<p><b><u>Corporate Procurement Arrangements</u></b> The Council must continue to take action to address identified weaknesses in relation to its corporate procurement arrangements.</p>	<p>The organisation's capacity to respond and adhere to policy and legislative requirements is being strengthened.</p>	<p>Adherence to corporate procurement procedures (Contract Procedure Rules / Procurement Toolkit) which should include all national and European policy and legislative requirements.</p>	<p>Strategic Director: Transformation and Resources</p>	<p>SLT</p>	<p>Q4 2015/16</p>
<p><b><u>Absence Management</u></b> The organisation failed to meet its absence target for 2014/15.  The Council must now review its approach to ensure that absence is reported and managed effectively in accordance with Council policies.</p>	<p>A range of measures are being taken to reinforce the Council's absence management policy with managers and employees. This includes strengthening management information and the completion of a mandatory e-learning package on attendance management by all staff. Data provided by North West Employers shows that the Council's performance in comparison with other authorities has improved in recent years.</p>	<p>Achievement of the absence target for 2015/16 of 9.75 days per person.  Comparative position with other North West councils.</p>	<p>Head of Human Resources and Organisational Development</p>	<p>SLT</p>	<p>Q4 2015/16</p>
<p><b><u>Culture</u></b> The Council has identified issues relating to staff and management adherence to internal controls.</p>	<p>The People Strategy 2015 is being developed to support a refreshed leadership and culture framework, linked to the Council's target operating model. This will</p>	<p>Delivery and embeddedness of the People Strategy.</p>	<p>Head of Human Resources and Organisational Development</p>	<p>SLT</p>	<p>Q4 2015/16</p>

**ANNUAL GOVERNANCE STATEMENT 2014/15: SIGNIFICANT GOVERNANCE ISSUES ACTION PLAN**

<b>Governance Issue</b>	<b>Action Being Taken</b>	<b>Performance Measure(s)</b>	<b>Lead Officer</b>	<b>Oversight Body</b>	<b>Expected Completion Date</b>
The Council is developing plans to reinforce its expectations of all staff in relation to internal controls and ensure that managers are committed to creating a culture where these controls are visible and understood.	include a diagnosis of the required changes to culture, structure, systems and processes, underpinned by a new form of leadership for the future.				

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## WIRRAL COUNCIL

### AUDIT & RISK MANAGEMENT COMMITTEE

22 SEPTEMBER 2015

<b>SUBJECT</b>	<b>CORPORATE RISK REGISTER</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>CHIEF EXECUTIVE</b>

#### 1.0 EXECUTIVE SUMMARY

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

#### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Corporate Risk Register summarises those areas of uncertainty which have greatest potential to prevent or frustrate delivery of the Corporate Plan and confirms how the authority is seeking to tackle them. At a strategic level these risks help to inform future priorities and interventions. The actions required to mitigate the risks also influence the content of Directorate 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 collated information on progress towards the implementation of key additional controls for all current corporate risks as at 31 March 2015. That information was summarised in an Appendix to Corporate Risk Report presented to this committee on 8 June.
- 2.3.1 The above mentioned summary and the Quarter 4 Corporate Risk report were considered by the Strategic Leadership Team its meeting on 16 June. The report summarised high level risks within Directorate risk registers with an emphasis on those where officers believe that further mitigation will prove difficult.

2.3.2 The report invited SLT to evaluate the risk of Child Sexual Exploitation (CSE) which had been added to the corporate risk register at the Quarter 3 review. Likelihood was assessed at 3 and impact at 5. This gives a total score of 15 making this one of the most significant corporate risks.

## **2.4 Review Quarter One 2015-16**

2.4.1 Information in the corporate risk register concerning key additional controls was updated with relevant projects and activities identified in Directorate plans for 2015/16 and specific actions being taken by individual teams.

2.4.2 The Risk and Insurance Officer collated information on progress towards the implementation of these controls as at the end of quarter one. That information is summarised in the appendix to this report.

2.4.3 That information and a draft of the Quarter 4 Corporate Risk report were considered by the Corporate Governance Group at its meeting on 30 July.

2.4.4 Both documents were considered by SLT on 1 September. Progress with additional controls was noted. No changes were made to the scores for any of the existing corporate risks. Issues relating to impending changes to the national minimum wage, capacity and skills to deliver the new Council plan and the possible devolution of powers to the Liverpool City Region were discussed. None of these were topics were added to the register. But they will be revisited at the next review at which point their potential impact should be clearer.

## **2.5 Governance Commissioning and Improvement Portfolio Holder Briefings**

2.5.1 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.

2.5.2 The meeting in June considered 'Poor lifestyle choices continue to adversely affect public health and require different public provision provision' and 'Increasing demand for socially provided care exceeds the resources available'.

2.5.3 At the following meeting on 21 July the risk associated with the 'growing incidence of extreme weather events' was examined. The risk presented by 'Welfare Reforms was also considered again. It was agreed that a re-energised multi-agency approach to this subject was needed. To address this tackling the impact of Welfare Reform would form an enabling project within the Councils new Delivery Plan.

2.5.4 The most recent meeting took place on 24 August. This considered the risk posed by the 'failure of a major provider or partner leading to interruption of service' and 'technological advance leads to digital exclusion of individuals and businesses.'

## **2.6 Next Steps**

- 2.6.1 The Strategic Leadership Team will conduct the Quarter 2 review of the register. The outcome will be reported to this committee.
- 2.6.2 The Portfolio Holder for Governance Commissioning and Improvement will prepare a report for Cabinet colleagues summarising the outcome of the scrutiny she has applied to date of the most significant corporate risks.
- 2.6.3 A major review of the register will be undertaken to take account of the new Council Plan – a 2020 vision.

## **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 Councils objectives and priorities. As such failure to manage them effectively could have severe implications for delivery of the Council 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.

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## **APPENDIX**

2015/16 CRR Controls 300615

## **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Audit & Risk Management Committee	8 June 2015
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

Corporate Risks – Status of Additional Controls – 30 June 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 <b>(F11)</b></p>	<ul style="list-style-type: none"> <li>• Corporate Plan reflects financial challenge</li> <li>• Delivery of budget options projects being progressed</li> <li>• Monitoring of budgetary position by Benefits Realisation Group and SLT</li> <li>• Revenue monitoring on a monthly basis by SLT</li> <li>• Deceleration of Capital Programme spend</li> <li>• Challenge process for budget changes</li> <li>• Quarterly reporting to Cabinet and Scrutiny Committees</li> <li>• Maintain knowledge of external influences on the Council’s financial position (e.g. Central Government)</li> <li>• Regular review of MTFS</li> </ul>	<p>12  (4x3)</p>	<p><u>Managing demand</u></p> <ul style="list-style-type: none"> <li>• Implement a new model for our early intervention and prevention services to ensure along with our partners we manage demand efficiently and community based care effectively</li> <li>• Reducing the cost of care</li> </ul> <p><u>Reducing costs</u></p> <ul style="list-style-type: none"> <li>• Implement new Transaction Centre structure</li> <li>• Implement our new approach to strategic commissioning and review our procurement processes</li> <li>• Support the implementation of the Transformation Programme</li> <li>• Support the implementation of the remodelling Programme</li> <li>• Development of the revised transformation framework</li> <li>• Drive forward Office Rationalisation work stream of the Driving Value from Assets</li> </ul>	<ul style="list-style-type: none"> <li>• Wirral Independence Service went live 1<sup>st</sup> July 2015. Existing IMC bed capacity is due to increase from 70 to 110 in September 2015.</li> <li>• Supported Living rate was set in April 2015, delivering an efficiency of £0.1m. In-year effect of Just Enough Support savings to date is £0.4m. Joint reviews with CCG of high cost packages is underway. A number of different initiatives are currently in effect to achieve the full-year saving of £2.6m</li> <li>• Transaction Centre was operational Cheshire Lines from May</li> <li>• The longer term service plan and structure for Procurement is complete and should be agreed in early August</li> <li>• Specific support has been given to the Transaction Centre, Leisure &amp; Culture Review, Early Years &amp; Specialist Services and Wirral Evolutions</li> <li>• Work is underway to scope out the resource requirements to address the scale of change needed to deliver the outcomes in the Council Plan</li> <li>• Key projects are being scoped as part of the Council plan and are scheduled for September</li> <li>• This work stream is progressing well with a number of key buildings vacated in the first quarter of 2015</li> </ul> <p>1. Finance municipal – fully vacated</p>

			<p>programme</p> <ul style="list-style-type: none"> <li>• Implement our asset management strategy</li> <li>• Implement the Council’s Customer Access Strategy</li> </ul> <p><u>Increasing revenue</u></p> <ul style="list-style-type: none"> <li>• Deliver Wirral’s Investment Strategy</li> </ul> <ul style="list-style-type: none"> <li>• Work with partners to increase the supply of new homes in all tenures</li> </ul> <p><u>Improving financial management</u></p> <ul style="list-style-type: none"> <li>• Support robust budget setting processes to deal with financial challenges</li> </ul>	<ul style="list-style-type: none"> <li>2. South Annex – fully vacated by mid-October</li> <li>3. Release of rear Solar Campus Building to Tranmere Rovers, now bringing in rental amount</li> <li>• Good progress is being made across the Asset Implementation Plan. Data migration to the new Asset management System has been undertaken</li> <li>• Delivery of the strategy has continued, building upon the Transaction Centre. Development of the new web-site is on target</li> <li>• Wirral continues to deliver the objectives of the Council’s Investment Strategy. This quarter 28 young people have been supported into jobs and 260 people have been supported through the worklessness contract</li> <li>• Working with the Homes and Communities Agency and Registered Providers 194 units of affordable housing were delivered in the first quarter of 2015/16. Using the New Build Capital Programme the Council has committed 39 units of accommodation to be built</li> <li>• The first milestone update for this project is not due until Q2</li> </ul>
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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 (FI2)	<ul style="list-style-type: none"> <li>• Counter Fraud and Corruption Policy</li> <li>• Whistle Blowing Policy</li> <li>• Counter Fraud Plan encompasses both proactive and reactive fraud work</li> <li>• Participation in National Fraud Initiative</li> <li>• Codes of conduct for Members and officers</li> <li>• Financial Procedure Rules</li> <li>• Contract Procedure Rules</li> <li>• Sound Internal Control systems</li> <li>• Effective recruitment and selection</li> <li>• Benefits Fraud Investigation team with trained investigators</li> <li>• Procedures for the Declaration of Conflict of Interests, Gifts and Hospitality and Pecuniary Interests</li> <li>• Mandatory training programme and fraud awareness campaign</li> <li>• Use of declarations and fair processing notices</li> <li>• Disciplinary procedures</li> <li>• Partnership working with neighbouring authorities – Mersey Region Fraud Group</li> <li>• Key role in the North West regional counter fraud network</li> <li>• Trained investigator – Corporate Fraud</li> </ul>	<p style="text-align: center;">6  (3x2)</p>	<ul style="list-style-type: none"> <li>• Conduct self-assessment against the Code of Practice on Managing the Risk of Fraud and Corruption</li> <li>• Develop the Council’s Counter Fraud and Corruption Strategy</li> <li>• Conduct data matching exercise with the Mersey Region Fraud Group (MRFG)</li> <li>• Work with MRFG to deliver a regional fraud awareness campaign</li> <li>• Implement a Fraud App</li> </ul>	<ul style="list-style-type: none"> <li>• Launch of the CIPFA assessment tool is currently awaited.</li> <li>• The output from the assessment will inform the Strategy document</li> <li>• Preparations are being made for this exercise to be held later in the year</li> <li>• A date has been set for the conduct of the campaign (November)</li> <li>• Implementation of the App remains on track for September</li> </ul>

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 <b>(GO1)</b>	<ul style="list-style-type: none"> <li>• Wirral's vision is set out in Corporate Plan</li> <li>• SLT focus on coherent new model</li> <li>• Revised contract procedure rules introduced</li> <li>• Robust technical design principles</li> <li>• Robust project and risk management arrangements for the remodelling programme</li> </ul>	8  (4x2)	<ul style="list-style-type: none"> <li>• Support the implementation of the remodelling Programme</li> </ul>	<ul style="list-style-type: none"> <li>• Work is underway to scope out the resource requirements to address the scale of change needed to deliver the outcomes in the Council Plan.</li> </ul>
Failure to establish governance arrangements that support wholesale change and enable difficult decisions to be taken <b>(GO2)</b>	<ul style="list-style-type: none"> <li>• Revised Constitution in place</li> <li>• Scheme of Delegation rolled out</li> <li>• Cohesive Strategic Leadership Team</li> <li>• Closer working with Cabinet</li> <li>• New Members briefing and decision-making processes implemented</li> <li>• Leaders Board established</li> <li>• Member development programme</li> <li>• Revised corporate risk management policy adopted</li> <li>• Co-ordination of governance issues through Corporate Governance Group</li> </ul>	6  (3x2)	<ul style="list-style-type: none"> <li>• Review and revise the Council's Contract Procedure Rules</li> <li>• Undertake annual refresh of Council Constitution</li> <li>• Review Code of Corporate Governance</li> <li>• Review / revise Financial Regulations</li> </ul>	<ul style="list-style-type: none"> <li>• The draft document has been completed and will be submitted to Audit &amp; Risk Management Committee in November</li> <li>• Work on all three documents continues and is expected to be completed by September 2015. Revised Financial Regulations will be submitted to Audit &amp; Risk Management Committee in November</li> </ul>

