



Audit and Risk Management Committee

Date:	Tuesday, 15 March 2016
Time:	6.00 pm
Venue:	Committee Room 1 - Wallasey Town Hall

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AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

2. MINUTES (Pages 1 - 8)

To approve the accuracy of the minutes of the meeting held on 17 February 2016.

**3. INTERNAL AUDIT UPDATE
(Pages 9 - 24)**

**4. INTERNAL AUDIT PLAN 2016/17
(Pages 25 - 38)**

**5. MANAGEMENT OF INSURANCE AND CORPORATE RISK
(Pages 39 - 44)**

**6. ANNUAL GOVERNANCE STATEMENT
(Pages 45 - 52)**

**7. EXTERNAL AUDITOR REPORT - MERSEY PENSION FUND AUDIT
PLAN
(Pages 53 - 68)**

8. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 1)

9. 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.

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 17 February 2016

Present: Councillor J Crabtree (Chair)

Councillors RL Abbey D Elderton
C Blakeley P Gilchrist
A Davies M Patrick

Deputies: Councillors J Salter (In place of P Doughty)
L Fraser (In place of J Hale)

41 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.

42 MINUTES

With reference to Minute 33, Councillor Blakeley requested of the Chair that urgent consideration be given to a matter that had been brought to his attention. Given the nature of the subject, he further requested that the matter be considered under Part 2, following exclusion of the press and public.

The Chair agreed to Councillor Blakely's request for the urgent business item under Part 2 (exempt items) following completion of the Committee's regular scheduled business.

Resolved – That the minutes of the meeting held on 24 November 2015, be approved.

43 INTERNAL AUDIT UPDATE

The Head of Financial Services introduced the report of the Chief Internal Auditor that identified and evaluated the performance of the Internal Audit Service and included details of any issues arising from the actual work undertaken during the period 1 November to 20 January 2016. The Head of Financial Services informed of three items to note concerning audit work undertaken as identified at Section 3.2 of the report, namely:

- Merseyside Pension Fund: Contract Procedure Rules - undertaken at the request of the Strategic Director (Transformation & Resources), of

the procurement of Infrastructure Advisory Services to Merseyside Pension Fund (MPF). The objective of the audit was to determine whether the process undertaken for entering into the current agreement complied with the current Contract Procedure Rules (CPRs). Members noted that a full review of the circumstances and a report outlining the reasons for the non-compliance including steps taken to prevent recurrence would be produced.

- Better Care Fund: As a government scheme which requires Local Authorities to work with their local Clinical Commissioning Group (CCG) to devise, submit and implement plans to work more closely together, the scheme introduced a pooled budget funding regime which also incorporated a reward element, dependent upon the achievement of agreed targets in reducing non-elective hospital admissions. Members noted that it was found that there was significant progress in respect of all the areas identified.
- Edsential: Members noted that Internal Audit had been appointed the provider of internal audit services to Edsential for an initial period of two years, under the buy-back arrangements in place for the company. Significant work had been undertaken to produce an Internal Audit Plan for this period.

Members questioned the Head of Financial Services on the matter of review of ICT Business Continuity by Strategic Directors as contained in the report appendix (page 21 of the Agenda Pack). Members were informed that the officers had taken note of the risks associated (primarily relocation of the data centre and backups) covered by the Chief Information Officer in his update to the Audit and Risk Management Committee in September 2015.

Resolved – That the report be noted.

44 **CORPORATE RISK REGISTER**

The Risk and Insurance Manager 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 also 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 that given that risks associated with the delivery of the Wirral 2020 Plan could differ substantially from those faced previously, a refreshed

set of priorities and a different tactical approach to the delivery of outcomes had been identified.

The Risk and Insurance Manager informed the Audit and Risk Management Committee that a report had been prepared for Strategic Leadership Team (SLT) that covered the output from earlier work, and provided a national perspective on the critical risks facing the local authority sector.

The Risk and Insurance Manager informed the Audit and Risk Management Committee that information as to the controls in place which help to mitigate the risks was being collated. Drawing on the output from the recent risk appetite survey the SLT was also to consider whether additional action was warranted to mitigate the risk further.

The outcome of this process and the revised risk register will be provided to future meetings of this committee.

Resolved – That

- 1) the refreshed set of corporate risks be reported to the Committee; and**
- 2) further reports on the Corporate Risk Register be presented to future meetings of this Committee.**

45 **MANAGEMENT OF INSURANCE AND CORPORATE RISK**

The Risk and Insurance Manager presented the report of the Acting S151 Officer that set out the key actions to be taken in relation to corporate risk and insurance management during 2015-16. He also updated the Committee on progress made since November in relation to key actions planned for 2015-16.

The report informed on two significant areas of activity, namely:

- The provision of advice and support to Members and Officers in the development of the Corporate Risk Management Framework and processes; and
- Risk Financing - incorporating insurance procurement and management of the Council's Insurance Fund and claims management.

The Risk and Insurance Manager provided additional information to the Audit and Risk Management Committee of specific areas of note i.e Risk Appetite and In-house handling of insurance claims up to a figure of £5,000.

Risk Appetite - Members were informed that whereby data had been gathered from members of the Strategic Leadership Team and Cabinet in December by means on an on-line survey. This information was currently being evaluated and is to inform a discussion to be held in the coming weeks aimed at reaching an agreed position on the nature and scale of risks which the Council was prepared to accept in order to deliver the Wirral Plan.

Claims Handling – Members were informed that discussions with existing insurers in relation to in house handling of liability claims had restarted. This had been driven by efforts to reduce expenditure on external claims handling fees but also as a reaction to the changing claims environment. The Risk and Insurance Manager advised that there was an opportunity for the Council to save an estimated £20,000 per year as a result of this change in practice.

A number of questions were asked by Members concerning the separation of functions, and involvement of internal audit in monitoring of payments and the handling of claims. A Member further enquired about why the Members of the Committee had not been involved in the primary on-line survey regarding risk appetite. The Risk and Insurance Manager informed that primary governance decisions on this matter fell to the Cabinet and SLT, although the Audit and Risk Management Committee would receive a response and report in due course.

Resolved – That the report be noted.

46 **INSURANCE FUND BUDGET 2016/2017**

The Risk and Insurance Manager presented the report of the Acting S151 Officer that set out the elements which make up the Insurance Fund, the cost of running the Risk & Insurance Section and the Budget for 2016/17. The report also outlined proposed changes to the corporate insurance programme.

The Audit and Risk Management Committee were informed that under the provisions of the Local Government and Housing Act 1989 Local Authorities were allowed to set aside financial provisions to cover self-insured losses. Members noted that by 'self-insuring' an Authority avoided paying insurers' administration profit margins and Insurance Premium Tax on predictable levels of claims.

The Risk and Insurance Manager further informed that in addition to the three main classes of insurance the Authority also procured external insurance for a number of smaller risks. As part of efforts to maximise the value from the Council's expenditure on its insurance programme, officers had considered the range of risks to be insured and whether it was more appropriate to self-insure. The following changes were proposed and had been incorporated into the insurance budget for 2016/17:

- Loss of or damage to Marine craft will now be fully self-insured. Only cover for Marine liability will be purchased from an external insurer.
- Cover for loss or theft of Money will now also be entirely self-insured.
- Cover for Personal Accident will be reduced to assaults on Council staff and Members. (Incidents for which the Council has a liability will continue to be covered by the Employers Liability insurance policy).
- The existing Fidelity Guarantee policy will be replaced with a Crime policy. In addition to the employee dishonesty risk covered by Fidelity Guarantee insurance a Crime policy would cover third party computer and funds transfer fraud, invoice fraud and cheque or credit card forgery albeit with an increased deductible.