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?
Internal policies & procedures could delay change <b>(GO3)</b>	<ul style="list-style-type: none"> <li>• New Members briefing and decision-making processes implemented</li> <li>• Scheme of Delegation / Member Officer protocol updated</li> <li>• Code of Corporate Governance revised</li> <li>• Robust governance arrangements for the remodelling programme</li> <li>• Key policies reviewed (Whistleblowing, Grievance, transitional pay, redundancy)</li> </ul>	4  (2x2)	<ul style="list-style-type: none"> <li>• Implementation of ModGov reports management function</li> <li>• Development of a new corporate plan and policy framework</li> </ul>	<ul style="list-style-type: none"> <li>• The specification has been approved and a pilot is being conducted.</li> <li>• The new Council Plan has been developed.</li> </ul>
Failure to identify potential changes to government policy early enough to influence and respond <b>(GO4)</b>	<ul style="list-style-type: none"> <li>• Work of the Policy Unit</li> <li>• Policy network established</li> <li>• Regular policy briefings provided to Senior Officers and Members</li> <li>• Individual directorate policy briefing papers introduced for Policy &amp; Performance committees</li> <li>• Performance Management and Business Intelligence resource</li> <li>• Regular item on SLT agenda</li> </ul>	6  (3x2)	<ul style="list-style-type: none"> <li>• Increased visibility of political and executive leaders with national government</li> <li>• Roll-out of LGIU access for all relevant officers</li> </ul>	<ul style="list-style-type: none"> <li>• A pilot has been conducted with a small number of officers</li> </ul>
A failure to maximise our influence with key stakeholders limits our ability to capitalise on opportunities <b>(GO6)</b>	<ul style="list-style-type: none"> <li>• Chief Executive and senior members / officers engage outside Wirral with national decision-makers</li> <li>• Leader of the Council is chair of the Combined Authority</li> <li>• LEP membership</li> <li>• CX influence via LCR Chief Executive group</li> </ul>	4  (2x2)	<ul style="list-style-type: none"> <li>• Further engagement with public and private sector partners</li> </ul>	<ul style="list-style-type: none"> <li>• The Chief Executive hosted a Partnership Summit with Wirral businesses and public sector leaders in July</li> <li>• There has been engagement across the Liverpool City Region leading to devolution proposals in September</li> </ul>

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 maintain a focus on economic growth <b>(G05)</b></p>	<ul style="list-style-type: none"> <li>Investment Strategy</li> <li>Investment Strategy Board</li> <li>Priority within Corporate Plan</li> <li>Policy &amp; Performance committee – scrutiny function</li> </ul>	<p>8 (4x2)</p>	<ul style="list-style-type: none"> <li>Deliver Wirral’s investment strategy</li> <li>Grow Wirral’s economy by working with and supporting businesses and creating environments and opportunities where the private sector wants to invest</li> <li>Support the delivery of key infrastructure that will enable the creation of jobs and unlock potential for economic growth</li> <li>Develop and deliver a master plan for Birkenhead Town Centre</li> </ul>	<ul style="list-style-type: none"> <li>Wirral continues to deliver the objectives of the Council’s Investment Strategy. This quarter 28 young people have been supported into jobs and 260 people have been supported through the worklessness contract</li> <li>The Regional Growth Fund programme has support 51 projects, helping businesses to expand and create employment opportunities in the borough and this quarter has secured 365 jobs.</li> <li>A set of projects aimed at supporting delivery of the Liverpool City Region Transport Plan for Growth have been developed for the consideration of Members</li> <li>The project is progressing well and is on target for delivery in February 2016</li> </ul>
<p>Use of untried / untested models (mutuals, social enterprises, shared services) <b>(G07)</b></p>	<ul style="list-style-type: none"> <li>Transformational Change projects based on robust business cases</li> <li>Learning from other local authorities</li> <li>Accessing external expertise (legal, financial and operational)</li> </ul>	<p>12 (4x3)</p>	<ul style="list-style-type: none"> <li>Support the implementation of the Transformation Programme</li> <li>Create a community interest company to deliver sustainable services to schools and ensure resources are used effectively</li> <li>Launch and establish the local authority company for adult disability services</li> </ul>	<ul style="list-style-type: none"> <li>Specific support has been given to the Wirral Evolutions (Local Authority Company) project.</li> <li>Additional external expertise has been engaged on a temporary basis</li> <li>The new company has been named Edsential and good progress is being made towards meeting the go-live date of 1 September 2015</li> <li>The new company (Wirral Evolutions) was launched in June. TUPE of staff to take place and contract between DASS and Wirral Evolutions to be agreed.</li> </ul>

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>Scale and pace of change could exceed organisational capacity – especially in key areas <b>(PE1)</b></p> <p><b>Page 81</b></p>	<ul style="list-style-type: none"> <li>• Full senior management team in place</li> <li>• New governance model for programme management</li> <li>• Focus of Change Team</li> <li>• Matrix management arrangements adopted</li> <li>• Weekly project review meetings</li> </ul>	<p><b>12</b></p> <p><b>(4x3)</b></p>	<ul style="list-style-type: none"> <li>• Use re-modelling fund for additional capacity, if required</li> <li>• Ongoing resource planning underway</li> <li>• Support the implementation of the Transformation Programme</li> <li>• Undertake an assessment of the capacity / skills needed of enabling strands (as part of the People Strategy)</li> <li>• Optimise the Benefits Realisation Group and use as a driver</li> <li>• Put in place remaining organisational structures</li> </ul>	<ul style="list-style-type: none"> <li>• Key senior interims have been engaged on a temporary basis to support the Council Plan</li> <li>• Work is underway to scope out the resource requirements to address the scale of change needed to deliver the outcomes in the Council Plan</li> <li>• All targets deadlines associated with the People Strategy are currently being met</li> <li>• The Benefits Realisation Group has continued to consider capacity in key areas and work with Directorates to arrange for resources to be directed as needed. T&amp;R DMT also continues to review capacity for enabling services</li> <li>• Of the 80 structures that were to be implemented, 7 remain outstanding.</li> </ul>
<p>Skills within the Council could be insufficient to support our future operating model <b>(PE3)</b></p>	<ul style="list-style-type: none"> <li>• Redeployment training support in place</li> <li>• Leadership and Management Development Programmes</li> <li>• Performance Appraisals for all staff</li> <li>• Structured professional development based on articulated requirements</li> </ul>	<p><b>8</b></p> <p><b>(4x2)</b></p>	<ul style="list-style-type: none"> <li>• Develop and deliver structured skills and development plan for leaders, enablers and groups needing to work differently (as part of the People Strategy)</li> </ul>	<ul style="list-style-type: none"> <li>• All targets deadlines associated with the People Strategy are currently being met</li> <li>• Additional external expertise has been engaged on a temporary basis</li> </ul>

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 <b>(PE4)</b>	<ul style="list-style-type: none"> <li>• Link of values to behaviours in Performance Appraisal</li> <li>• Leadership and Management Development Programmes</li> <li>• Performance Appraisals for all staff</li> <li>• Improved corporate communications in place</li> <li>• Values based employment policies (e.g. Absence)</li> </ul>	<p>9</p> <p>(3x3)</p>	<ul style="list-style-type: none"> <li>• Review approach to cultural change (as part of the People Strategy)</li> <li>• Implement and embed new models of working to meet the statutory requirements and new duties of the Care Act</li> </ul>	<ul style="list-style-type: none"> <li>• All targets deadlines associated with the People Strategy are currently being met</li> <li>• Ongoing implementation of Liquidlogic Phase 2 which will see additional modules enhancing accessibility to advice and information go-live from Sept / Oct. Work to develop a single point of contact at Arrowe Park Hospital is ongoing and is due to be in place by April 2016.</li> </ul>
Failure to ensure sufficient capacity and technical knowledge to deliver effective and compliant commissioning and procurement <b>(PE6)</b>	<ul style="list-style-type: none"> <li>• Staff development and training</li> <li>• Recruitment and retention policies</li> <li>• Review of structure</li> </ul>	<p>12</p> <p>(3x4)</p>	<ul style="list-style-type: none"> <li>• Acceleration of recruitment</li> <li>• Re-allocation of staff with necessary skills</li> <li>• Use of temporary staff</li> <li>• Develop and deliver a longer-term plan for the service</li> <li>• Recruit to support new structure</li> </ul>	<ul style="list-style-type: none"> <li>• Both the Senior Procurement Officer (SPO) and Procurement Officer (PO) have started work. A PO post left vacant by the internal promotion has still not been filled</li> <li>• The existing temporary staff have been made permanent</li> <li>• The longer term service plan and structure is complete and should be agreed in early August</li> <li>• Recruitment and embedding will start once the structure is agreed</li> </ul>

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>A failure in health and safety management leading to death or serious injury (PE5)</p>	<ul style="list-style-type: none"> <li>• Register of corporate H&amp;S risks</li> <li>• Corporate H&amp;S policy specifies management roles &amp; responsibilities, specific management arrangements have been developed</li> <li>• Legislative Compliance Audit programme &amp; Fire Risk Assessments of all Council premises</li> <li>• Programme of auditing management compliance against H&amp;S policy</li> <li>• Delivery of essential emergency training for fire and first aid</li> <li>• H&amp;S Officers investigate all significant accidents &amp; incidents, including ELI claims</li> <li>• Specific H&amp;S training</li> <li>• Health surveillance arrangements for occupational health risks</li> <li>• Delivery of (IOSH) Managing Safely training to Managers and Supervisors below HoS</li> </ul>	<p style="text-align: center;">8  (4x2)</p>	<ul style="list-style-type: none"> <li>• Continue offering H&amp;S IOSH management training to all managers</li> <li>• Continuous review and develop of H&amp;S arrangements</li> <li>• Continuing programme of compliance audits of H&amp;S policy</li> <li>• Maintaining health surveillance programme for occupational health risks</li> <li>• Continuous programmed assessment of legislative compliance and fire risk at all Council premises</li> <li>• Senior management teams H&amp;S training programme</li> </ul> <p>A series of presentations are being made to all DMTs to discuss health and safety governance</p>	<ul style="list-style-type: none"> <li>• No further courses were run in the last quarter and a waiting list is in place for managers who are still to complete this course</li> <li>• The Health, Safety &amp; Resilience team have been unable to continue with the review of H&amp;S arrangements and carry out its programme of compliance audits, due in part to changes within the Council (such as restructures and reductions in staffing) and short term reduction of capacity within the team itself is impacting its ability to progress these and involvement with the 3 Queens event. The team is however working on the development of online audit programmes and working with other HR and Asset management to support the more efficient use of information</li> <li>• This training programme has not yet begun. It will be commissioned once the senior management restructure is complete</li> </ul> <p>A Health and Safety Officer vacancy has been advertised and an appointment is imminent</p>

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?
Quality and availability of data & intelligence could be insufficient to enable us to design services & target effective interventions <b>(DA1)</b>	<ul style="list-style-type: none"> <li>• Dedicated performance management and business intelligence resource</li> <li>• Provision of regular reports to Policy &amp; Performance committees</li> <li>• Breadth and depth of data from Service Reviews</li> <li>• Corporate Governance Group</li> </ul>	<p style="text-align: center;">9  (3x3)</p>	<ul style="list-style-type: none"> <li>• Greater integration of strategy, performance and intelligence disciplines</li> <li>• Provision of dashboard reports to Policy &amp; Performance committees</li> </ul>	<ul style="list-style-type: none"> <li>• The performance management and business intelligence function has been brought into a restructured Policy, Performance &amp; Scrutiny team</li> </ul>
Withdrawal of support for the content management system could affect the security and effectiveness of the Council's web-site <b>(DA3)</b>	<ul style="list-style-type: none"> <li>• Project plan to rebuild the website approved</li> <li>• IT resources allocated</li> <li>• Temporary web editors in post supporting the project</li> </ul>	<p style="text-align: center;">12  (4x3)</p>	<ul style="list-style-type: none"> <li>• Deliver the rebuild project</li> </ul>	<ul style="list-style-type: none"> <li>• The project is progressing well with delivery expected in September.</li> </ul>

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 <b>(DA2)</b>	<ul style="list-style-type: none"> <li>• IG Board and IG Operational Group established</li> <li>• Guidance on information handling/security circulated</li> <li>• Technical ICT controls</li> <li>• Independent security assessments of the council's ICT infrastructure</li> <li>• PSN accreditation attained</li> <li>• Training delivered to Members and key officers on information governance</li> <li>• IG communications for non-IT users developed</li> <li>• IG checklist for departments/managers developed</li> <li>• Checks to ensure that PSN users are BPSS cleared</li> </ul>	8 (4x2)	<ul style="list-style-type: none"> <li>• Training for IGOs</li> <li>• Annual refresh of training for managers and key staff</li> <li>• Implement the Information Governance Action Plan</li> <li>• Secure all council mobile and printing devices</li> <li>• Implement technical solution to protectively monitor the council's ICT infrastructure</li> <li>• Achieve Level 2 IG toolkit accreditation</li> <li>• Centralise IG policies and procedures and risks</li> </ul>	<ul style="list-style-type: none"> <li>• Information Governance Training is available for all staff. Specific Training for Information Governance Officers is defined and will be implemented for the new post holder</li> <li>• Annual refresher training for the SIRO has been undertaken</li> <li>• Implementation of the Information Governance Action Plan has slowed over the past twelve months due to reductions in staff numbers. Proposals for changes to the council's information governance infrastructure, that will focus resources on implementation of the action plan, are being drafted and will be presented for approval during Q3 2015/16</li> <li>• The new mobile phone contract will provide resources and funding to secure council mobile devices. Specifications for the procurement of a new MFD contract will include requirements for secure printing and additional data loss prevention capabilities</li> <li>• Technical implementation of SIEM is complete</li> <li>• Wirral Council was declared compliant with Level 2 of the Information Governance Toolkit V12 on 3 Feb 2015</li> <li>• The Information Governance Policy acts as a centralised index for all corporate IG-related policies. The policy covers three main areas: Confidentiality and Data Protection; Information Security; and Information Assurance. Several of the more detailed documents referred to in the IG Policy need to be reviewed and refreshed. This</li> </ul>

			<ul style="list-style-type: none"> <li>• Retain PSN accreditation</li> </ul>	<p>work will be coordinated by the Information Governance and Security Officer on a rolling basis with all documents being presented to the Information Governance Board for sign-off</p> <ul style="list-style-type: none"> <li>• Work to retain accreditation will commence in autumn 2015</li> </ul>
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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 ensure resilience and cohesion in key partnerships <b>(PA2)</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Page 87</b></p>	<ul style="list-style-type: none"> <li>• Health &amp; Wellbeing Board established</li> <li>• Local Public Sector Board established</li> <li>• Support for Combined Authority</li> <li>• Review of partnerships conducted</li> <li>• Register of key partnerships developed</li> </ul>	<p style="text-align: center;"><b>9</b></p> <p style="text-align: center;"><b>(3x3)</b></p>	<ul style="list-style-type: none"> <li>• Develop the Local Public Sector Board and Health &amp; Wellbeing Board</li> <li>• Refresh partnership toolkit</li> <li>• Maximise the opportunities of the Better Care Fund by developing sustainable 7 day integrated community services, contributing to a reduction in demand in Acute care and improving outcomes for people</li> <li>• Implement and embed new models of working to meet the statutory requirements and new duties of the Care Act.</li> <li>• Implement our health and social care integration plans with our health partners</li> </ul>	<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>• There has been ongoing engagement with stakeholders and regular monitoring of performance / delivery via performance management dashboard</li> <li>• Ongoing implementation of Liquidlogic Phase 2 which will see additional modules enhancing accessibility to advice and information go-live from September / October. Work to develop a single point of contact at Arrowse Park Hospital is ongoing and is due to be in place by April 2016.</li> <li>• A BCF plan has been approved and is being monitored via the performance management dashboard. DASS representation on Vanguard, Urgent Care and Systems Resilience Groups. Co-location of staff is ongoing.</li> </ul>
<p>Failure of a major provider (private, public or voluntary, community and faith sector) or partner leading to interruption of service <b>(PA4)</b></p>	<ul style="list-style-type: none"> <li>• External suppliers identified and position statement compiled as to their arrangements</li> <li>• Procurement Strategy and the agreed procurement process checks on potential contractor.</li> <li>• Contract and performance management arrangements</li> <li>• Monitoring of contract delivery by Strategic Directors</li> <li>• Linkages to Business Continuity arrangements</li> </ul>	<p style="text-align: center;"><b>12</b></p> <p style="text-align: center;"><b>(4x3)</b></p>	<ul style="list-style-type: none"> <li>• Work with departments to ensure that all partner agencies and/or voluntary, community or faith sector organisations have suitable and sufficient business continuity arrangements – a check should be made on a two yearly basis</li> <li>• Ensure all external suppliers / contractors provide a position statement in regard to their individual business continuity plans on a two yearly basis</li> <li>• Incorporate an annual financial check</li> </ul>	<ul style="list-style-type: none"> <li>• A review of external providers' arrangements which was completed in September 2013 will be re-visited in September 2015</li> </ul>

			is as part of the regular contract performance management arrangements	
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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>Inadequate safeguarding arrangements exposing children or vulnerable adults to greater risk of abuse or exploitation (CU1)</p>	<ul style="list-style-type: none"> <li>• Local Safeguarding Children Board and Safeguarding Adults Partnership Board monitor serious case review action plans.</li> <li>• Business priorities for the WSCB monitored through the WSCB Executive</li> <li>• Fortnightly performance monitoring of changes to contact and referral taking in CADT.</li> <li>• Reports to SLT and strategic Directors DMT on Corporate Safeguarding performance.</li> <li>• National Notification of Serious Child Care Incidents to OFSTED.</li> <li>• Continuing programme for disseminating learning from serious child care incidents.</li> <li>• Monthly meetings of the Merseyside Child Death Overview Panel.</li> <li>• Continuing review of S118 IRO applications.</li> <li>• Revised social work pay and grade structure.</li> <li>• Reviews carried out by District Managers of children / young people known to a number of different agencies</li> <li>• High-level multi-agency review of individuals leading to</li> </ul>	<p>15  (5x3)</p>	<ul style="list-style-type: none"> <li>• Implement a strengths based model of working with families.</li> <li>• Support Council staff and partners in learning from best practice and serious/critical case reviews.</li> <li>• Evaluate effectiveness of Multi Agency Safeguarding Hub.</li> <li>• Implement 'Making Safeguarding Personal' (MSP) and evaluate its impact</li> <li>• Implement and embed new models of working to meet the statutory requirements and new duties of the Care Act</li> </ul>	<ul style="list-style-type: none"> <li>• Although in its early stages this project is on target</li> <li>• The new framework in place and the first case has been reviewed</li> <li>• The evaluation has been completed</li> <li>• This project remains on target for completion this financial year</li> <li>• Ongoing implementation of Liquidlogic Phase 2 which will see additional modules enhancing accessibility to advice and information go-live from September / October. Work to develop a single point of contact at Arrowe Park Hospital is ongoing and is due to be in place by April 16.</li> </ul>

	<p>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.</p> <ul style="list-style-type: none"> <li>• Strategic Review Process implemented for contracted providers giving cause for concern</li> <li>• Joint Domestic Violence sub-committee of the SAPB and LSCB established</li> <li>• Multi Agency Safeguarding Hub for vulnerable children and adults</li> </ul>			
<p>Partnership  Child Sexual Exploitation  (CSE)  (CU2)</p>	<ul style="list-style-type: none"> <li>• Bi-monthly meetings of the Wirral Safeguarding Children Board multi-agency Child Sexual Exploitation (CSE) strategic group</li> <li>• CSE is a priority area of activity for the WSCB, including the Council as the key partner</li> <li>• Agreed pan Merseyside CSE strategy in place</li> <li>• CSE multi-agency training in place and targeted briefings for agencies</li> <li>• Practice Guidance in place detailing referral pathway, reinforced by multi-agency briefings</li> <li>• Catch-22 commissioned to deliver the CSE/ Missing from</li> </ul>		<ul style="list-style-type: none"> <li>• Testing and strengthening of the partnership response to CSE to be a priority area for the WSCB in 2015-16</li> <li>• Publication of partnership response in the 2015-15 Annual Report</li> <li>• Commissioning of a range of multi-agency CSE training including working with parents and carers</li> <li>• Appointment of an apprentice based within LA Corporate safeguarding to work with young people's group to advise on response to CSE</li> <li>• Development of sustainable educational and awareness raising resources and drama performance for schools and professionals</li> <li>• Publication of early help plan to</li> </ul>	<ul style="list-style-type: none"> <li>• This activity is on target</li> <li>• This action is on target for delivery in September</li> <li>• Action was completed on target in April</li> <li>• The target date has been revised and the post was to be advertised in July 2015</li> <li>• This activity is on target for implementation in September</li> <li>• This activity is on target for implementation in</li> </ul>

	<p>Home service on behalf of the WSCB and Council</p> <ul style="list-style-type: none"> <li>• Catch-22 service includes identifying and working with children and young people who are victims of or at risk of CSE</li> <li>• Multi-Agency CSE (MACSE) meetings established. Police led meetings, one a month to consider level of CSE risk for all young people referred</li> <li>• CSE multi-agency performance information reported to the WSCB</li> <li>• CSE part of reports to SLT and strategic Directors DMT</li> <li>• <a href="http://www.listentomystory.co.uk">www.listentomystory.co.uk</a> campaign is live including web based advice, guidance and resources</li> <li>• Regular auditing of Council and multi-agency response to CSE including reviews of actions to support most vulnerable young people who are looked after</li> </ul>		<p>support children at risk of CSE</p> <ul style="list-style-type: none"> <li>• Analysis of CSE and Missing from Home data to inform service provision</li> <li>• LA commissioning strategy and plans specifically related to CSE</li> <li>• Patterns of activity to combat CSE informed by Police intelligence</li> <li>• CSE briefings for identified professionals including Foster carers and Social Workers</li> </ul>	<p>September</p> <ul style="list-style-type: none"> <li>• This activity is on target for implementation in September</li> <li>• Action was completed on target in May</li> <li>• Output was to be published in July</li> <li>• Briefings were completed in June</li> </ul>
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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>A major physical incident compromises the delivery of essential services <b>(PH1)</b></p>	<ul style="list-style-type: none"> <li>• Dedicated Health, Safety &amp; Resilience Team provides support and guidance with 24/7 duty officer cover</li> <li>• External Partner organisations and suppliers identified and position statement compiled as to their arrangements</li> <li>• Awareness sessions delivered to key staff</li> <li>• Exercises conducted to test efficiency of plans</li> <li>• Departmental business continuity plans in place for critical service areas</li> <li>• Wirral Business Continuity Plan</li> <li>• Wirral Flood and Water Management Partnership formed</li> <li>• Review of winter maintenance arrangements conducted.</li> <li>• Merseyside Community Risk Register</li> <li>• Business interruption and Loss of Revenue insurance</li> <li>• Wirral Emergency Volunteer Scheme introduced</li> </ul>	<p style="text-align: center;">8  (4x2)</p>	<ul style="list-style-type: none"> <li>• All critical service areas to complete the new BC template</li> <li>• Critical services areas to exercise their BC plans/template</li> <li>• SLT Training and Exercising programme</li> <li>• Continue to review and capture any lessons learnt from incidents and exercises</li> </ul>	<ul style="list-style-type: none"> <li>• 17 out of 32 critical services have returned BC plans. We are continuing to push for the remaining plans and improve the quality of the information in those submitted to date</li> <li>• A programme of audit/testing to start by the end of 2015</li> <li>• The Corporate Resilience Officer is to run an SLT exercise by end of 2015</li> </ul>

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 implement new IT systems / hardware in time to support the new Council model</p> <p><b>(PH2)</b></p>	<ul style="list-style-type: none"> <li>• Replacement / upgrade projects agreed as part of 'Future Council' programme</li> <li>• Control and monitoring meetings for all projects within ICT improvement programme</li> <li>• Temporary engagement of Strategic IT Advisor to provide direction and capacity</li> <li>• Initial group of servers implemented</li> </ul>	<p>9</p> <p>(3x3)</p>	<ul style="list-style-type: none"> <li>• Implement programme of ICT improvements (including refresh of hardware)</li> </ul>	<ul style="list-style-type: none"> <li>• The upgrade to Windows XP is complete. The majority of other infrastructure projects are either complete or on target.</li> </ul>
<p>A sustained catastrophic failure in IT systems</p> <p><b>(PH3)</b></p>	<ul style="list-style-type: none"> <li>• Second machine room</li> <li>• Fire suppressant system in rooms</li> <li>• Additional backup /security based at Cheshire Lines implemented</li> </ul>	<p>10</p> <p>(5x2)</p>	<ul style="list-style-type: none"> <li>• Implement programme of ICT improvements</li> <li>• Review of IT service continuity arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• The upgrade to Windows XP is complete. The majority of other infrastructure projects are either complete or on target.</li> <li>• A number of options for alternative data centres are currently being explored including: 1) Co-location with a public sector organisation 2) Co-location with a commercial organisation 3) Use of Wirral owned assets.</li> </ul>

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>Welfare Reforms (EC2)</p>	<ul style="list-style-type: none"> <li>• Ongoing Council-led strategic approach to assess the implications and prepare effective policy &amp; delivery response e.g. through WEDS &amp; Welfare Reform partnership</li> <li>• Discretionary Funds Housing Payment Fund for those on Housing Benefit impacted by the reforms inc. under occupancy</li> <li>• Localised Welfare Assistance Scheme for those impacted directly or indirectly and at risk</li> <li>• Collaborative working with social and rented sector landlord stakeholders</li> <li>• Collaborative working with DWP Local Partnership Lead</li> <li>• Delivery Partnership Agreement with DWP to April 2015</li> </ul>	<p>16 (4x4)</p>	<ul style="list-style-type: none"> <li>• Local Welfare Assistance Member Task and Finish Group for post March 2015 continued support as specific funding ends</li> <li>• Develop a revised strategic approach to addressing the impact of Welfare Reform</li> </ul>	<ul style="list-style-type: none"> <li>• Acting on the output from the Task &amp; Finish Scrutiny Review, Cabinet have agreed a revised Local Welfare Assistance Scheme effective from 1 August 2015</li> <li>• The Strategic Leadership Team has agreed that Welfare Reform will be an enabling project supporting delivery of the new Council Plan</li> </ul>

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>Increasing demand for socially provided care exceeds the resources available (Council and NHS)</p> <p><i>(SO1)</i></p>	<ul style="list-style-type: none"> <li>• Vision 2018 programme</li> <li>• Integrated Care programme</li> <li>• Joint Commissioning arrangements with the CCG</li> <li>• Enhanced monitoring and reporting arrangements</li> <li>• Joint Carers Strategy between Social Care and Health</li> </ul>	<p>16</p> <p>(4x4)</p>	<ul style="list-style-type: none"> <li>• Reducing the cost of care</li> <li>• Maximise the opportunities of the Better Care Fund by developing sustainable 7 day integrated community services, contributing to a reduction in demand in Acute care and improving outcomes for people</li> <li>• Implement our health and social care integration plans with our health partners as part of the vision 2018 approach</li> <li>• Implement a new model for our early intervention and prevention services to ensure along with our partners we manage demand efficiently and community based care effectively</li> </ul>	<ul style="list-style-type: none"> <li>• Supported Living rate was set in April 2015, delivering an efficiency of £0.1m. In-year effect of Just Enough Support savings to date is £0.4m. Joint reviews with CCG of high cost packages is underway. A number of different initiatives are currently in effect to achieve the full-year saving of £2.6m</li> <li>• There has been ongoing engagement with stakeholders and regular monitoring of performance / delivery via performance management dashboard.</li> <li>• The BCF plan has been approved and is being monitored via the performance management dashboard. DASS representation on Vanguard, Urgent Care and Systems Resilience Groups. Co-location of staff is ongoing</li> <li>• Wirral Independence Service went live 1<sup>st</sup> July 2015. Existing IMC bed capacity is due to increase from 70 to 110 in September 2015.</li> </ul>

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>Poor lifestyle choices adversely affect public health and require different public provision</p> <p>(SO2)</p>	<ul style="list-style-type: none"> <li>• Commissioned lifestyle services (i.e. stop smoking services, weight management, drugs and alcohol services)</li> <li>• Role of sports development service</li> <li>• Health &amp; Wellbeing Board provides focus and a forum for collaboration</li> <li>• Vision 2018 work stream on early intervention and prevention</li> </ul>	<p>12</p> <p>(4x3)</p>	<ul style="list-style-type: none"> <li>• Development of a new delivery model for Leisure Services</li> <li>• Review of Tobacco Control action in the Borough</li> <li>• Development of a risk &amp; resilience strategy for 11-19 year olds</li> <li>• Development of a service model for wellbeing and lifestyle services</li> <li>• Delivery of the Healthchecks programme</li> <li>• Securing high quality sexual health services, lifestyle services and drug and alcohol recovering services</li> <li>• Effective transition of 0-5 responsibilities from NHS England to Wirral Council</li> <li>• Implement and evaluate the impact of Healthy Place investments</li> <li>• Joint Strategic Needs Assessment refresh</li> <li>• Produce the Public Health Annual Report</li> <li>• Deliver the borough wide 'Eatwell Wirral Award' by formally engaging with 100% of all Wirral Takeaways.</li> <li>• Deliver an intelligence based program of 'Takeaway for a Change' initiatives in at least ten schools</li> <li>• Formally engage with all off licences across Wirral to promote and encourage membership to the 'Reduce the Strength' scheme</li> </ul>	<ul style="list-style-type: none"> <li>• This activity has been incorporated into one of the 2020 Council Plan deliverables.</li> <li>• Progress in relation to this action is on target</li> <li>• Progress in relation to this action is on target</li> <li>• Progress in relation to this action is on target</li> <li>• Progress in relation to this action is on target</li> <li>• Progress in relation to this action is on target</li> <li>• Progress in relation to this action is on target</li> <li>• Progress in relation to this action is on target</li> <li>• Progress in relation to this action is on target</li> <li>• The Public Health Annual Report was presented to Cabinet on 29 June</li> <li>• The recruitment is progressing and two out of the three posts have been appointed</li> <li>• On a temporary basis Trading Standards resources have been redirected to ensure this makes an acceptable level of progress</li> <li>• The recruitment process is progressing and Officers are voluntary working additional hours to ensure that an acceptable level of progress is made</li> </ul>