As a result Members noted that the Budget for 2016/17 was £95,000 less than the agreed Budget for 2015/16 (not including the additional £20,000 saving identified through the self-handling of claims as referred to in Minute 45).

Resolved - That the Insurance Fund Budget 2016/17 be agreed.

47 **EXTERNAL AUDIT - COMMITTEE UPDATE**

Mr Robin Baker, Engagement Lead Grant Thornton UK LLP presented his report that provided the Audit and Risk Management Committee with an update on progress in delivery of the external auditor's responsibilities. His report also included:

- a summary of emerging national issues and developments of relevance to the Committee; and
- a number of challenge questions in respect of the emerging issues.

Mr Baker informed that in respect of the 2015/16 Accounts Audit Plan that an interim stage had been reached, assessing controls and processes and that all was on track to provide an opinion on the Council's 2015/16 financial statements.

The Committee was advised of specific areas highlighted in the report, namely:

- The Highways Network Asset;
- Better Care Fund; and
- Value for Money

Members noted the information and recommended 'challenge questions' as contained in the report, and received additional advice from Mr Baker and the Head of Financial Services on the subject of appointing of independent

members to Audit Panels arising from the Local Audit and Accountability Act 2014 whereby 'relevant authorities' are able to appoint their own local auditors via the Panel. Members noted that this matter would require attention and completion within the next 12-18 months.

Mr Baker reported that a detailed Audit Plan would be presented to the Committee at its next meeting.

Resolved – That the report be noted.

48 **EXTERNAL AUDIT - GRANTS CERTIFICATION LETTER**

Mr Robin Baker, Engagement Lead Grant Thornton UK LLP presented the summary letter for Grants Certification work undertaken for Wirral Council.

The Committee was informed that the external auditor was required to certify certain claims and returns submitted by the Council, typically six to nine months after the claim period.

Members noted that the external auditor had certified one claim and return under Public Sector Audit Appointments (PSAA) arrangements for the financial year 2014/15 relating to the expenditure of £139.8 million. Mr Baker informed that the external auditor was satisfied with the arrangements the Council had in place for this most high value and complex claim – although further appropriate actions to secure improvement in performance should be implemented. It was noted that the qualification was not out of line with other local authorities, and had recorded improvement compared to previous years.

The Grants Certification Letter summarised that the indicative scale fee for certification work as set by the Audit Commission for 2014/15 (Wirral Council) was £31,800.

Resolved – That the report be noted.

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

The Group Solicitor introduced the report of the Head of Legal and Member Services that presented a summary of the use of covert surveillance by the Council, to detect evidence of criminal behaviour, between 1 September 2015 and 31 January 2016.

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 26 August and 15 December 2015 magistrates had approved authorisations to use covert surveillance to detect suspected flytipping on 3 sites in Wirral.

Members were further informed that similar offences had been detected by means of prior covert surveillance, and that on 22 October 2015 and 26 August 2015 members of the public had pleaded guilty to offences relating to unlawful flytipping in Buccleuch Street, Birkenhead and Brimstage Lane, Brimstage respectively and had been sentenced and fined accordingly.

A further 3 cases considered by magistrates on 28 August, 4 November and 24 October had resulted in cautions (with costs) having been administered to members of the public who had illegally deposited household waste in Ditton Lane, Moreton and garden waste in Noctorum Lane, Bidston.

Resolved – That the report be noted.

50 **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

Resolved – 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 item of business, on the grounds that they involve the likely disclosure of exempt information as defined by paragraph 7 of Part 1 of Schedule 12A (as amended) to that Act - information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

The public interest test had been applied and favoured exclusion.

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

Having agreed to a request for the urgent business item under Part 2 (exempt items) following completion of the Committee's regular scheduled business, the Chair invited Councillor Blakeley to inform the Committee on his concerns over a specific matter.

Councillor Blakeley and other Members asked questions of Officers regarding the current status of a specific internal audit investigation.

Resolved – That

- 1) the Chief Executive and Chief Internal Auditor be requested to provide a full break down of internal audits that have taken place in the previous two years that the Committee had not received, with an explanations as to why;**
- 2) the Committee be provided with a full explanation as to its purpose, what reports it receives and what reports it does not; and**

- 3) requests an assurance from the Chief Executive that, in support of the Council's no tolerance policy regarding fraud, a full prosecution is pursued for anyone caught defrauding Wirral Council.

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

15 MARCH 2016

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

REPORT SUMMARY

This report identifies and evaluates the performance of the Internal Audit Service and includes details of any issues arising from the actual work undertaken during the period 21st January to 20th February 2016. For this very short reporting period there are only two 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 3.2.

RECOMMENDATION

Members note the report.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 To provide the Members with assurance that the Council is taking appropriate measures to ensure that the control environment is effective and to comply with statutory requirements to provide an adequate and effective internal audit service.
- 1.2 To ensure that risks to the Council are managed effectively.
- 1.3 To ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND AND AUDIT OUTPUT

- 3.1. 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 21st January to 20th February 2016.

3.2. Items of Note

3.2.a Performance Management and Planning

An audit has been conducted of the corporate Performance Management and Planning 2015/16 system. Over recent years the structure, personnel and reporting lines of the Performance Management team has changed on a number of occasions. Further changes were made during 2015/16 with responsibility for corporate business planning and performance management officially transferring on 1 June 2015 to the new Policy, Performance and Scrutiny team. Hence the new team inherited the procedures and arrangements that have been in place during 2015/16. It should also be noted that during the year a major focus for the new team has been helping to develop the performance management framework for the "Wirral Plan: a 2020 vision".

The objective of the audit was to provide assurance that there is an effective performance management and planning system in operation across the

Council. This included reviewing the risks relating to: 2014/15 close-down, year-end reporting, and lessons learned; 2015/16 planning, target setting, monitoring and reporting, dissemination of information through the Council intranet/website; and implementation of the recommendations included in the previous Internal Audit Report of October 2014.

The overall opinion for the audit was that there is a moderate risk presented to the Council by the risks identified in the review. The audit resulted in five recommendations, one of high priority and four of medium priority. The high priority recommendation related to the need for performance management data/information to be robust, so as to provide a sound foundation for decision making and the successful delivery of aims and objectives. The medium priority recommendations related to: the existence and dissemination of robust performance management guidance/procedures; transparency on the setting of tolerances relating to performance indicators; target-setting for performance indicators; and selection of appropriate indicators for measuring performance.

There has been a very positive response to the audit, with a detailed Action Plan having been completed detailing the actions underway to address the areas identified, this being encapsulated within the arrangements being put in place for 2016/17.

3.2.b. Floral Pavilion

During the period Internal Audit were requested by senior management to appraise the existing income and stock management control systems in operation at the Floral Pavilion. Work is currently ongoing, however a number of potential issues have emerged regarding access to specific till operations, bar supervision and reviews of bar takings. Upon conclusion of the work a detailed report will be produced for management that will include recommendations that will enhance the control environment concerning bars and stock controls. The outcome of this work will as usual be included in routine update reports to members of this Committee and include identification of actions taken to address issues identified.

3.3 Outstanding Audit Recommendations

- 3.3.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.
- 3.3.b Where items are addressed by officers those entries will be removed from the report on a rolling basis.
- 3.3.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 were the subject of a separate report to this Committee in September 2015 by the Chief Information Officer outlining actions being taken to improve and develop existing arrangements and providing Members with necessary assurances that

appropriate actions were being taken by officers to address risks in these areas.

3.4 Internal Audit Performance Indicators

3.4.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 2015/16.	85	84
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms for the reporting period indicating satisfaction with the Internal Audit service. (Number of forms returned for the period indicated in brackets)	90	100 (8)
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	99

3.4.b There are currently no significant issues arising.