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 equip the community to be more self-reliant</p> <p>(S03)</p>	<ul style="list-style-type: none"> <li>• Asset based community development (ABCD) projects</li> <li>• Public sector transformation network</li> <li>• Existing support through the Voluntary, Community and Faith sectors</li> <li>• Engagement of individuals and groups through Constituency Committees</li> <li>• Wirral Emergency Volunteer Scheme</li> <li>• Direct Payments Advisory Service commissioned</li> </ul>	<p style="text-align: center;">9</p> <p style="text-align: center;">(3x3)</p>	<ul style="list-style-type: none"> <li>• Implement the Council’s Customer Access Strategy</li> <li>• To review Wirral’s Community Safety Strategy, to ensure it meets local needs.</li> <li>• Implement a new model for an all age disability service</li> <li>• Maximise the opportunities of the Better Care Fund by developing sustainable 7 day integrated community services, contributing to a reduction in demand in Acute care and improving outcomes for people</li> <li>• Implement a new model for our early intervention and prevention services to ensure along with our partners we manage demand efficiently and community based care effectively</li> <li>• Implement and embed new models of working to meet the statutory requirements and new duties of the Care Act</li> </ul>	<ul style="list-style-type: none"> <li>• Delivery of the strategy has continued, building upon the Transaction Centre. Development of the new web-site is on target</li> <li>• The first milestone update is not due until Q2</li> <li>• Originally targeted for 1<sup>st</sup> September. The timescale has now slipped. Draft proposal has been completed and a consultant is being employed for 4 months to look at models of delivery</li> <li>• Ongoing engagement with stakeholders and regular monitoring of performance / delivery via performance management dashboard</li> <li>• Wirral Independence Service went live 1<sup>st</sup> July 2015. Existing IMC bed capacity is due to increase from 70 to 110 in September 2015.</li> <li>• Ongoing implementation of Liquidlogic Phase 2 will see additional modules enhancing accessibility to advice and information go-live from September / October. Work to develop a single point of contact at Arrowe Park Hospital is ongoing and is due to be in place by April 16.</li> </ul>

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?
Technological advance leads to digital exclusion of individuals and businesses <b>(TE1)</b>	<ul style="list-style-type: none"> <li>• Use of IT volunteers to support customers with Digital Inclusion.</li> <li>• Wirral Libraries work with two adult learning providers to run courses designed to tackle digital exclusion</li> <li>• Wirral 3Ls run courses targeted at the over 50s</li> <li>• As part of the response to Welfare Reforms, an interactive profile of access and available support has been developed through Wirral Well website</li> </ul>	<b>12</b>  <b>(4x3)</b>	<ul style="list-style-type: none"> <li>• Roll out of ongoing Community learning; training and IT skills, particularly with Housing partners</li> <li>• Roll out of ' Digital Friends' initiative</li> <li>• Merseyside Connected (BDUK) superfast broadband project</li> </ul>	<ul style="list-style-type: none"> <li>• Take up of basic IT courses for the public has remained steady with 168 enrolments between April and June 2015.</li> <li>• There are currently 34 IT volunteers supporting customers with Digital Inclusion</li> <li>• 78.6% of new next generation superfast broadband street cabinets and associated network connections are now live. Wirral is ahead of the government's national target in this area.</li> </ul>
Growth of academies / free schools complicates our ability to raise educational attainment and provide skills <b>(LE1)</b>	<ul style="list-style-type: none"> <li>• Dialogue with schools becoming Academies</li> <li>• Retention of support networks e.g Cluster Headteacher Groups</li> <li>• Wirral Education Quality Services (WEQS) offered to all schools, including Academies</li> <li>• Existing structures (e.g. WASH, WISP, Children's Trust Board) provide focus and forums for collaboration</li> </ul>	<b>9</b>  <b>(3x3)</b>	<ul style="list-style-type: none"> <li>• Development of traded services and other service level agreements</li> <li>• Shared programme with CW&amp;C</li> </ul>	<ul style="list-style-type: none"> <li>• New 3 year service level agreements came into force with effect from 1 April.</li> <li>• The new traded services company (Edsential) jointly owned by Wirral and Cheshire West &amp; Chester Councils was incorporated on 20 April. Arrangements to transfer directly provided services into the company are being progressed. Formal trading is expected to commence in December 2015.</li> </ul>

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>Growing incidence of extreme weather events</p> <p>(EN2)</p>	<ul style="list-style-type: none"> <li>• Wirral Flood &amp; Water Management Risk Partnership</li> <li>• Merseyside Strategic Flood &amp; Coastal Risk Management Committee</li> <li>• NW Regional Flood &amp; Coastal Committee</li> <li>• Contribute to existing NW RFCC levy scheme.</li> <li>• Merseyside Local Resilience Forum (Multi-Agency) &amp; Wirral Council Flooding &amp; Adverse Weather Response Plans</li> <li>• Met Office and Env Agency weather and flood alerting systems – council cascade to partner agencies</li> <li>• Wirral Emergency Volunteers Scheme – Flood Wardens</li> </ul>	<p>12</p> <p>(4x3)</p>	<ul style="list-style-type: none"> <li>• Progress implementation of the Wirral Flood Risk Partnership action plan.</li> <li>• Develop a Severe Weather Action Plan</li> <li>• Final Environment Agency approval of Coastal Management Strategy</li> <li>• Cabinet approval of Local Flood and Water Management Strategy</li> <li>• West Kirby Flood Alleviation scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Preparations are being made for the development of a Wirral Council Flood Response arrangements / plan</li> <li>• Individual services have been asked to review output from the initial workshop and respond by 4 September. Draft cold weather and heat wave plans have been produced.</li> <li>• Natural England now supports Wirral's Coastal Strategy, enabling EA approval.</li> <li>• MEAS asked to review consultation comments with a view to move towards approval by Cabinet</li> <li>• AECOM appointed to undertake business case to secure Grant Aid funding.</li> </ul>
<p>Failure to process applications for Deprivation of Liberty Safeguards (DoLS) assessments within prescribed timescales</p> <p>(LE2)</p>	<ul style="list-style-type: none"> <li>• DoLS manager and administrative support in place</li> <li>• Prioritisation of cases to reduce risk to individuals</li> <li>• Regular reporting to Strategic Leadership Team</li> <li>• Best interest assessors (3 FTE's) seconded into DoLS team</li> </ul>	<p>12</p> <p>(3x4)</p>	<ul style="list-style-type: none"> <li>• Extend mental capacity assessment across the workforce</li> <li>• Train additional Best Interest Assessors (BIA)</li> </ul>	<ul style="list-style-type: none"> <li>• A number of cases are being allocated to independent (external) Best Interest Assessors</li> <li>• Work continues to plan the training of BIA staff from the Experienced Social Worker staff group, and for authorisations to be done by operational team managers in addition to Senior Managers.</li> </ul> <p>Despite the above, the backlog of DOLS assessments and authorisations has grown</p>

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## WIRRAL COUNCIL

### AUDIT & RISK MANAGEMENT COMMITTEE

22 SEPTEMBER 2015

<b>SUBJECT</b>	<b>MANAGEMENT OF INSURANCE AND CORPORATE RISK</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>ACTING S151 OFFICER</b>

#### 1.0 EXECUTIVE SUMMARY

1.1 This report sets out the key actions to be taken in relation to corporate risk and insurance management during 2015/16. Progress made since June 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 since June in respect of those actions is summarised in the paragraphs below.

##### 2.2.1 **Annual renewal of Property, Terrorism, Museums All Risks, Money, Marine, Fidelity Guarantee and Personal Accident / Business Travel policies**

Premiums for the renewal of all policies were agreed with insurers in advance of their expiry on 30 June. Actual costs are approximately 4% (£13,100) less than those estimated.

##### 2.2.2 **Possible extension of Liability insurance contract**

Members may recall that officers agreed to accept an increase in the premium for this contract and a rise in the level of self-insurance at renewal of the policy in April this year. However insurers were advised that any further increase would lead to the Council tendering this class of business. Zurich Municipal have recently advised that because of a continuing deterioration in claims nationally they would require a further above-inflation premium increase to renew the policy in 2016/17. As such a competitive procurement exercise will now need to be conducted prior to 31 March 2016. This will be a significant additional task that would otherwise not have been undertaken until 2016/17.

### **2.2.3 Alarm Award Nomination**

The Council's Senior Risk and Insurance Officer Simon Hutchinson was awarded 'Professional of the Year' at the 2015 national Alarm Risk Awards on 22<sup>nd</sup> June. He has also been the lead author on a new technical manual in respect of the management of Highway Liability that has been well received within the sector and which reflects practice in place in Wirral.

### **2.2.4 Possible in-sourcing of Liability claims**

Different options for the future handling of Liability claims including the risks and benefits of self-handling will be considered through the Liability insurance procurement exercise.

### **2.2.5 Launch risk management e-Learning modules**

Both the manager and employee courses are now live on the Council e-Learning portal. The managers' module forms part of the mandatory Management Development programme.

### **2.2.6 Agree requirements for reporting risk information to Policy & Performance Committees**

The Risk and Insurance Officer is to meet with the Policy, Performance & Scrutiny team this month to develop future reporting arrangements as part of a wider discussion on improvements to risk governance.

### **2.2.7 Risk Management Benchmarking**

The Council has joined the CIPFA / Alarm risk management benchmarking club for 2015. The self-assessment questionnaire has been completed by members of the Corporate Governance Group and submitted to CIPFA. CIPFA's report is awaited and will be summarised for the next meeting of this committee.

### **2.2.8 Corporate risk register**

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

### **2.2.9 Enhancements to monitoring of performance against Portal timescales**

Members may remember that the changes to the regime of civil justice enacted in the past couple of years include the submission and handling of lower value personal injury claims via a paperless on-line portal. There are strict timescales for responding to such 'portal' claims and associated penalties for failing to do so. In view of this it has been necessary to monitor and improve the reporting timescales from the client department. A new process has been implemented for the monitoring and quality control of new highway liability claims.

### **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.

3.2 The tendering of the Liability insurance contract is a complex and involved exercise that would not otherwise have taken place until 2016/17. It will impose a significant strain on available resources.

### **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 were renewed in June 2015 were £13,100 less the 2015/16 budget.

8.2 Further staffing implications are referred to in paragraphs 2.2.3 and 3.2.

### **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.

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### SUBJECT HISTORY (last 3 years)

<b>Council Meeting</b>	<b>Date</b>
Audit & Risk Management Committee	8 June 2015
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

# The Audit Findings for Merseyside Pension Fund

Year ended 31 March 2015

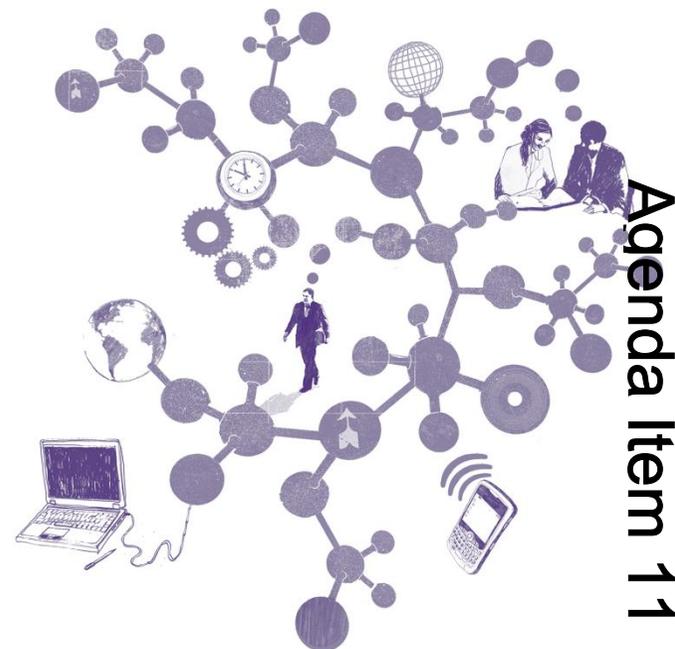
1 September 2015

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Audit and Risk Management Committee  
Wirral Council  
Wallasey Town Hall  
Brighton Street  
Wallasey  
CH44 8ED

1 September 2015

Dear Members

### **Audit Findings for Merseyside Pension Fund for the year ending 31 March 2015**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Merseyside Pension Fund, the Audit and Risk Management Committee of Wirral Council), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with Management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Fiona Blatcher

#### **Chartered Accountants**

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## **Appendices**

A Audit opinion

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# Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Fees, non-audit services and independence

04. Communication of audit matters

We anticipate providing an unqualified opinion on the accounts of Merseyside Pension Fund.

# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Merseyside Pension Fund's (the Fund) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Fund's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated March 2015.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Our audit is substantially complete although we are finalising our work in the following areas:

- receipt of outstanding information from fund managers and completion of testing on alternative investments
- Confirmation of ownership for a sample of property assets
- Confirmation of the Probation transfer value from the actuary
- completion of final specialist partner review

- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- review of the final version of the Pension Fund annual report.

We will review the Annual Report on completion of the accounts audit and then issue our separate audit statement on the pension fund annual report together with our audit certificate.

## Key issues arising from our audit

### Financial statements opinion

We anticipate providing an unqualified opinion in respect of the Fund's financial statements.

The key messages arising from our audit of the Fund's financial statements are:

- the accounts were prepared to a good standard and supported by appropriate working papers.
- Officers have responded promptly to requests for additional information.

We have not identified any adjustments affecting the Fund's reported financial position. We have agreed with officers some minor adjustments to improve the presentation of the financial statements. Further details are set out in section two of this report.

During the year officers have been working on a number of key projects including the transfer of assets and liabilities relating to the Probation Trust, new governance arrangements and the implementation of career average pensions. Especially in this context, the positive outcome from the audit of the accounts is a significant achievement.