3.5 Internal Audit Developments

3.5.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 a new Quality Assurance and Improvement Programme (approved by ARMC – September 2015);
- Development and implementation of a more streamlined and dynamic planning process for 2016/17 to allow for the ongoing in-year inclusion of emerging organisational change risks ;
- Collaborative counter fraud exercises across Mersey region;
- Successful regional Counter Fraud Publicity Campaign (16th November 2015);

- 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 (PSIAS) self-assessment exercise;
- Completion of the first pilot PSIAS quality assurance peer review at Blackburn with Darwin Council by Wirral's Chief Internal Auditor;
- Development of an audit process for providing services to trading companies and similar organisations.

4.0 FINANCIAL

4.1 There are none arising from this report.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS

6.1 There is none arising from this report.

7.0 RELEVANT RISKS

7.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.

7.2 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.

8.0 ENGAGEMENT/CONSULTATION

8.1 Members of this Committee are consulted throughout the process of delivering the Internal Audit Plan and the content of this regular routine report.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising from this report.

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APPENDICES

Appendix 1: Audit Recommendations Status Report

REFERENCE MATERIAL

Internal Audit Plan 2015/16

SUBJECT HISTORY (last 3 years)

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

**INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS
PERIOD: 01 APRIL 2014 TO 26 FEBRUARY 2016**

<u>Summary</u>	Total	R	A
1. Completed Audits	23	0	23
2. Follow Up Audits Completed	12	0	12
3. Advice And Guidance / Consultancy	2	0	2

INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS

PERIOD: 01 APRIL 2014 TO 26 FEBRUARY 2016

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
Community Patrol 27/01/2015	Regeneration & 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	Apr 16	Recommendations agreed with Head of Regeneration. Follow up rescheduled due to staff consultation on future restructuring of the service.	A
Risk Management 28/01/2015	Transformation & Resources (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	Mar 16	So as to utilise resources effectively - the follow up audit is underway being incorporated within the annual full audit review (it is anticipated this will be completed and reported in Feb/Mar 2016). Input was given to a Risk Management Benchmarking exercise earlier in the year which provided an opportunity to gauge developments in this area.	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	Apr 16	So as to utilise resources effectively - the follow up audit will be undertaken during March /April 2016 being incorporated within the Annual Governance Statement (2015/16) Review. Updates regarding the issues highlighted within the report have been provided to the Corporate Governance Group. These have indicated that steps are being taken and progressed. A short term culture action plan has been agreed by SLT - focussing on key activities that can be delivered by April 2016 (with a longer term action plan to be developed to support the implementation of a new operating model).	A
Direct Payments 26/06/2015	Families & Wellbeing (F&W) [DASS]	Major	Ensure clear policies and procedures are in place, up-to-date and adhered to in practice, specifically regarding - when and who is responsible for conducting, reporting and acting upon the reviews/assessments required as part of the direct payments process; - the robustness of contract monitoring. - ensuring individual Direct Payment contracts are signed appropriately. - the robustness information is entered in the Liquidlogic system.	5 (1)	October 2015 Strategic Director Families and Wellbeing	Mar 16	The recommendations have been accepted and implementation is being progressed. The follow-up audit review is underway and it is anticipated it will be completed and reported in March 2016.	A
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	Feb 16	The recommendations have been accepted. The Follow up audit was rescheduled to February 2016 at the request of the Monitoring Officer. A response is currently awaited from the Monitoring Officer in order to determine the progress in implementing the recommendations.	A
NDR Reliefs and Exemptions 08/09/2015	T&R [Transaction Centre]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	March 2016 Strategic Director Transformation and Resources	Mar 16	The recommendations have been accepted and implementation is being progressed.	A
Corporate Governance - Legal and Member Services 24/09/2015	T&R [Legal and Member Services]	Moderate	Two medium priority recommendations were made, which relate to the completion of actions agreed previously. Work is in progress and it is expected that these items will be completed in a timely manner.	2 (0)	December 2015 Strategic Director Transformation and Resources	Apr 16	Two recommendations were accepted and implementation is being progressed.	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
Official Form Declarations (Internal) 30/09/2015	T&R [Human Resources & OD]	Minor	One recommendation was made which does not present a significant risk to the organisation.	1 (0)	January 2016 Strategic Director Transformation and Resources	Jun 16	The recommendation has been accepted with implementation expected over the next 12 months as part of the upgrading of HR policies and procedures. Progress will be sought during March 2016 with a full follow up audit undertaken in June 2016.	A
MPF Pensions Payroll 16/10/2015	T&R [Merseyside Pension Fund]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	February 2016 Strategic Director Transformation and Resources	Mar 16	The recommendations were accepted and implementation is being progressed.	A
Sport and Recreation (Leisure Centres) - Income 26/10/2015	F&W [Sport & Recreation]	Major	The high priority recommendations relate to the need to ensure: - All fees and charges have been approved and are being applied consistently across leisure centres. - Procedures (including clearly defined roles and responsibilities) in relation to the recording, reconciling and banking of income must be documented and adhered to in practice. - the process for monitoring eligibility for the "Invigor8 Corporate" and the "Invigor8 Teen" memberships are robust. - A robust process is in place to monitor income from vending machines.	12 (5)	April 2016 Strategic Director Families and Wellbeing	Apr 16	The recommendations have been accepted and implementation is being progressed. The action plan (highlighting the plan for implementation; expected implementation date; and name of responsible officer) has already been completed.	A
Management of Leavers 24/11/2015	T&R [Human Resources & OD]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	March 2016 Strategic Director Transformation and Resources	Mar 16	The recommendations have been accepted.	A
Wirral Evolutions Day Services 18/11/2015	F&W [Wirral Evolutions]	Moderate	Six recommendations regarding enhanced financial control and consistency of financial practice, high level issue regarding consistency of approach and dealings with voluntary funds.	6 (1)	March 2016 Senior Manager - Delivery	Mar 16	The recommendations have been accepted.	A
Officers' Expenses 26/11/2015	R&E [Directorate-wide]	Minor	Five recommendations were made which do not present a significant risk to the organisation.	5 (0)	TBC Assistant Chief Executive	Mar 16	Final report issued, awaiting return of action plan.	A
WASBT 27/11/2015	T&R [Corporate & Community Safety]	Minor	One recommendation was made which does not present a significant risk to the organisation.	1 (0)	March 2016 Strategic Director Transformation and Resources	Apr 16	The recommendation has been accepted.	A
Transaction Centre - Petty Cash Operation 30/11/2015	T&R [Business Processes]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	January 2016 Strategic Director Transformation and Resources	Mar 16	The recommendations have been accepted.	A
MPF Investment Contracts 30/11/2015	T&R [Merseyside Pension Fund]	Major	One high priority recommendation in respect to the required actions following an identified breach of the CPRs. i.e. The Head of the Pension Fund should; - Consider whether the failure to comply with the CPRs is a breach of the Officer Code of Conduct. - Compile a report outlining the reasons for the non-compliance and the steps taken to prevent recurrence.	1 (1)	January 2016 Strategic Director Transformation and Resources	Apr 16	The recommendation has been accepted and the agreed actions are currently being undertaken. The follow-up audit will be scheduled on completion of the internal investigation into the officer's conduct. Internal Audit are also undertaking additional assurance work across all contracts let by MPF to ensure this is an isolated case and not indicative of a larger problem.	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
Gifts, Hospitality and Conflicts of Interest 18/12/2015	Neighbourhoods & Engagement [Directorate-wide]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	April 2016 Strategic Director Transformation and Resources	Apr 16	The recommendations have been accepted.	A
Capital Investment Programme 23/12/2015	T&R [Financial Services]	Minor	Three recommendations were made which do not present a significant risk to the organisation.	3 (0)	April 2016 Strategic Director Transformation and Resources	Apr 16	The recommendations have been accepted.	A
MFP-Member Records LGPS Annual Return 19/01/2016	T&R [MPF]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	May 2016 Strategic Director Transformation and Resources	Jun 16	The recommendations have been accepted.	A
Accounts Payable 22/01/2016	T&R [Transaction Centre]	Moderate	Two high priority recommendations regarding a review of user access, and review of invoices for legal services which may have resulted in a payment being made more than once.	5 (2)	May 2016 Strategic Director Transformation and Resources	May 16	The recommendations were accepted and implementation is being progressed.	A
Patch Management 24/02/2016	T&R [Resources]	Minor	Four high risk recommendations relating to implementing an approved patching policy, including the patching methodology and management information, and ensuring patches applied as appropriate in the DMZ.	7 (4)	TBC Strategic Director Transformation and Resources	Jul 16		A
Treasury Management 24/02/2016	T&R [Resources]	Minor	Four low priority recommendations have been made which do not present a significant risk to the organisation.	4 (0)	TBC Strategic Director Transformation and Resources	Jun 16	Report issued, awaiting response	A
Performance Management and Planning 2015/16 24/02/2016	T&R [Strategy, Policy and Performance]	Moderate	The high priority recommendation relates to the need for robust performance management data/information as it will be imperative to the decision making that will drive the successful delivery of aims and objectives. As such, it must be ensured that officers across the organisation who are designated to calculate and review performance data/information fully understand and fulfil their roles accordingly, and have received appropriate training.	5 (1)	June 2016 Strategic Director Transformation and Resources	Jul 16	The recommendations have been accepted and progress is already being made with implementation. It should be noted that responsibility for corporate business planning and performance management officially transferred on 1 June 2015 to the new Policy, Performance and Scrutiny team. Since this date a major focus for the new team has been helping to develop the performance management framework for the "Wirral Plan: a 2020 vision". As such implementation of the recommendations will be encapsulated within the arrangements being put in place for 2016/17.	A

INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS

PERIOD: 01 APRIL 2014 TO 26 FEBRUARY 2016

2. Follow Up Audits Completed - RED or AMBER flag

Audit / Follow-Up Date / Original Report date	Directorate [Service]	Organisational Risk	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	Transformation & Resources (T&R) [Corporate Procurement]	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	Apr 16	Follow up audit reviews have been conducted during 2014/15 and 2015/16. It was found that progress had 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. Procurement arrangements across the Council are being reviewed and updated Contract Procedure Rules will be effective from April 2016. As such, the outstanding recommendations will be reviewed as part of audit work to be conducted during 2016/17.	A
Procurement of Commissioned Care (Domiciliary Care and Reablement Services) 26/08/2015 Aug 2014	Families & Wellbeing (F&W) [DASS]	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	Apr 16	A follow-up audit review was conducted during 2015/16. It was found that 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. Where applicable, assurances have been provided to confirm that lessons have been learned that will benefit future procurement exercises. The outstanding recommendations will be reviewed as part of audit work to be conducted during 2016/17.	A
Resource Link – Access Controls 04/09/2015 Oct 2014	T&R [Human Resources and OD]	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	Mar 16	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 Q4.	A
Mobile Phone Security 04/09/2015 Nov 2014	T&R [Resources]	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	Mar 16	The Chief Information Officer attended ARMC in September 2015 to update Members.	A
ICT Business Continuity 04/09/2015 Dec 2014	Universal & Infrastructure / Authority-Wide	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	Mar 16	The Chief Information Officer attended ARMC in September 2015 to update Members.	A

Audit / Follow-Up Date / Original Report date	Directorate [Service]	Organisational Risk	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	T&R [Resources]	No opinion required at the time the audit was carried out.	Original audit resulted in 6 high and 1 medium priority recommendations.	7 (6)	December 2015 Strategic Director Transformation and Resources	Mar 16	The Chief Information Officer attended ARMC in September 2015 to update Members.	A
			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.						
Payment Card Industry - Data Security Standard 04/09/2015 July 2014	Authority-Wide	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:	3 (1)	December 2015 Strategic Director Transformation and Resources	Mar 16	The Chief Information Officer attended ARMC in September 2015 to update Members.	A
			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).					
Data Loss Prevention 04/09/2015 Oct 2014	Authority-Wide	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	Mar 16	The Chief Information Officer attended ARMC in September 2015 to update Members.	A
IT Services Disaster Recovery 04/09/2015 Jan 2015	T&R [Resources]	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	Mar 16	The implementation of the recommendations will continue to be assessed by Internal Audit. The Chief Information Officer attended ARMC in September 2015 to update Members.	A
Grievances 15/10/2015 Oct 2015	T&R [Human Resources and OD]	Minor	Two recommendations were made which did not present a significant risk to the organisation.	2 (0)	March 2016 Strategic Director Transformation and Resources	Mar 16	One recommendation has been implemented and one recommendation partially implemented with full implementation expected by March 2016 on completion of the training programme for Dignity at Work, Grievances and Whistleblowing	A

Audit / Follow-Up Date / Original Report date	Directorate [Service]	Organisational Risk	Areas for Development / Improvement and comments	Original Total Recs (H)	Timescale / Strategic Director	Further Follow Up Scheduled	Outcome	RAG Status
Foster Care 15/02/2016 Oct 2015	F&W [CYPD]	Moderate	In order to ensure the secure sharing of information , the requirements of the service should be determined and appropriate measures put in place, including the agreement of information sharing protocols and staff/foster carer awareness via training.	15 (2)	January 2016 Strategic Director Families and Wellbeing	N/A	Follow up carried out in two parts: 1) regarding the security of information - 8 recommendations - no response (to emails sent 04/02/2016 and 23/02/2016) from Senior Manager Children's Resources and Specialist Services 2) regarding internal processes in the Fostering Services team - 7 recommendations - the Fostering Services Team Leader has implemented 3 recommendations and 4 recommendations in progress, and has been asked to keep Internal Audit updated of progress in implementing the remaining recommendations fully.	A
Transport Unit 25/02/2016 Aug 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)	February 2016 Strategic Director Transformation and Resources Head of Branch - Planning and Resources	May 16	Two recommendations remain partially implemented	A

INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS

PERIOD: 01 APRIL 2014 TO 26 FEBRUARY 2016

3. Advice And Guidance / Consultancy - RED or AMBER flag

Audit Area / Date	Directorate [Service]	Internal Audit input / improvement activity	Outcome and timescale (if appropriate)	RAG Status
Organisational Change 03/09/2015	Authority-Wide	Confirmation that the Council is making clear progress in its readiness to deal with ongoing and future changes whether via legislation, policy and service commitment or financial availability, and to provide ideas and comments around policy and processes to assist in ensuring the organisation is in a position to continually manage and deliver change effectively.	Evidence exists that the Council is moving into a position of improved responsiveness to the risks, challenges and opportunities presented by organisational change. 12 Issues For Consideration have been presented and reported to Strategic Management and where appropriate to local needs and conditions action will be taken to ensure the organisation remains effective in dealing with ongoing and future change in a positive and efficient manner.	A
Library IT system 14/01/2016	Transformation & Resources (T&R) [Business Processes] and [Resources]	Review of current provision of Library IT system, and proposals for improvement.	Feedback provided to the Strategic Director Transformation and Resources, with initial actions to be considered by the Chief Information Officer. Further work will be carried out in March 2016	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.

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

15 MARCH 2016

SUBJECT:	INTERNAL AUDIT PLAN 2016-17
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
KEY DECISION ? <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i>	NO

REPORT SUMMARY

The report identifies the Internal Audit Plan of work for 2016/17.