## Controls

### Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council as the administering authority.

### Findings

During our audit, officers made us aware of a small number of transactions and balances relating to duplicate payments on three occasions. These payments had been identified and corrected by the finance team, monies have been recovered and controls have now been strengthened. We are satisfied that the issues leading to these duplicate payments is not likely to have resulted in a material misstatement for the purposes of our opinion on the accounts. It was pleasing to see that the Fund's own normal control processes identified the existence of the duplicate payments and enabled corrective action.

Further details are provided within section two of this report.

### The way forward

Matters arising from the financial statements audit have been discussed with the Head of the Pension Fund and the finance team.

For 2014/15, CIPFA produced guidance to encourage more consistent and transparent reporting of management costs within LGPS fund accounts. There has been a wide range of practice from funds in the extent to which they have implemented this guidance in their 2014/15 accounts. In particular the identification and reporting of certain investment management costs is particularly complex and dependent on the availability of information from fund managers and custodians. We note that the Pension Fund is not yet fully applying the CIPFA guidance on reporting management costs, in relation to investment management costs. We understand through our discussions with officers that work is in progress to obtain the relevant information at a transactional level where possible to apply this guidance from 1 April 2015. As part of this exercise, appropriate regard is being had to the potential impact on the fund's current reconciliation processes and agreements with third parties.

### Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**1 September 2015**

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## Section 2: Audit findings

- 01. Executive summary
- 02. Audit findings**
- 03. Fees, non-audit services and independence
- 04. Communication of audit matters

# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Risk Management Committee on 18 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

## Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 18 March 2015.

## Audit opinion

We provide two opinions on the Pension Fund, as follows:

- an audit opinion on the Pension Fund financial statements included in the Council's Statement of Accounts
- an opinion on the Pension Fund financial statements included in the Pension Fund Annual Report, which confirms if these financial statements are consistent with the financial statements in the Statement of Accounts

Our proposed audit opinion on the Pension Fund financial statements in the Statement of Accounts is set out in Appendix A.

We also propose to give an unqualified consistency with opinion on the financial statements in the Annual Report.

# Audit findings against significant risks

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

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>Improper revenue recognition</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>We rebutted this presumption during the interim phase of the audit, and this was communicated to members as part of the audit plan.</p>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• review of journal controls and journal entries</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>
3.	<p><b>Level 3 Investments</b></p> <p>Due to the nature of these investments, there is a risk that the valuation is incorrect since they require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<ul style="list-style-type: none"> <li>• We have gained an understanding of the controls put in place by management to ensure the valuation of level 3 investments is not materially misstated at year end, and have assessed whether these controls have been implemented as expected and whether they are sufficient to mitigate the risk of material misstatement</li> <li>• For a sample of investments, we have tested valuations by obtaining and reviewing audited accounts at the latest date for individual investments and agreed these to the fund manager reports at that date.</li> <li>• We have reviewed the nature and basis of estimated values within the underlying accounts.</li> </ul>	<p>We are still awaiting information from some fund managers to complete our work in this area, but our work completed to date has not identified any areas of material misstatement.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Investment values – Level 2 investments</b>  Page 114	Valuation is incorrect. (Valuation net)	<ul style="list-style-type: none"> <li>We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and obtained explanations for variances,</li> <li>We have tested a sample of level 2 investments to independent information from the custodian or fund managers on units and on unit prices.</li> <li>For direct property investments, we have agreed values in total to the valuer's report and undertaken procedures to place reliance on the valuer as an expert.</li> </ul>	Our audit work has not identified any significant issues in relation to the risks identified
<b>Investment Income</b>	Investment activity not valid. Investment income not accurate. (Accuracy)	<ul style="list-style-type: none"> <li>We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and obtained explanations for variances.</li> <li>We have tested a sample of investment income.</li> <li>We completed a predictive analytical review of income due from different types of investments</li> <li>For direct property investments, we have undertaken analytical procedures to rationalise income against a list of properties for expected rental income.</li> </ul>	Our audit work has not identified any significant issues in relation to the risks identified
<b>Investment purchases and sales</b>	Investment activity not valid. (Valuation gross).	<ul style="list-style-type: none"> <li>We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and obtained explanations for variances</li> <li>We have tested a sample of purchases and sales.</li> </ul>	Our audit work has not identified any significant issues in relation to the risks identified

# Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Contributions</b>	Recorded contributions not correct (Occurrence)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• tested a sample of both normal and deficit funding contributions</li> <li>• undertaken analytical procedures</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Benefits payable</b>	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• tested key controls</li> <li>• tested a sample of lump sum payments and new pensioner payments</li> <li>• undertaken analytical procedures</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Member Data</b>	Member data not correct. (Rights and Obligations)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over member data</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• tested a sample of changes to member data during the year</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>  Page 116	<ul style="list-style-type: none"> <li>Normal contributions are accounted for on an accruals basis, and employer deficit funding is accounted for on the due date set by the scheme actuary or on receipt if earlier than the due date.</li> <li>Income from equities is accounted for when the related investment is quoted e dividend. Income from pooled investment vehicles and on short term deposits is accounted for on an accruals basis. Distributions from private equity are treated as a return of capital until the book value is nil and then treated as income on an accruals basis.</li> </ul>	<ul style="list-style-type: none"> <li>The revenue recognition policies are appropriate to the accounting framework and are adequately disclosed in the accounting policies.</li> </ul>	 Green
<b>Estimates and judgements</b>	Key estimates and judgements include: <ul style="list-style-type: none"> <li>Valuation of unquoted investments within private equity, infrastructure property and other alternative investments.</li> </ul>	<ul style="list-style-type: none"> <li>We have undertaken testing on a sample of unquoted investments to assess the appropriateness of the valuation.</li> <li>The key estimates and judgements relating to the valuation of unquoted investments are appropriate to the accounting framework and are disclosed within the accounting policies.</li> <li>The potential financial statement impact of different assumptions is adequately disclosed in Note 15 to the accounts.</li> </ul>	 Green
<b>Other accounting policies</b>	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	 Green

**Assessment**

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

# Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit and Risk Management Committee. We have not been made aware of any significant incidents in the period and no other issues have been identified during the course of our audit.</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Fund.</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no non-trivial omissions in the financial statements.</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed</li> </ul>
6.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested direct confirmations from the custodian and all main mandate fund managers, plus a sample of managers for alternative investments, for investment balances, income and purchases and sales.</li> <li>We have received confirmations from most managers and management are assisting us to chase those confirmations that remain outstanding.</li> </ul>
7.	<b>Going concern</b>	<ul style="list-style-type: none"> <li>Our work has not identified any reason to challenge the Fund's decision to prepare the financial statements on a going concern basis.</li> </ul>

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# Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Investments, Contributions, Benefits and Member Data as set out on pages 10-11 above.

Officers have made us aware of the following matters related to internal control and we report them here for completeness.

Page 118	Assessment	Issue and risk	Conclusion
1	●	<ul style="list-style-type: none"> <li>During our audit, officers made us aware of a small number of transactions and balances relating to duplicate payments. The duplicate payments related to three different occasions and different circumstances, but highlight a potential risk of losses to the fund.</li> </ul>	<ul style="list-style-type: none"> <li>In each case, the duplicate payments were identified by the Pension Fund as part of the reconciliation and review process, and all monies have been recovered. The finance team have reviewed the reasons for the overpayments and have strengthened controls in each area.</li> </ul>

## Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

## Misclassification and Disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	£3,360	Net Assets Statement – Equities and Other Investment Balances	Our testing of equities identified £3,360k that should be classed as Other Investment Balances and an amendment has been made to correct this presentation. Equities have been reduced by £3,360k and Other Investment balances increased by £3,360k. Amendments have also been made to the classification of this amount in a number of other disclosures within notes 13 and 14.
2 Disclosure	n/a	Note 13a	The description of investments with a value of £2.052bn has been amended to 'Other Unitised Investments' to more accurately describe the nature of the these investments.
Disclosure	n/a	Various	We have agreed a number of other minor changes to improve the overall presentation and disclosure in the financial statements.

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## Section 3: Fees, non-audit services and independence

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01. Executive summary

02. Audit findings

**03. Fees, non-audit services and independence**

04. Communication of audit matters

# Fees, non-audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services.

## Audit Fees

	Per Audit plan £	Actual fees £
Pension fund scale fee	36,882	36,882
Agreed fee variation	2,180	2,180
<b>Total audit fees</b>	<b>39,062</b>	<b>39,062</b>

## Independence and ethics

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

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

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## Fees for other services

Service	Fees £
<b>Non audit related services</b>	
Services relating to the appointment of a Chair of the Local Pensions Board	1,418

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## Section 4: Communication of audit matters

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01. Executive summary

02. Audit findings

03. Fees, non-audit services and independence

04. Communication of audit matters

# Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

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

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

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

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

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Appendices

# Appendix A: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report on the Pension Fund**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS**

We have audited the pension fund financial statements of Wirral Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Wirral Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Head of Financial Services and the auditor**

As explained more fully in the Statement of the Head of Financial Services' Responsibilities, the Head of Financial Services is responsible for the preparation of the Authority's Statement of Accounts, which include the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the pension fund financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Financial Services and the overall presentation of the pension fund financial statements.

In addition, we read all the financial and non-financial information in the explanatory foreword and financial report to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the pension fund financial statements**

In our opinion the pension fund's financial statements: give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at 31 March 2015, other than liabilities to pay pensions and benefits after the end of the fund year; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

### **Opinion on other matters**

In our opinion, the information given in the explanatory foreword and financial report for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Fiona Blatcher  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

X September 2015

**Independent auditor's statement to the members of Wirral Council on the pension fund financial statements included in the pension fund annual report**

We have examined the pension fund financial statements of Wirral Council for the year ended 31 March 2015 under the Audit Commission Act 1998, which comprise the fund account, the net assets statement and the related notes.

This statement is made solely to the members of Wirral Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our work has been undertaken so that we might state to the members of the authority those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Section 151 Officer and the auditor**

As explained more fully in the Statement of the Section 151 Officer Responsibilities, the Section 151 Officer is responsible for the preparation of the Statement of Accounts of Wirral Council, which include the pension fund financial statements, in accordance with applicable law, proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view.

Our responsibility is to state to you our opinion on the consistency of the pension fund financial statements included in the pension fund annual report with the pension fund financial statements included in the Statement of Accounts of Wirral Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In addition we read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of only the Chairs Introduction, Management Report, Membership Statistics, Investment report, Financial Performance and The Consulting Actuary's Statement.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's annual Statement of Accounts describes the basis of our opinion on those financial statements.

**Opinion**

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included within the annual Statement of Accounts of Wirral Council for the year ended 31 March 2015 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Grant Thornton UK LLP  
Chartered Accountants  
4 Hardman Square  
Manchester  
M3 3EB

X September 2015

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## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

22 SEPTEMBER 2015

<b>SUBJECT:</b>	<b>STATEMENT OF ACCOUNTS 2014/15 – MERSEYSIDE PENSION FUND</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>ACTING SECTION 151 OFFICER</b>
<b>KEY DECISION?</b>	<b>NO</b>

#### 1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to present Members with the audited statement of accounts of Merseyside Pension Fund for 2014/15 and to respond to the Audit Findings Report from Grant Thornton.
- 1.2 Subject to outstanding work, Grant Thornton has indicated there will be an unqualified opinion and there are no material adjustments and no recommendations.
- 1.3 Grant Thornton's report expresses a positive outcome from their audit of the accounts and refers to the outcome, in the context of MPF Officers working on a number of key projects throughout the year, as a significant achievement.

#### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 The purpose of the Statement of Audited Accounts is to present the overall financial position of the Pension Fund as at 31 March 2015 in accordance with prescribed guidance.
- 2.2 Grant Thornton is close to completion of its audit of the accounts and the Audit Findings Report is on this agenda. They may provide a verbal update at the meeting on the report and officers will respond if necessary.
- 2.3 Officers have agreed to all of the suggested adjustments to the accounts and disclosures.
- 2.4 There was one mis-classification of £3.3 million, which was categorised as equities instead of other investment balances. This has no effect on the net assets of the Fund as at 31 March 2015.
- 2.5 All suggested disclosure changes have been amended.
- 2.6 Within the internal controls section of the report, Grant Thornton has reported on three duplicate payments. These payments were identified by the

accounts team at the Fund, as part of their regular routine reconciliation procedures. All monies have been recovered and preventative controls examined and strengthened where necessary.

2.7 I have prepared a Letter of Representation on behalf of the Committee which gives assurances to the Auditor on various aspects relating to the Pension Fund (attached at appendix 1).

2.8 The Audit Opinion will be issued following final completion of the audit, consideration of the Audit Findings Report and approval of the amended Statement of Accounts at both the Pensions Committee and the Audit and Risk Management Committee. Once approved, Grant Thornton has indicated that they will again issue an unqualified opinion, and state that the accounts present fairly the financial position of Merseyside Pension Fund as at 31 March 2015. Subject to this, the accounts as now shown will form the basis of the Annual Report for the year ended 31 March 2015.

### **3.0 RELEVANT RISKS**

3.1 Not relevant for this report.

### **4.0 OTHER OPTIONS CONSIDERED**

4.1 Not relevant for this report.

### **5.0 CONSULTATION**

5.1 Not relevant for this report

### **6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS**

6.1 There are no previously approved actions outstanding.

### **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 There are none arising directly from this report.

### **9.0 LEGAL IMPLICATIONS**

9.1 There are no implications arising directly from this report.

### **10.0 EQUALITIES IMPLICATIONS**

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

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

## **11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS**

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

## **12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

12.1 There are no planning or community safety implications arising from this report.

## **13.0 RECOMMENDATION/S**

13.1 That the Audit and Risk Management Committee approves the audited Statement of Accounts for 2014/15, considers the amendments to the draft accounts and the draft Audit Findings Report and the Letter of Representation.

## **14.0 REASON/S FOR RECOMMENDATION/S**

14.1 Under the Audit Commission Act 1998 and the Audit Commission Code of Audit Practice for Local Government, the Auditor reports its findings on the audit of the Pension Fund Financial Statements to those charged with governance.

14.2 As the Pension Fund receives a separate Audit Findings Report, this report will first be considered by Pensions Committee at its 14 September 2015 meeting, and then by Audit and Risk Management Committee.

**REPORT AUTHOR:** Donna Smith  
Group Accountant  
telephone (0151) 2421312  
email donnasmith@wirral.gov.uk

## **APPENDICES**

1. Letter of Representation.
2. The statement of accounts forms part of the draft annual report which is a separate item on the agenda at this Committee meeting.