Work scheduled for completion has been included to reflect the findings of the extensive planning exercise recently undertaken to ensure the ongoing relevance of risks previously identified, as well as the inclusion of any risks to the organisation that have recently emerged, or are likely to emerge in the near future.

The updated plan has been presented to the Senior Leadership Team and approved for implementation.

RECOMMENDATION

That in accordance with the terms of reference for the Audit and Risk Management Committee, Members should endorse the work proposed for in the Strategic Internal Audit Plan.

SUPPORTING INFORMATION

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

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

The standards set out the requirement for a risk based internal audit plan. This report identifies the Annual Internal Audit Plan for 2016/17.

REASON FOR RECOMMENDATION

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.

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

OTHER OPTIONS CONSIDERED

No other options considered.

FINANCIAL

There are none arising from this report.

LEGAL IMPLICATIONS

There are none arising from this report.

RESOURCE IMPLICATIONS

There is none arising from this report.

RELEVANT RISKS

Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.

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.

ENGAGEMENT/CONSULTATION

Members of this Committee are consulted throughout the process of delivering the Internal Audit Plan and the content of this regular routine report.

EQUALITY IMPLICATIONS

There are none arising from this report.

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

APPENDICES

Appendix 1: Internal Audit Plan 2016/17

REFERENCE MATERIAL

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

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Annual report presented to March meeting of this Committee.

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WIRRAL COUNCIL

INTERNAL AUDIT SERVICE

INTERNAL AUDIT PLAN

2016 - 2017

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

1. PURPOSE

1.1. This document provides details of the Internal Audit Plan for 2016-17.

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

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

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

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

1.4. Internal Audit also seeks to assist Wirral Council in achieving its key priorities. Internal Audit contributes to these aims by helping to promote a secure and robust internal control environment which enables a focus to be maintained on these key priorities. This is more important to the Council than ever as it attempts to address the many significant issues and challenges facing both the organisation and the public sector in this time of great change.

During any period of transformation or change organisations require strong internal audit functions that are able to operate in a much wider and more strategic way, assisting the organisation by helping it to put in place and maintain an efficient and effective control and governance environment.

2. INTERNAL AUDIT PLAN

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

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

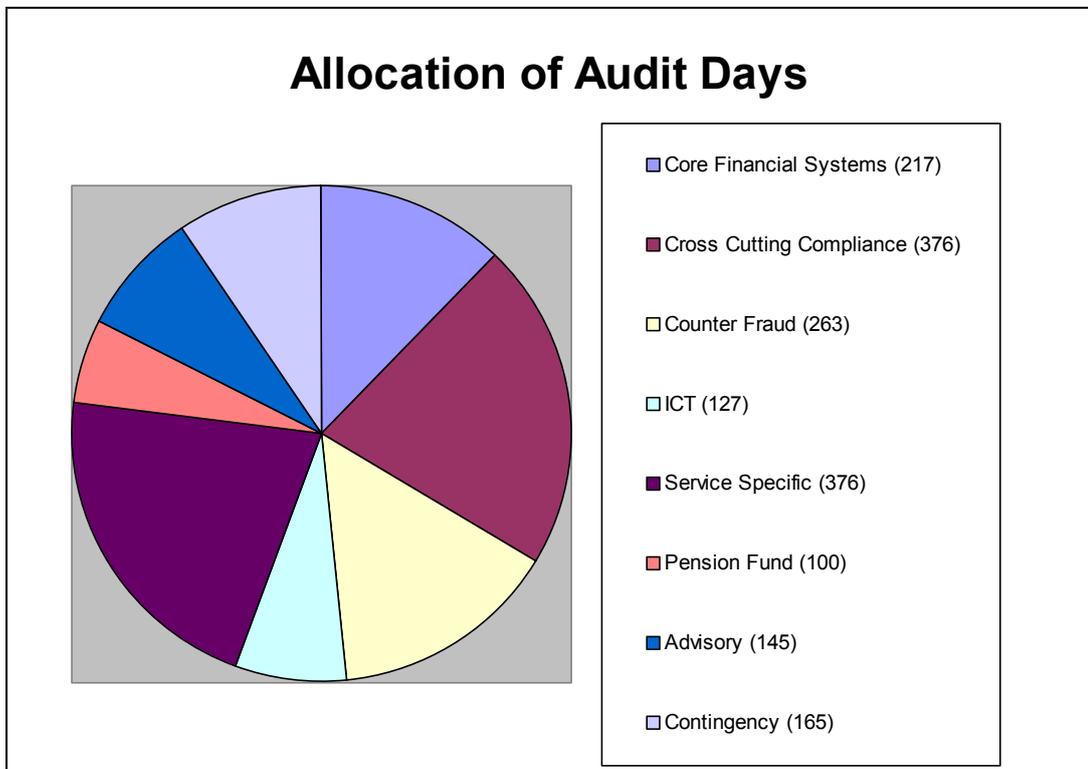
2.2. The allocation of audit days is summarised below. Audit days identified for 2016/17 has been adjusted to reflect the establishment resource available at this time. This resource should be sufficient to enable delivery across all areas of the plan and provide the required annual audit assurance opinion. Comparative data obtained from other similarly sized public sector internal audit providers indicates that Wirral IA Services currently provide a very efficient and affordable service.

Audit	2016/17 Audit Days
Total Core Financial Systems	217
Total Cross Cutting Compliance	376
Total Service Specific	376
Total Pension Fund	100
Total ICT	127
Total Counter Fraud	263
Total Advisory	145
Total Contingency	165
Total Audit Days	1769

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

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

2.4. The split of audit days for 2016/17 is shown in diagrammatic form below.



- 2.5. An approach has been taken to ensure that Internal Audit takes a wider more strategic view of risk and to ensure audit effort is utilised as efficiently and effectively as possible to mitigate risk in a rapidly changing work environment. The audit plan is designed to inform that process providing relevant assurance opinions on systems either in place or developing and providing direction assessments regarding actions required to implement the necessary changes, efficiencies and improvements required.
- 2.6. The table below shows the audit days allocated against each audit area. It also notes a brief overview of the assurance that will be sought through work conducted. It is not possible or sensible to identify the exact scope of each piece of work at this moment in time due to the highly volatile nature of service delivery across the public sector. The plan has consequently been designed to ensure that it remains dynamic and flexible, allowing risks emerging as a result to be incorporated into work plans as they materialise.
- 2.7. There are a number of major changes taking place across the organisation that will come into force during the period of this audit plan such as the remodelling and transformation of services that the Council provides and the way in which those services are delivered. These changes have been a significant consideration in the preparation of the audit plan and will continue to have a major ongoing impact on its delivery on account of the impact that these changes will have on the structure, culture, operational and control risk environment of the organisation.
- 2.8. As a result of these ongoing changes the audit plan will continue to be constantly revisited during the year and any necessary adjustments made to reflect the changing environment. Chief Officers, senior managers and Members will all have a role to play in this and it is my intention to ensure that regular scheduled meetings take place to discuss these developments, any emerging risks identified as a result of this and any required changes to the plan resulting.

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

Audit	Overview of Assurance	2016/17 Audit Area
Core Financial Systems		
Accounts Receivable	Full system and compliance audits to provide assurance over the effectiveness of the Council's core financial systems. Detailed testing to evaluate compliance, challenge and effective reporting.	X
Accounts Payable		X
Income / Banking		X
Revenues		X
Budget Control		X
Payroll		X
Benefits		X
General Ledger		X
Financial Management		X
Capital		
Total Core Financial Systems		217
Cross Cutting Compliance Audits		
Risk Management	Review corporate and directorate arrangements for risk management including the extent to which corporate risk management policy is consistently applied.	X
Organisational Change and Commercialism.	Targeted assessments and evaluation of the effectiveness of the control environment in key areas to mitigate the risk of potential large scale workforce change including evaluation of identification and achievement of key targets. Ongoing input into the organisational transformation and reorganisation of the Council including assessment and evaluation of commercial appetite and implementation.	X
AGS	Undertake work to support and assist in the preparation of the Annual Governance Statement.	X
Social Care Transformation	Input to developing systems and evaluation/assessment of arrangements to achieve agreed objectives.	X
Financial Savings Delivery	Evaluation and assessment of achievement of agreed targets.	X

Audit	Overview of Assurance	2016/17 Audit
Contracts	Targeted assessments and reviews to provide assurance over the effectiveness of governance and controls in operation including compliance.	X
Performance Management and Planning	Review of corporate, directorate and management arrangements including governance and reporting.	X
Edsential	Provision of internal audit services across organisational risk profile.	X
Evolutions	Input to developing arrangements across all governance and control systems.	X
Constitution	To provide assurance that corporate decision making processes and procedures in operation are efficient and effective, open and transparent and consistently applied.	X
Strategic Commissioning and Procurement	To provide support and guidance into any developments in this area. Providing assurance on corporate procurement strategies and policies and their operation across the Council, covering works, services, and supplies.	X
Public Health Contracts	Review of commissioning of major public health contracts including dissemination of any lessons learnt.	X
Tendering Management	To gain assurance that corporate process is effective and complied with by officers by reviewing and evaluating arrangements.	X
Asset Management	To gain assurance that appropriate 'developed' arrangements are in place to ensure the usage of Council assets is monitored and optimised.	X
CREES	Annual mandatory review of Carbon Reduction evidence submitted to Environment Agency for accuracy and completeness and compliance with legislation.	X
Grants	Time allocation for grant certification work.	X
Partnerships	Review of arrangements in place for delivery of partnerships element of Wirral Plan	X
Organisational Culture	To gain assurance on effectiveness of Cultural Change including management framework and performance appraisal.	X
Total Cross Cutting Audits		376

Audit	Overview of Assurance	2016/17 Audit
Schools	Individual School audits utilising successfully developed self-assessment programme and ongoing support and guidance on effective control environments provided on a risk basis.	X
Direct Payments	Assessment and evaluation of effectiveness of control and governance arrangements.	X
Intensive Families Intervention Programme (IFIP)	Review of controls in operation to ensure that IFIP grant requirements are achieved.	X
DASS		
Residential Care	To gain assurance that the systems in place for monitoring payments and quality of service provision are operating effectively.	X
Direct Payments	Assessment and evaluation of effectiveness of control and governance arrangements.	X
Procurement of Commissioned Care	To gain assurance regarding control over systems for procurement of care from private and voluntary sectors evaluating controls for effectiveness.	X
Local Authority Companies	Evaluation and review to provide assurance over the efficiency and effectiveness of developed systems.	X
Care Act	Ongoing assessment of readiness of organisation for implementation of new legislation.	X
Regeneration / Environment		
Highways Maintenance	Ongoing review and monitoring of effectiveness of controls in operation over management of contract and service provision.	X
Trading Standards	To gain assurance that controls in operation are effective, manage risks and ensure legislative compliance.	X
Community Safety Partnership	Evaluation and review to provide assurance over the effectiveness of governance and controls in operation.	X
Refuse Collection	Evaluation and review to provide assurance over the effectiveness of controls in operation.	X
Resources		
Transaction Centre	Assurance on effectiveness of systems of governance and control.	X
Transformation		
HR Policies	Evaluation and review to provide assurance over the effectiveness of and compliance with key corporate policies and procedures including Whistleblowing and Absence.	X

Audit	Overview of Assurance	2016/17 Audit
Scrutiny	Assessment, evaluation and review to provide assurance over the effectiveness of systems controls and governance arrangements in operation.	X
Licensing	Assessment, evaluation and review to provide assurance over the effectiveness of systems controls and governance arrangements in operation.	X
Case Management	Evaluation and review to provide assurance over the effectiveness of controls in operation.	X
Total Service Specific		376
	Pension Fund	
MPF Systems	Review of identified key systems to evaluate effectiveness of controls in operation and assurance provided to stakeholders.	X
Total Pension Fund		100
	ICT	
Information Assurance	Assessment of the developing corporate arrangements for the management of information and compliance with relevant legislation and best practice	X
ICT Transformation	Assurance that corporate arrangements are fit for purpose and being complied with effectively.	X
ICT Applications	To provide assurance that controls are in place to ensure the confidentiality, integrity and availability of key ICT applications.	X
ICT Infrastructure	Assurance that controls put in place to manage and mitigate risks presented as a result of remodelling and change processes are adequate including input to developing ICT systems, whether in-house or procured.	X
Cyber Security	Assessment of effectiveness of arrangements in operation to mitigate risks.	X
Total ICT		127

Audit	Overview of Assurance	2016/17 Audit
	Counter Fraud	
Counter Fraud Strategies, Policies and Awareness Training	Update of internal fraud policies and evaluation of awareness and compliance across the Council and continued delivery of awareness training for all employees.	X
Mersey Regional Fraud Group	Chair group, ensuring regional strategy and collaborative working developed to promulgate joined up best practice across the region.	X
National Fraud Initiative	To identify possible cases of fraud from data provided through NFI and ensure that corrective action is taken in respect of any identified under/overpayment.	X
Fraud - Reactive	Investigation of serious financial allegations/referrals to Internal Audit	X
Fraud – Proactive	Risk based proactive work to prevent and detect fraud.	X
Total Counter Fraud		263
	Advisory	
Audit Queries	Time allocation for specific queries that arise from departments that require audit services.	X
Corporate Working Groups	Time allocation to contribute to Audit Working Groups	X
National/Regional Working Groups	Time allocation to contribute to Audit Working Groups	X
Total Advisory	Including Control Awareness training.	145
Contingency	Time allocation to allow for new emerging risks and unplanned work for example large investigations.	165
Total Audit Days		1769



**Audit and Risk Management Committee
Tuesday, 15 March 2016**

REPORT TITLE:	Management of Insurance and Corporate Risk
REPORT OF:	Head of Financial Services

REPORT SUMMARY

This report sets out the key actions to be taken in relation to corporate risk and insurance management during 2016/17 and highlights any key decisions which will need to be made. Recent progress made in relation to key actions planned for the current year is also included.

RECOMMENDATION/S

That the content of this report be noted.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

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.

2.0 OTHER OPTIONS CONSIDERED

Not relevant in relation to this report.

3.0 BACKGROUND INFORMATION

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

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

3.2 The table below summarises key actions planned between now and the end of 2016/17. It highlights those areas in which Members will have an involvement and what form that will take. Future reports will focus on these issues.