## **BACKGROUND PAPERS/REFERENCE MATERIAL**

The Statement of Accounts plus relevant working papers and the Audit Findings Report from Grant Thornton were used in the production of this report.

## **BRIEFING NOTES HISTORY**

<b>Briefing Note</b>	<b>Date</b>

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
AUDIT AND RISK MANAGEMENT COMMITTEE	22 SEPTEMBER 2015
PENSIONS COMMITTEE	14 SEPTEMBER 2015
AUDIT AND RISK MANAGEMENT COMMITTEE	17 SEPTEMBER 2014
PENSIONS COMMITTEE	15 SEPTEMBER 2014
AUDIT AND RISK MANAGEMENT COMMITTEE	18 SEPTEMBER 2013
PENSIONS COMMITTEE	16 SEPTEMBER 2013
AUDIT AND RISK MANAGEMENT COMMITTEE	19 SEPTEMBER 2012
PENSIONS COMMITTEE	18 SEPTEMBER 2012

to Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
MANCHESTER  
M3 3EB

date 22 September 2015

Dear Sirs

### **Merseyside Pension Fund – Financial Statements for the year ended 31 March 2015**

This representation letter is provided in connection with your audit of the financial statements of Merseyside Pension Fund ('the Fund') for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2015, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year, in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code').

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **Financial Statements**

- 1 We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code; which give a true and fair view in accordance therewith, and for keeping records in respect of contributions received in respect of active members.
- 2 We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- 3 The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- 4 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- 5 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 6 We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.
- 7 We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- 8 Except as disclosed in the financial statements:
  - a there are no unrecorded liabilities, actual or contingent
  - b none of the assets of the Fund have been assigned, pledged or mortgaged
  - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- 9 Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- 10 Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- 11 All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- 12 We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- 13 We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.
- 14 We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- 15 The value of assets transferred in respect of the Probation Trust is accurate and consistent with the calculation prepared by the Actuary.

## Information Provided

- 16 We have provided you with:
  - a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b additional information that you have requested from us for the purpose of your audit; and
  - c unrestricted access to persons from whom you determined it necessary to obtain audit evidence.
- 17 We have communicated to you all deficiencies in internal control of which management is aware.
- 18 We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 19 All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 20 We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Fund involving:
  - a management;
  - b employees who have significant roles in internal control; or
  - c others where the fraud could have a material effect on the financial statements.
- 21 We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.
- 22 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- 23 There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- 24 We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- 25 We have disclosed to you the identity of all the Fund's related parties and all the related party relationships and transactions of which we are aware.
- 26 We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## Approval

The approval of this letter of representation was minuted by the Pension Committee at its meeting on 14 September 2015 and by the Audit and Risk Management Committee at its meeting on 22 September 2015.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of Wirral Council as administering body of the Merseyside Pension Fund

## WIRRAL COUNCIL

### AUDIT AND RISK MANAGEMENT COMMITTEE

22 SEPTEMBER 2015

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

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report summarises the use of covert surveillance by the Council between 1 June and 1 September 2015.
- 1.2 It also informs the Committee of the outcome of an inspection on 13 May 2015 by an Assistant Surveillance Commissioner of the Council's use of covert surveillance.
- 1.3 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 attached as Appendix 1.

- 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 the last meeting on 8 June 2015 the Council has obtained on 26 August 2015 approval from a magistrate to use covert surveillance to detect suspected illegal flytipping at a site in 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 VISIT OF THE ASSISTANT SURVEILLANCE COMMISSIONER**

- 5.1 This took place on 13<sup>th</sup> May 2015. The Commissioner was Sir David Clarke. His report was on the whole favourable to the Council. In particular he was satisfied that (i) the Central Record of Authorisations complied fully with the Codes of Practice, (ii) there were regular minuted meetings of the RIPA Departmental Coordinators, (iii) there were regular quarterly reports to this Committee on the use of RIPA, (iv) the authorisations of which he inspected were of high quality and fully justified but did however contain some blemishes as explained below, (v) the annual training programme and training register were particularly commendable.

- 5.2 He pointed out that except in relation to the use of juveniles and investigations that would reveal the contents of confidential information, authorising officers for covert human intelligence sources do not have to be the Chief Executive. Sir David considered the Council's policy of restricting all authorisations of covert human intelligence sources to the Chief Executive to be unusual and could not be justified. The Chief Executive would have to be fully trained on RIPA in order to be able to deal with any rare occurrences when CHIS would be used by the Council.

- 5.3 Sir David repeated the arguments contained within the guidance from the Office of Surveillance Commissioners that authorising officers should attend before a

Magistrate in order to secure the Magistrates approval of their authorisation. He did however concede that this guidance was not consistent with the Home Office guidance and that the Council could take the view that the attendance of an experienced Applying Officer combined with a comprehensive and detailed authorisation should be sufficient in the majority of cases.

- 5.4 Sir David expressed the opinion of the Office of Surveillance Commissioners that authorisation for directed covert surveillance should be obtained whenever officers accompany juveniles who purchase alcohol or tobacco from retailers. He saw no distinction between a juvenile wearing a concealed camera and a juvenile being accompanied by an adult who discreetly made a record of the unlawful sale. The contrary view (adopted by Trading Standards Officers) was that as long as there was no attempt to cultivate a false relationship with the retailer and as long as the purchase was completed openly in the public part of the premises, there would be no reasonable expectation of privacy on part of the retailer and no attempt to entrap him by deception. An authorisation under RIPA would not therefore be needed. Sir David has recommended that the Council reconsider its present practice. A solution might be to obtain a magistrates approval for an authorisation for directed covert surveillance whenever Trading Standards Officers reasonably apprehend that the retailer may conduct the sale surreptitiously eg out of sight of customers when a concealed camera on the juvenile would provide useful evidence for any prosecution and an authorisation under RIPA would be required.
- 5.5 Sir David pointed out some defects in the Authorisations of Covert Surveillance that he inspected during his visit. He drew our attention to the expiry date of the authorisation being three months (less one day) from the date on which the authorisation was approved by the Magistrate and not from the date it was granted by the Authorising Officer.
- 5.6 Other defects in some of the authorisations were detected by Sir David. The lesson to be learnt is that the Applying Officer should carefully check the authorisation drawn up by the Authorising Officer in case it contains clerical or factual errors before an application for approval is made to the Magistrates.
- 5.7 Sir David suggested some amendments to the Council's Policy and Guidance document on RIPA which have been incorporated in the amended Guidance attached as Appendix 2 of this report. They included deletions of references to the prevention of disorder being a ground for authorisation (only the detection or prevention of criminal offences can now legally justify the authorisation of covert surveillance). Sir David also suggested that there be a paragraph on the monitoring of social media during investigations. One has been inserted (paragraph 9). As long as there is no invasion of privacy or any attempt to cultivate a false relationship/friendship, the monitoring of the content of social media would not normally require an authorisation under RIPA.

## **6. ANNUAL TRAINING**

- 6.1 This took place on 3 September 2015 and was conducted by Ibrahim Hasan an acknowledged expert in this field.

- 6.2 It is essential that all Authorising Officers receive training at not more than two yearly intervals. This requirement has been met. Training is also provided to Applying Officers.

## **7.0 SUCCESSFUL PROSECUTIONS**

- 7.1 On 11 August 2015 a member of the public failed to attend a trial in Liverpool Crown Court on charges of unlawful flytipping in Brimstage Lane. A warrant for his arrest was issued which has yet to be executed by the police.
- 7.2 The alleged offence was detected by means of covert surveillance.

## **8.0 RELEVANT RISKS**

- 8.1 These have been discussed in previous reports.
- 8.2 There is a risk that some investigations of anti-social behaviour will not be able to use covert surveillance because the suspected criminal behaviour does not carry a custodial sentence of 6 months or more.
- 8.3 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).

## **9.0 OTHER OPTIONS CONSIDERED**

- 9.1 None.

## **10.0 CONSULTATION**

- 10.1 None.

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

- 11.1 None.

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

- 12.1 None at present.

## **13.0 LEGAL IMPLICATIONS**

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

#### **14.0 EQUALITIES IMPLICATIONS**

14.1 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.

#### **15.0 CARBON REDUCTION IMPLICATIONS**

15.1 None.

#### **16.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

16.1 See paragraphs 4 and 6.

#### **17.0 RECOMMENDATION/S**

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

17.2 That the Committee adopt the recommendations of the Assistant Surveillance Commissioner in his report of 19 May 2015.

17.3 That the Committee approve the amendments to the Policy and Guidance Document contained in Appendix 2.

#### **18.0 REASON/S FOR RECOMMENDATION/S**

18.1 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)**

<b>Council Meeting</b>	<b>Date</b>
<b>Reports to the Audit &amp; Risk Management Committee</b>	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 8 June 2015  18 October 2012
<b>Report to the Cabinet</b>	

OFFICIAL - SENSITIVE

APPENDIX 1

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Office of Surveillance  
Commissioners

**OFFICE OF SURVEILLANCE COMMISSIONERS**

**INSPECTION REPORT**

**Metropolitan Borough of Wirral**

13<sup>th</sup> May 2015

**Assistant Surveillance Commissioner:  
Sir David Clarke.**

OFFICIAL - SENSITIVE

## OFFICIAL - SENSITIVE

### DISCLAIMER

This report contains the observations and recommendations identified by an individual surveillance inspector, or team of surveillance inspectors, during an inspection of the specified public authority conducted on behalf of the Chief Surveillance Commissioner.

The inspection was limited by time and could only sample a small proportion of covert activity in order to make a subjective assessment of compliance. Failure to raise issues in this report should not automatically be construed as endorsement of the unreported practices.

The advice and guidance provided by the inspector(s) during the inspection could only reflect the inspectors' subjective opinion and does not constitute an endorsed judicial interpretation of the legislation. Fundamental changes to practices or procedures should not be implemented unless and until the recommendations in this report are endorsed by the Chief Surveillance Commissioner.

The report is sent only to the recipient of the Chief Surveillance Commissioner's letter (normally the Chief Officer of the authority inspected). Copies of the report, or extracts of it, may be distributed at the recipient's discretion but the version received under the covering letter should remain intact as the master version.

The Office of Surveillance Commissioners is not a public body listed under the Freedom of Information Act 2000, however, requests for the disclosure of the report, or any part of it, or any distribution of the report beyond the recipients own authority is permissible at the discretion of the Chief Officer of the relevant public authority without the permission of the Chief Surveillance Commissioner. Any references to the report, or extracts from it, must be placed in the correct context;

OFFICIAL - SENSITIVE



Office of Surveillance  
Commissioners

Office of Surveillance Commissioners,  
PO Box 29105,  
London,  
SW1V 1ZU.

19<sup>th</sup> May 2015

**METROPOLITAN BOROUGH OF WIRRAL**

**INSPECTION REPORT**

Inspection date : 13<sup>th</sup> May 2015

Inspector : Sir David Clarke  
Assistant Surveillance Commissioner

**Wirral Borough Council**

1. The Council (WBC) is a unitary metropolitan authority serving a mainly urban population of about 310,000 in Merseyside.
2. The Senior Corporate Management structure is headed by the Chief Executive, supported by an Assistant Chief Executive and three Strategic Directors. The recently appointed Chief Executive is Eric Robinson, whose address is Wallasey Town Hall, Brighton Street, Wallasey, Merseyside CH44 8ED.
3. The most recent OSC inspection of WBC was conducted by me on 8<sup>th</sup> June 2012. In my report dated 10<sup>th</sup> June I reported that all previous recommendations were discharged, but I made two fresh recommendations of my own.
4. WBC is a reducing user of its RIPA powers, having granted 14 directed surveillance authorisations since the last inspection. This compares with 55 in the previous three-year period, some of the reasons for which are discussed under RIPA usage below.
5. None of these applications was concerned with the likely acquisition of confidential information, and none concerned Covert Human Intelligence Sources (CHIS).

**Inspection**

6. I carried out the inspection on 13<sup>th</sup> May 2015 at Wallasey Town Hall. I met the following council officers:

- Surjit Tour, Head of Legal and Member Services, Monitoring Officer and RIPA SRO;
  - Colin Hughes, Group Solicitor;
  - Caroline Laing, a Constituency Manager (formerly a Service Manager in the Children and Young Persons Department), a RIPA Authorising Officer (AO);
  - Robert Clifford, Senior Manager (Highways and Transport), also an AO;
  - Mark Camborne, Head of Corporate and Community Safety, recently designated as an AO;
  - Gill Vicary, Operations Manager, Trading Standards;
  - Rob Cain, Senior Enforcement Officer, Waste and Recycling;
  - Susau Bannister, Team Leader, Waste and Environment.
7. The inspection started with a helpful and lively round-table discussion with all the officers listed above. It encompassed WBC's RIPA management, policy and procedures, the designated authorising officers (AOs), training, and the response to the last OSC report. I then spent time inspecting the Central Record and eight of the RIPA authorisations and associated forms. I then met Mr Tour and Mr Hughes for a short feedback discussion, followed by a courtesy visit to introduce myself to the Chief Executive<sup>1</sup>, before departing the Town Hall.
8. I am grateful to all concerned, particularly Mr Hughes who made the arrangements and provided the pre-inspection reading materials, for their helpful cooperation which greatly eased my task. I am also grateful for the working lunch kindly provided to me.

#### Response to recommendations

9. My first recommendation was that revisions should be made to the *Policy* document. The appropriate revisions were made by Mr Hughes, and the recommendation is accordingly discharged.
10. My second recommendation related to juvenile test purchase operations. WBC's practice in relation to such operations has changed, and is discussed below. As it stands, the recommendation is no longer extant, but the topic will be the subject of a fresh recommendation.

#### RIPA Structure

11. As reported in 2012, WBC has a concise and clear *Policy and Procedure on the use of powers under RIPA* in place. It has been further revised by Mr Hughes, to incorporate the legislative changes which came into effect in November 2012, namely the requirement of magistrate's approval for authorisations and renewals in relation to both directed surveillance and CHIS, and the enhanced threshold requirements for directed surveillance.
12. In discussion I made a number of very minor suggestions for further updating and improvement, which were carefully noted and require no formal recommendation. In particular, the list of designated AOs requires to be

<sup>1</sup> I asked to meet him not only as an Assistant Surveillance Commissioner but also as a local resident

updated, and references to "and preventing disorder" removed from the description of the permitted statutory purpose; since the introduction of the new threshold, this is no longer available as a free-standing ground for authorisation.