Category	Action	Date	Member Involvement	Comments
Risk financing	Annual renewal of Casualty, Computer, Engineering, Motor and Foster Care policies	Apr 2016	No	The outcome will be reported to Members
Risk financing	Introduction of self-handling of Public Liability claims for property damage	Apr 2016	No	Progress will be reported to Members

Category	Action	Date	Member Involvement	Comments
Risk financing	Decision on possible replacement of Fidelity Guarantee policy with Crime policy	Apr 2016	No	An analysis of the risks and benefits will inform my decision which will be shared with Members.
Risk financing	Procurement of insurance broking services	Jun 2016	No	The procurement will adhere to revised Contract Procedure Rules and the outcome reported to Members.
Risk financing	Insurance Fund Annual Report	Jun 2016	Yes	Members to Consider recommendations on provisions and reserves.
Risk financing	Annual renewal of Property, All Risks, Money and Personal Accident / Business Travel policies	Jun 2016	No	The outcome will be reported to Members
Risk financing	Decision on possible extension of Motor and Engineering insurance contracts	Dec 2016	No	The decision will be taken in line with revised Contract Procedure Rules and reported to Members.
Risk financing	Insurance Fund Budget 2016/17	Jan 2017	Yes	Members to agree Insurance Fund Budget and apportionment between schools and the General Fund
Risk financing	Procurement of Casualty insurance	Mar 2017	No	The procurement will adhere to revised Contract Procedure Rules. The outcome will be reported to Members

Category	Action	Date	Member Involvement	Comments
Risk management	Refresh of Corporate Risk Register	Jun 2016	Yes	Register will be provided in full for consideration of Members
Risk management	Consideration of risk appetite and action plan	Jun 2016	Yes	Cabinet will be involved. Outcome will be reported to Members
Risk management	Introduction of integrated reporting arrangements	Jun 2016	Yes	Improved reports will be provided to Members
Risk management	Revised Corporate Risk Management Policy	Jun 2016	Yes	Policy will be provided for consideration of Members
Risk management	2016 risk management benchmarking	Sep 2016	No	Outcome will be reported to Members

3.3 In addition to day-to-day operations the service is responsible for major procurement exercises and improvement activities. This area of the 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 2015. Progress since my report last month in respect of those actions is summarised in the paragraphs below.

3.3.1 **Introduction of self-handling of Public Liability claims**

Preparations are being made ahead of the Council piloting a project to assume responsibility for Public Liability claims involving property damage. These include the production of revised procedure manuals, claims documentation and processes, audit procedures, staff training, enhanced utility of the claims management system, revised web-site content and service continuity arrangements.

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

Information required by the Council's insurers in order for renewal terms to be produced has been supplied. Proposed terms are currently awaited. Actual premiums are expected to be in line with assumptions made in the production of the corporate insurance budget reported to the previous meeting of this committee.

3.3.3 Refresh of Corporate Risk Register

The Strategic Leadership Team (SLT) has considered a report from the Risk & Insurance Manager on the key areas of risk identified through the interviews with political and executive leaders undertaken in November and December 2015. Work to refine the initial list of risks and develop clear definitions is currently underway. The output from this work will be reported to the next meeting of this committee.

3.3.4 Consideration of Risk Appetite

SLT has discussed the output from the risk appetite survey conducted in December 2015. This indicated that political and executive leaders were prepared to accept significant levels of risk in areas where the potential rewards were also significant. Actions to respond to the findings are being developed and will be considered by SLT in the coming weeks. These will be shared with this committee.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising directly from this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 The adoption of limited self-handling of Liability claims will result in some additional work for the Risk and Insurance team.

7.0 RELEVANT RISKS

7.1 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.

7.2 Operational risks associated with the introduction of self-handling of some Public Liability claims are being addressed through the actions confirmed in paragraph 3.2.1

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report.

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APPENDICES

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	
Corporate Risk & Insurance Management	17 February 2016
Corporate Risk & Insurance Management	24 November 2015
Corporate Risk & Insurance Management	22 September 2015

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

15 MARCH 2016

SUBJECT:	ANNUAL GOVERNANCE STATEMENT
WARD/S AFFECTED:	ALL
REPORT OF:	STRATEGIC DIRECTOR: TRANSFORMATION AND RESOURCES
KEY DECISION? <i>(defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution)</i>	NO

REPORT SUMMARY

This report explains the planned approach for the production of the Council's Annual Governance Statement (AGS) 2015/16. It provides an outline of the work required to prepare the Statement, and sets out indicative timescales.

The report also provides an update on the progress that the Council has made to address the significant governance issues identified in the Annual Governance Statement 2014/15.

RECOMMENDATIONS

It is recommended that this Committee endorses and supports the approach outlined in this report with regards to producing the Annual Governance Statement 2015/16.

It is recommended that this Committee endorses the progress made in addressing the 2014/15 Significant Governance Issues, and gives its support to any remaining actions deemed necessary to strengthen governance arrangements in these areas.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATIONS

- 1.1 The support and endorsement of this Committee is vital in ensuring that the AGS 2014/15 is a robust, accurate document, produced in a timely manner.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND AND KEY ISSUES

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

- 3.2 It is necessary for the Authority to have approved and adopted its own Code of Corporate Governance that complies with the principles of the CIPFA/SOLACE guidance *Delivering Good Governance in Local Government* (2012); and to report in the AGS the extent to which the governance processes outlined in the Code are operating effectively in practice.

- 3.3 The Framework identifies six core principles of good governance:

1. Focusing on the purpose of the Authority and on the outcomes for the community and creating and implementing a vision for the local area.
2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of Members and Officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust accountability.

- 3.4 As a public statement of the Council's governance arrangements, it is vital that the AGS is a robust and accurate reflection of the Council's approach to governance during 2015/16. Therefore, it is important that the members of this Committee, Council's Cabinet and Strategic Leadership Team (SLT) provide the support and engagement required to produce such a document.

4.0 PRODUCTION OF ANNUAL GOVERNANCE STATEMENT 2015/16

- 4.1 Internal Audit is responsible for undertaking the relevant assurance work to support the AGS; however it is important to note that the Statement is not owned by the audit function and is a Council statement on the effectiveness of its governance processes.

The preparation of the statement will therefore be led by the Council's Strategic Leadership Team and will be approved by the Leader and Chief Executive.

4.2 Collation of assurances in relation to governance has been undertaken on an ongoing basis throughout the year by Internal Audit. In addition, a specific review of the requirements of the CIPFA/SOLACE guidance is being undertaken, featuring the following main elements:

- A review of the adequacy and effectiveness of the key corporate governance controls (as prescribed by CIPFA/SOLACE), focusing on such areas as Performance Management, Risk Management, Legal and Member Services, and Human Resources.
- Obtaining evidence of the implementation of the "Significant Governance Issues" included within the Annual Governance Statement 2014/15.
- Collation and review of Governance Assurance Statements.

4.3 On the basis of the findings arising from the review, Internal Audit will compile a list of 'Areas of Good Practice' and 'Areas for Improvement' to be considered for inclusion in the Annual Governance Statement.

4.4 A full draft AGS will be reported for consideration by this Committee in June 2016. Members of this Committee will have the opportunity to debate the Statement and contribute to the final version. The final AGS will be reported to the Audit and Risk Management Committee in September 2016.

5.0 REVIEW OF SIGNIFICANT GOVERNANCE ISSUES 2014/15

5.1 The Annual Governance Statement 2014/15 outlined the following Significant Governance Issues:

- ICT Business continuity and resilience plans (*carried forward from 2013/14*)
- Corporate procurement arrangements (*carried forward from 2013/14*)
- Absence management (*carried forward from 2013/14*)
- Culture (*identified 2014/15*)

5.2 Regular reports are presented to the Corporate Governance Group, Strategic Leadership Team and the Portfolio Holder for Governance, Commissioning and Improvement to ensure that robust actions are in place to address the governance issue, and that sufficient progress is being made.

5.3 Appendix 1 presents the most recent position in relation to the governance issues. Audit and Risk Management Committee is requested to review the progress made and consider any further actions required to satisfy the Committee that the governance arrangements relating to these issues are robust.

6.0 FINANCIAL IMPLICATIONS

6.1 There are none arising from this report.

7.0 LEGAL IMPLICATIONS

7.1 There are none arising from this report.

8.0 RESOURCE IMPLICATIONS

8.1 There are none arising from this report.

9.0 RELEVANT RISKS

9.1 Failure to produce an accurate and robust AGS in a timely manner would breach the Accounts and Audit Regulations, attract external criticism and potentially hinder the Council's continued development of robust governance arrangements.