13. WBC has never made a CHIS authorisation, and remains unlikely to do so. The *Policy* continues to provide that any CHIS authorisation may only be made by the Chief Executive. In 2012 I was told that this provision arose from the concerns of an elected member. I think it should be reconsidered; the legislation does not require a higher level of AO for general CHIS authorisation, though certain high-risk authorisations of both directed surveillance and CHIS are reserved to the Chief Executive (or his nominated Deputy in his absence).<sup>2</sup> It would be good practice for the Chief Executive to undergo RIPA training, which can be delivered internally on a one-to-one basis, rather than to be faced with the need to consider an application at short notice and without having received training.
14. Mr Tour is SRO for RIPA. Mr Hughes has day-to-day control, acting as RIPA Coordinator and keeper of the central record. He is highly experienced in this role, and his knowledge and clarity of thought are valuable assets to WBC. The Record complies fully with the Codes of Practice, and I found no discrepancies between it and the authorisations themselves.
15. Mr Hughes holds regular minuted meetings with RIPA coordinators from each relevant department of WBC, discussing any relevant developments and reviewing the authorisations granted in the period since the last meeting. This is good practice. I was provided with the minutes of the last few meetings, including one held very recently, and I was gratified to find that Mr Hughes had anticipated some of the points I would wish to discuss, being instances in which WBC's approach deviates from OSC Procedures and Guidance.<sup>3</sup>
16. A quarterly report of RIPA usage and issues is also made to the relevant committee of elected members, which therefore complies with the best practice recommended in the Codes of Practice. I was told that covert surveillance is a topic of close concern to some councillors who hold strong and sometimes opposing views. It is no part of my function to encourage or discourage the use of RIPA powers, but they are there to be exercised in appropriate cases, though always only as a last resort.
17. There are now four designated AOs, all of whom have received the appropriate training. Mr Camborne's name has been added to the list and he is to undergo AO training shortly. A further AO designation may be made when a departed AO is replaced in the near future.
18. Applications for judicial approval are presented to the magistrate by investigators rather than AOs. In this, WBC follows paragraph 43 of the Home Office Guidance to Local Authorities; and are not to be criticised for doing so. But Mr Hughes had drawn his colleagues' attention to paragraph

<sup>2</sup> This applies to any authorisation likely to result in the obtaining of confidential information, and any authorisation of a juvenile or vulnerable CHIS; see Annex A to each Code of Practice.

<sup>3</sup> See paragraphs 18 and 19-23 below

291 of OSC Procedures & Guidance, which indicates the Commissioners' contrary view, and was not surprised when I raised the topic. The matter should be considered on a case-by-case basis, consideration being given to the AO attending in difficult cases if it is practicable to do so. Of course, if the application and authorisation are fully articulated, the magistrate should ideally have no questions to ask; but experience shows otherwise.

#### RIPA usage

19. At the time of the last inspection, WBC carried out juvenile test purchase operations under RIPA directed surveillance authorisation; I made observations and a recommendation on this topic, in relation to authorisations for multiple premises.
20. The practice has since changed, and such operations are conducted without the protection of RIPA. Ms Vicary explained that a somewhat different method is now used. Previously the juvenile volunteer wore covert recording equipment, so that the transaction (or attempted transaction) was caught on camera, but the adult officer waited outside the shop. It was considered that the use of recording equipment brought the activity within the description of directed surveillance.
21. Covert recording equipment is no longer used. However, the volunteer is supervised in the shop by an adult officer, as is necessary for his welfare and is recommended by the Better Regulation Delivery Office guidance on this topic. Officers did not dissent from my suggestion that the adult is likely to enter the shop separately, ahead of the volunteer, and to remain there until the volunteer has left, in order to keep his distance from the volunteer. It is the Commissioners' view that the presence of the adult officer in the shop is no different in principle from the use of covert recording equipment, as regards the likelihood or otherwise of private information being obtained.<sup>4</sup>
22. This view is supported, at least impliedly, by the fact that the investigation of under-age sales of alcohol and tobacco<sup>5</sup> is exempted from the enhanced threshold requirement for directed surveillance, suggesting that Parliament considers directed surveillance authorisation appropriate in this context. It is noticeable that the BRDO guidance<sup>6</sup> quotes the OSC Procedures and Guidance and suggests that those public authorities which do not adopt the guidance may have to justify themselves to the OSC.
23. I shall therefore recommend that this issue be kept under consideration. I do not make the recommendation in a spirit of criticism; WBC are not alone in the view they have taken, they have considered the issue carefully and apparently have some support from their professional training consultant.

See recommendation

<sup>4</sup> OSC Procedures & Guidance, paragraph 243

<sup>5</sup> Though not, paradoxically, of other age-restricted goods such as knives, solvents etc

<sup>6</sup> BRDO: Age Restricted Products and Services: A Code of Practice for Regulatory Delivery, paragraph 13.1

24. There has also been a marked reduction in the number of authorisations made in respect of antisocial behaviour enforcement, largely due to altered priorities and staffing arrangements. The new imprisonable crime threshold led to a cautious approach, but the seriousness of some of these offences and the public concern about them, particularly those involving harassment, may lead to a reversal of this trend.

25. Around the table more generally, I detected a feeling that political pressures had led in recent years to a more cautious approach to RIPA usage, which may now change. As it was put to me, the council was risk-averse but is becoming more risk-aware. I should say at once that all the authorisations which I examined were in respect of serious matters of public concern, and were entirely justified in principle. I found no sign of RIPA powers being used in questionable circumstances.

26. No internet investigation work is done, but WBC are aware of the guidance contained in paragraph 288 of OSC Procedures & Guidance. It would be sensible, indeed, to incorporate a brief passage on this topic in the *Policy* document.

27. No RIPA authorisations have been made for some years in benefit fraud investigation. Such investigation is now in the hands of the DWP pursuant to the roll-out of its national Fraud and Error Service.

#### Training

28. WBC continues to maintain a regular training programme. An annual training day is held for all AOs and RIPA applicants, the training continuing to delivered by Ibrahim Hassan of Act Now Training.

29. A clear and accessible training register is maintained, which is a good practice not always followed elsewhere. It was produced for my inspection.

#### Examination of Records

30. The 14 directed surveillance authorisations in the three-year period under review can be subdivided as follows:

- nine for antisocial behaviour, of which I examined the most recent five;
- five for fly-tipping, of which I examined three.

31. All the application and authorisations of high quality, though (as in 2012) some were fly-tipping cases in which the CCTV surveillance was not (or may not have been) truly covert in that warning notices of CCTV surveillance were posted on the approach to the sites where illegal tipping had occurred. WBC were clearly adopting a belt-and-braces approach, with some justification having regard to the seriousness of the problem. They are dealing with serious offenders dumping large quantities of industrial waste for profit, clearly surveillance-aware and in the habit of sabotaging the surveillance equipment when they find it.

32. I found some inconsistency in the setting of expiry dates; in two cases they were beyond the statutory period by a day or two, which might have rendered the entire authorisations susceptible to challenge by an astute defence lawyer. Some ambiguity is created by the magistrate's approval requirement, whereby an authorisation does not take effect until the approval is signed. The safer practice now is to defer dating the authorisation until approval is given, explaining if necessary) to the magistrate why this is done. The expiry can then be set at 2359, 3 months (less one day) from the approval date.
33. In one case (14-15-01), authorised on 2<sup>nd</sup> May and approved on 6<sup>th</sup> May 2014, the AO specified that the surveillance "*would take place from Tuesday 3<sup>rd</sup> June*". There was no apparent reason for this discrepant statement, which was clearly a slip of the pen but should have been noticed by the applicant, and indeed by the magistrate. The AO's intention was to set the first review to take place on 3<sup>rd</sup> June that date, as indeed it did. The review showed that the surveillance commenced as planned on 7<sup>th</sup> May. I have been assured that procedures are now in place to minimise the risk of such an error going unnoticed in future.
34. In this instance, describing the surveillance which she was authorising, the AO used the expression "*We intend to place three cameras . . . etc*". This is inappropriate language; implying that the AO is a participant in the activity. The proper language is language of independent authorisation, not apparent participation.
35. Subject to these points, I considered that all the applications, authorisations and reviews were well and fully articulated and were of high quality.

#### CCTV

36. WBC's network of overt CCTV cameras in is no longer monitored by WBC operators at their control room at Cheshire Lines Building, which I visited in 2012. The CCTV feed is now monitored by Merseyside Police at their Joint Command and Control Centre in Bootle, and any use of the overt CCTV system for covert (targeted) surveillance is required to be covered by police RIPA authorisation.

#### Conclusion

37. WBC continues to exhibit a strong commitment to maintaining high standards of RIPA compliance. The council has faced a number of challenges in recent years, resulting in major changes of senior personnel, but RIPA matters have remained in the competent hands of Mr Hughes who now reports directly to Mr Tour. Their regular training programme is particularly commendable.
38. The somewhat surprising technical defects which I found in some authorisations, albeit not impugning their underlying merit, can be readily eliminated in future by training and quality control. It would be embarrassing for WBC to find itself challenged on such grounds by lawyers seeking loopholes. Even if such a challenge is unsuccessful, it shines some light on a sensitive topic and can cause reputational damage.

39. Accordingly I make the following

**Recommendations**

- I. *That WBC reconsider its present practice of conducting juvenile test purchase operations without RIPA authorisation;*
- II. *That care be taken to ensure that correct expiry dates are accurately set, so as to minimise the risk of challenge to any future authorisations*

**David Clarke**  
**Assistant Surveillance Commissioner**





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

## 1. INTRODUCTION

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

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

- 1.2 The use of covert surveillance by public authorities, particularly local authorities has been the subject of much recent debate. The use of covert surveillance is properly a matter of public concern. The purpose of this policy is to set out exactly how the Council will use its surveillance powers and comply with best practice.
- 1.3 **Councils may only use covert surveillance for the purpose of preventing or detecting crime and where doing so is in the public interest.** The Council uses covert surveillance to support its enforcement activities. It has been used principally by the Regeneration Department in dealing with anti-social behaviour and trading standards cases. This has resulted in many successful cases being brought which might otherwise not have been possible bringing rogue traders to account and improving the lives of Wirral residents suffering from severe anti-social behaviour. In 2011/12 twenty authorisations for directed surveillance were granted by the Council's authorising officers.
- 1.4 The Council approved a policy and procedure for the use of covert surveillance in 2004. The Council has been inspected five times by the Office of the Surveillance Commissioner in 2003, 2007, 2009, 2012 and 2015. The use of surveillance was also the subject of a review by the Council's Internal Audit Team in 2008. The need to revise and update the Council's Policy and Procedure was identified as part of that review.

## 2. RELEVANT LEGISLATION

### 2.1 The Human Rights Act 1998 (HRA)

- 2.1.2 The HRA gives effect to the rights and freedoms guaranteed under the European Convention on Human Rights and Fundamental Freedoms ("the Convention"). Article 8 of the Convention is relevant in the context of covert surveillance in that everyone has the right to respect for his/her private and family life, home and correspondence. It is now clear from decided cases that

this right extends to activities of a professional or business nature and so includes employees. Article 6 of the Convention is relevant in the context of covert surveillance in that everyone has the right to a fair trial, including internal procedures or hearings, and fairness extends to the way in which evidence is obtained.

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

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

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

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

2.1.4 The HRA can be found at:

[www.opsi.gov.uk/ACTS/acts1998/19980042.htm](http://www.opsi.gov.uk/ACTS/acts1998/19980042.htm)

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

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

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

### **3.0 COVERT SURVEILLANCE**

3.1 The term surveillance includes

- Monitoring, observing or listening to people, their movements, their conversations or the **Page 154** or communication;

- Recording anything monitored, observed or listened to in the course of surveillance;
  - Surveillance by or with the assistance of a surveillance device.
- 3.2 **Covert** surveillance is surveillance that is carried out in a manner calculated to ensure that the persons subject to the surveillance are unaware that it is or may be taking place. This needs to be contrasted with the deployment of **overt** surveillance. The use of such surveillance in places to which the public has access is increasingly commonplace. The Council has employed it in the form of CCTV monitoring of its offices, car parks and the town centres. CCTV monitoring is undertaken in accordance with the Council's Code of Practice for the operation of CCTV. CCTV is usually clearly marked through the use of signage. The Council must have regard to the Code of Practice on the use of CCTV published by the Secretary of State in June 2013.
- 3.3 RIPA applies where any covert surveillance of an identifiable or named person is carried out by a public authority carrying out an investigatory function. RIPA includes a local authority within the description of public authority.
- 3.4 Covert surveillance can be either
- (a) **intrusive**, that is, carried out in relation to anything that is taking place on any residential premises or in any private vehicle by an individual or a surveillance device on the premises or in the vehicle; or
  - (b) **directed**, that is, undertaken for the purposes of a specific investigation or operation and involving the observation of a person or persons in order to gather information about them.
- 3.5 **Local authorities are not authorised to conduct intrusive surveillance.**
- 3.6 **Directed** covert surveillance that is likely to result in obtaining private information about a person is permitted by RIPA and its associated regulations **if** such surveillance has been authorised in the manner provided by the Act, the Home Office Code of Practice and the prescribed standard forms. Private information is any information relating to a person's private or family life. It includes the way in which a person conducts himself in his working life.
- 3.7 An authorising officer for a public authority may only grant authorisation to carry out directed surveillance if it is necessary in the interests of:
- national security (**not** applicable to local authorities);
  - preventing or detecting crime;
  - public safety (**not** applicable to local authorities);
  - protecting public health (**not** applicable to local authorities);

- assessing or collecting any tax, duty, levy or other imposition, contribution or charge payable to a government department (**not** applicable to local authorities); or
- is specified by regulations.

3.8 **Local authorities may only authorise use of covert directed surveillance on the ground that it is necessary in the interests of preventing or detecting crime.** The use of surveillance must also be proportionate to what is being sought to achieve and a magistrates approval required as set out below.

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

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

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

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

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

**Confidential personal information** is information held in confidence about a person's physical or mental health or to spiritual counselling or assistance. The information must have been created or acquired in the course of a trade, business or profession or for the purpose of any paid or unpaid office.

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

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

- 3.12 An applying officer wishing to use directed surveillance must complete **FORM RIPADS1** (all forms are attached to this policy). The applying officer must fully complete all parts of the form. The officer should refer as necessary to the Home Office Code of Practice, available as set out in paragraph 3.18 below.
- 3.13 The applying officer must consider the proportionality of the use of surveillance. The officer must consider the seriousness of the matter being investigated, the impact that any evidence obtained through the surveillance will have on the investigation and the level of intrusion which will be caused. The officer must take steps to ensure that any intrusion is kept to the minimum level necessary. Any intrusion in to the private life of persons not the subject of the investigation (e.g. family or visitors) should be minimised.
- 3.14 The completed form should be referred to an **authorising officer**. All Chief Officers may designate officers within their department as authorising officers for the purposes of RIPA. On receipt of the form the authorising officer will contact the Head of Legal and Member Services to obtain a unique reference number. The authorising officer must be a Director or a Head of Service or Service Manager. The authorising officer will place the form on the central register. The register is an electronic folder with access rights limited to authorising officers (for their area only) and the Head of Legal and Member Services or his/her nominated representatives (to all contents). When an authorising officer places a form on the register he/she will also separately notify the Head of Legal and Member Services by e-mail that this has been done. If the authorising officer does not have access to the register he or she will e-mail the form to the Head of Legal and Member Services who will arrange for it to be placed on the register. All forms for authorised applications shall be placed on the register immediately. All applications shall remain on the register for at least 3 years. Officers should ensure that when they complete the authorisation forms they comply with the following requirements:
- (a) the information on which an investigation is based must be clearly identified
  - (b) applications should state clearly why the covert activity is believed to be necessary and proportionate.
  - (c) Authorising Officers should clearly state why they consider the covert activity is necessary and proportionate (including the steps to be taken to minimise intrusions into privacy, particularly of those persons not suspected of crime or disorder). They must never be granted retrospectively.
  - (d) Authorising Officers must describe accurately all the covert activity which they are authorising so as to ensure that the rights are not infringed.

- (e) Technical feasibility studies should be presented to the Authorising Officer along with the application for authorisation. They should be attached to the authorisation. If the authorisation is granted, the person carrying out technical installations (e.g. of cameras and sound recording equipment) must see the relevant parts of the authorisation prior to the installation of any surveillance equipment.
- (f) Review dates should be stipulated by Authorising Officers at the time they authorise the covert surveillance for any extended period. This is to ensure that the need for continuation of the surveillance is regularly assessed and recorded on Form RIPADS2 and that (where appropriate) authorisations are either renewed (before they expire) on Form RIPADS4 or cancelled on Form RIPADS3.
- (g) Cancellations of authorisations should be made promptly when the need for covert surveillance has ceased. The cancellation should contain a full description of the activity which has been authorised, what the results of the surveillance were, and how and when any products of the surveillance will be stored, retained or destroyed.
- (h) The designated authorising officers are currently Mike Cockburn (Environmental and Waste Services Manager), Gillian Vicary (Senior Manager, Trading Standards), Caroline Laing (Constituency Manager), Robert Clifford (Senior Manager, Highway Management Service) and Mark Smith (Head of Environment and Regulation). They have delegated authority to apply to the magistrates for approval of covert surveillance and to authorise named officers to make such applications on behalf of the Council.

### 3.15 Urgent Oral Applications

3.15.1 It is no longer possible to grant urgent oral authorisations. All authorisations have now to be in writing and approved by a magistrate.

### 3.16 Review/Cancellation

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

3.16.2 If upon review the need for directed surveillance no longer exists then the authorisation will be cancelled immediately. On cancellation the authorising officer shall complete **Form RIPADS3**. The completed form shall be placed on the central register either by the authorising officer directly or via the Head

of Legal and Member services. If the form is placed directly on the register the authorising officer must notify the Head of Legal and Member Services that this has been done by e-mail.

### 3.17 **Renewal**

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

### 3.18 **Audit Checks**

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

### 3.19 **Code of Practice**

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

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

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

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

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

3.20.2 The police approach the operators of the Council's CCTV cameras and ask them to train their cameras on a particular part of a public place where they suspect drug dealers are doing business. Council staff may only comply with the request of the police if they are satisfied that the police officers have

obtained the necessary authorisation for directed surveillance from their superiors. Whilst the cameras are overt, they would be used for the purposes of a specific investigation or specific operation and therefore that use would require authorisation. Members of the public would not normally expect public cameras to be trained on specific individuals or on specific public places for protracted periods and therefore their use in that instance would be covert. The same principles would apply if Trading Standards Officers requested the use of CCTV cameras to monitor the activities of suspected illegal traders in a prohibited street. Authorisation for directed surveillance would be required before the CCTV cameras could be used for that purpose.

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

- (a) Whether it is for Directed Surveillance or Covert use of Human Intelligence Source.
- (b) Its unique reference number.
- (c) Applicant's name and title.
- (d) Department and Section.
- (e) Identity of Target and the title of the investigation.
- (f) Date of authorisation.
- (g) Renewal Date and name and/or title of Authorising Officer.
- (h) Review Date.
- (i) Whether the investigation is likely to result in obtaining confidential information.
- (j) Date of approval by magistrate of authorisation/renewal.
- (k) Cancellation Date.

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

3.22 The Head of Legal and Member Services has been appointed the Senior Responsible Officer to perform the duties of that office set out in the Home Office Codes of Practice. These include liaising with OSC Inspectors and taking steps to ensure compliance with RIPA and the Codes by authorising officers.

#### **4.0 COVERT HUMAN INTELLIGENCE SOURCES (CHIS)**

- 4.1 The use of CHISs is also regulated by RIPA. A CHIS is a person who establishes or maintains a relationship with someone in order to obtain information, to provide another person with access to information or to disclose information as a consequence of that relationship. Should an officer consider the use of a CHIS as necessary, they must liaise with the Head of Legal and Member Services. If the use of a CHIS is deemed necessary, special arrangements will be made for their use in accordance with the Home Office Code of Guidance on Covert Human Intelligence Sources (see paragraph 4.5 below). It is not anticipated that CHISs will be used often by the Council. However, if professional witnesses are used they may fall within the definition of CHISs. Only the Chief Executive can authorise the use of a CHIS, if it will involve the likely disclosure of confidential information or the use of juveniles. If these conditions do not apply, any Authorising Officer may authorise the use of a CHIS subject of course to the approval of a magistrate
- 4.2 If an investigating officer does believe that the use of a CHIS is necessary in the course of an investigation he/she should complete **FORM RIPACHIS1**. The officer must consider the safety and welfare of a person acting as a source and must carry out a risk assessment before authorisation is granted. The use must be proportionate to what is intended to be achieved. The authorisation will lapse automatically if not renewed after a period of **12 months**.
- 4.3 It should be borne in mind that a person can become a covert human intelligence source if he regularly supplies information to the Council without being asked to do so provided he obtains the information by virtue of his personal relationship with the suspect or his associates and not for example by merely noting down passively evidence of crime or disorder as a member of the public. In such circumstances legal advice should be sought before acting on the information received from the informant.
- 4.4 Special considerations apply if the person to be used as a source is **vulnerable** or a **juvenile**. In such circumstances advice should be sought from the Head of Legal and Member Services. Authorisation may only be granted by the Chief Executive, as Head of Paid Service.
- 4.5 The same procedures outlined above in respect of directed surveillance of:
- Maintenance of a central register
  - Confidential information
  - Review
  - Cancellation
  - Renewal; and
  - Audit checks

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

- 4.6 The following examples illustrate the circumstances in which it is necessary and proportionate to obtain authorisation for the use of a CHIS (Covert Human Intelligence Source).

- 4.6.1 The Anti-Social Behaviour Team engage a private detective to pose as a tenant of Beechwood and Ballantyne Community Housing Association in order to form a relationship with a group of tenants suspected of committing acts of serious anti-social behaviour, including criminal damage to property, drug dealing and intimidation of other tenants. The purpose of establishing a relationship is to obtain information admissible in possession proceedings (e.g. by covert tape recordings of conversations) or to assist the police or the Anti-Social Behaviour Team to anticipate the future criminal behaviour of the tenants under suspicion. No potential witnesses are willing to co-operate with the Anti-Social Behaviour Team by installing cameras in the properties. Authorisation would be required in such circumstances since the private detective will be establishing a personal relationship with the subjects to obtain and disclose information to the Anti-Social Behaviour Team in a manner that is calculated to ensure that the subjects are unaware of the purpose of the personal relationship. This example also illustrates the difficulties, dangers (and expense) of using a CHIS in the circumstances where evidence cannot be obtained by other methods.
- 4.6.2 A trading standards officer enters a shop and makes a “test purchase” from a retailer suspected of selling “counterfeit goods”. No authorisation would be required for a CHIS because he would not be establishing a personal relationship with the retailer (although if he had attached to his person a concealed camera it would be necessary for him to obtain authorisation for directed surveillance). If on the other hand, the trading standards officer struck up a conversation with the retailer whilst posing as a member of the public in order to ascertain whether the retailer (without any encouragement from the Trading Standards Officer) would offer to sell him (or another customer) counterfeit goods, then he would be acting as a CHIS and authorisation would be required. The essence of a CHIS is that he obtained information by winning someone’s confidence on a false basis
- 4.6.3 The Anti-Social Behaviour Team regularly receives information from a member of the family of a suspected perpetrator who volunteers to provide evidence without being requested to do so. The informant is performing the function of a CHIS if the information has been obtained as a result of the family relationship.

#### 4.7 Code of Practice

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

## 5.0 COMMUNICATIONS DATA

- 5.1 Requests for communications data will be dealt with by **designated persons**. Those persons who are authorising officers for the purposes of directed surveillance and CHISs shall also be designated persons for the purposes of obtaining communications data. Each local authority must have its own **Single Point of Contact (SPOC)**, to whom applicants can submit their requests for communication data. It is to ensure there is a specific point

of accountability in each authority requesting data for reasons connected with RIPA and the HRA etc. The SPOC for Wirral Council is the Trading Standards Manager

- 5.2 It is important to note that we are not referring here to the interception of communications or the **content** of communications. The Council does not have power to intercept communications or acquire content.
- 5.3 There are 3 types of communications data;
- traffic data;
  - service use data; and
  - subscriber data.
- 5.4 More information on what constitutes these types of communication data is set out in the Home Office Code of Practice (see paragraph 5.9 below). Advice can also be sought from the Head of Legal and Member Services. Local authorities are only able to seek disclosure under RIPA of service use data and subscriber data **not** of traffic data.
- 5.5 Applications may be made for service use data e.g. itemised bills or subscriber data e.g. whether a person uses a particular network, who is the user of a particular number. A request for such information can only be made where it is necessary for the purpose of preventing or detecting crime .. The request must be proportionate. The form for completion for disclosure of communications data including guidance on completion is attached as **FORM RIPACD 1**. An authorisation or notice remains valid for **one month**. A valid authorisation or notice may be renewed for a further period of one month.
- 5.6 An authorisation or notice must be cancelled as soon as it is no longer necessary for the service provider to comply with the notice or the conduct required by the notice is no longer proportionate to what was sought to be achieved.
- 5.7 The **Senior Responsible Officer** must be responsible for:
- the integrity of the process in place within the public authority to acquire communications data;
  - compliance with Chapter II of Part I of the Act and with this code;
  - oversight of the reporting of errors to the Interception of Communications Commissioners Office (IOCCO) and the identification of both the cause(s) of errors and the implementation of processes to minimise repetition of errors;
  - engagement with the IOCCO inspectors when they conduct their inspections; and
  - where necessary, overseeing the implementation of post-inspection action plans approved by the Commissioner.

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

5.8 In Wirral there has been very limited use of these powers. In the year 01/01/08 – 31/12/08 there were only 2 requests made for subscriber data by the Council.

5.9 The Home Office Code of Practice on the use of Communications Data can be viewed at: <http://security.homeoffice.gov.uk/ripa/publication-search/ripa-cop/acquisition-disclosure-cop.pdf>

## **6.0 REPORTING AND REVIEW**

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

## **7.0 COORDINATION AND TRAINING**

7.1 All Departments that use or may use the Council's powers under RIPA shall nominate a Departmental Coordinator under this Policy. The Departmental Coordinators (or their nominees) shall meet at least once a quarter to review the operation of this policy, share best practice and consider training needs. Those meetings shall be chaired by the Head of Legal and Member Services or his/her nominated representative. The departmental co-ordinators and authorising officers are listed in paragraph 3.14(h). That list may be amended from time to time as new Directors and Heads of Service are appointed. The current list can be obtained from the Head of Legal and Member Services.

7.2 The Council shall ensure that adequate training is provided to officers in the use of the powers. A training register shall be maintained and all authorising/designated officers will receive training at least every 2 years. A copy of the register can be obtained from the Head of Legal and Member Services. If an authorising/designated officer has not attended any training for a period of 2 years they shall **automatically cease** to be a responsible/authorised officer.

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

8.1 These are governed by Rules 6.27 and 6.28 of the Criminal Procedure Rules 2012 (SI2012 No. 1726). No court fee is currently payable.

8.2 Home Office Guidance on local authority applications for approval by Magistrates was given in October 2012 and may be viewed on the Internet.

- 8.3 Annex B of the Home Office Guidance contains a model application form and a model form of order by the magistrates. These forms should be used when applying to a magistrate.
- 8.4 Paragraphs 84 to 98 of the Home Office Guidance set out the procedure. Applications should be made by investigating officers designated by the Authorising Officer. The hearing will be in private. The authorisation must be completed in sufficient detail to make the case for approval by itself without the need for additional oral evidence.
- 8.5 The Magistrate should record his/her decision on the form of order and retain a copy of the RIPA authorisation. He/she must be satisfied that there are reasonable grounds to believe the authorisation or renewal was both necessary and proportionate and continues to be so at the hearing. He/she must also be satisfied that the person within the Council granting the authorisation was of sufficient seniority by holding a post described in paragraph 3.14. A certificate signed by the Council's Monitoring Officer should be produced for that purpose verifying the identity of the person granting the authorisation and the post he or she holds.

## **9.0 SOCIAL NETWORKING SITES**

- 9.1 During the course of an investigation officers may view what persons have said on various forms of social media eg Twitter, Facebook.
- 9.2 No prior authorisation of directed covert surveillance will be required if the person's communications are to the world at large (ie open source) because there can be no reasonable expectation of privacy in such cases.
- 9.3 No prior authorisation of the use of a covert human intelligence source would be required if the officer made no attempt to win the person's confidence on a false basis eg by falsely posing as a potential friend.
- 9.4 If however the conditions in 9.2 and 9.3 do not apply then the appropriate authorisation under RIPA would be required.

DATE: September 2015

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