10.0 ENGAGEMENT/CONSULTATION

10.1 The preparation of the Annual Governance Statement is led by the Council's SLT and is based on evidence provided by Internal Audit. A draft of the AGS will be considered by the Portfolio Holder for Governance, Commissioning and Improvement, external audit and Audit and Risk Management Committee in June. A final draft of the AGS will be signed off by the Leader and Chief Executive and will be reported to Audit and Risk Management Committee and Cabinet in September.

11.0 EQUALITY IMPLICATIONS

11.1 There are none arising from this report.

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APPENDICES

Appendix 1: Significant Governance Issues 2014/15

REFERENCE MATERIAL

"Delivering Good Governance in Local Government" CIPFA, 2012.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	The Annual Governance Statement (in its draft and final form) is presented to this Committee each year.

APPENDIX 1: SIGNIFICANT GOVERNANCE ISSUES 2014/15

Governance issue (as per AGS 2014/15)	Action required to resolve issue (as per AGS 2014/15)	Lead Officer	Progress
corporate procurement arrangements.		Resources	have been approved and take effect from 1 April 2016, with briefings being held for officers. Officers must comply in full with the Contracts Procedure Rules, working in conjunction with the Procurement Team, so as to ensure a robust corporate approach.
<p><u>Absence Management</u> 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>	Head of Human Resources and Organisational Development	<p>The Council has implemented a range of measures intended to assist in reducing absence. The sickness absence policy has been revised and a number of changes made to strengthen the response to this issue. Chiefly, this has included amendments to the absence triggers and more timely referrals to occupational health for stress-related absence. There has also been extensive awareness-raising for officers and managers. The projected figure for 2015/16 is 11.7 days (after December 2015 figures) compared to a target of 9.75 (the effects of staff transfers to newly-formed local authority companies will be evident in the figures from January 2016.) A comparison of this to other Councils will follow the year-end. Officers and managers must comply in</p>

APPENDIX 1: SIGNIFICANT GOVERNANCE ISSUES 2014/15

Governance issue (as per AGS 2014/15)	Action required to resolve issue (as per AGS 2014/15)	Lead Officer	Progress
			full with the Absence Management policy, so as to ensure that the objective of reducing absence levels is achieved.
<p><u>Culture</u> 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 include a diagnosis of the required changes to culture, structure, systems and processes, underpinned by a new form of leadership for the future.</p>	<p>Head of Human Resources and Organisational Development</p>	<p>Work is ongoing to define a "new operating model" for the Council. This has been informed by an organisational diagnosis and feedback from the LGA Peer Review of November 2015.</p> <p>A short-term culture action plan has been agreed, focusing on key activities to be delivered by April 2016. A longer term action plan will be developed to support the implementation of the new operating model.</p> <p>The People Strategy will be developed to support a refreshed leadership and culture framework, linked to the Council's new operating model.</p> <p>Officers and managers must embrace the responsibilities placed on them so as to ensure that the objective of adherence to internal controls is achieved, and the introduction of Accountability Statements will assist in ensuring that there is improved visibility of the expectations of managers.</p>

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The Audit Plan for Merseyside Pension Fund

Year ending 31 March 2016

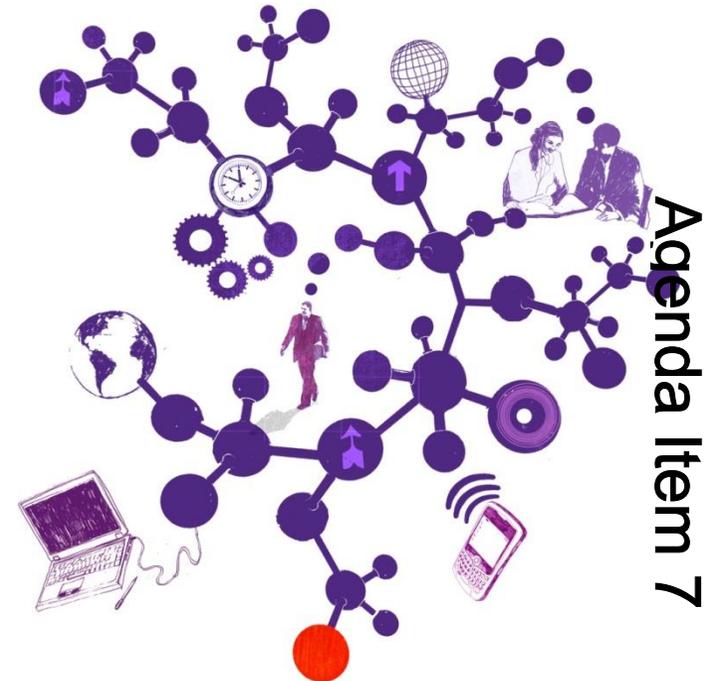
March 2016

Page 53

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

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

1 March 2016

Dear Members

Audit Plan for Merseyside Pension Fund for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Merseyside Pension Fund, the Audit and Risk Management Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Pension Fund and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Fund's financial statements
- give an opinion on the Pension Fund Annual Report.

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.

Yours sincerely

Fiona Blatcher
Engagement Lead

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Contents

Section

Understanding your business	5
Developments and other requirements relevant to the audit	6
Our audit approach	7
Significant risks identified	9
Other risks identified	10
Key dates	13
Fees and independence	14
Communication of audit matters with those charged with governance	15

Page 56

Understanding your business

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

Challenges/opportunities

1. Pooling of Investments

- As part of the summer budget 2015 the government has invited LGPS administering authorities to submit proposals for investing their assets through pools of at least £25 billion, with the intention of reducing investment management costs and potentially improving returns.
- The government anticipates that this will improve both capacity and capability to invest in large scale infrastructure projects.
- Final proposals are to be submitted to DCLG by mid February, with final plans agreed by 15 July 2016.

2. Changes to the investment regulations

- In November 2015 DCLG published draft proposals in relation to the investment regulations governing LGPS funds.
- The proposals seek to remove some of the existing prescribed means of securing a diversified investment strategy and instead give funds greater responsibility to determine the balance of their investments and take account of risk.

3. Governance arrangements

- Local pension boards have been in place since April 2015, and were introduced to assist with compliance and effective governance and administration of the scheme.
- There remains a continued focus on the affordability, cost and management of the scheme, and as such it remains critical that appropriate governance arrangements are in place for the fund.

4. Local Government Outsourcing

- As many Councils look to outsourcing and the set up of external companies as a more cost effective way to provide services, the impact on the LGPS fund needs to be considered.
- Funds need to carefully consider requests for admission to the scheme and where possible mitigate any risks to the fund.
- An increased number of admitted bodies may increase the risks for the fund in the event of those bodies failing. It is also likely to increase the administration costs of the scheme overall.

5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require fund's to bring forward the approval of draft accounts and the audit of financial statements to the 31 May and 31 July respectively by the 2017/18 financial year.

Our response

- We will continue to discuss with officers their plans for asset pooling and the implications that this will have on both the investment policy and governance arrangements of the fund.

- We will discuss with officers their plans to respond to these changes and consider the impact on the fund's investment strategy and its risk management approach to investments.

- We will continue our on-going dialogue with officers around their governance arrangements, particularly in light of their proposals for pooling investments.
- We will continue to share emerging good practice with officers.

- Through our regular liaison with officers we will consider the impact of any planned large scale TUPE transfers of staff from employers and the effect on the fund.

- We will work with you to identify areas of your accounts production where you can learn from good practice in others.
- We aim to complete all substantive work in our audit of your financial statements by the end of July 2016 as a 'dry run'.

Page 57

Developments and other requirements relevant to your audit

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

Developments and other requirements

1. Financial Pressures

- Pension funds are increasingly disinvesting from investment assets to fund cash flow demands on benefit and lever payments that are not covered by contributions and investment income.
- Pension fund investment strategies need to be able to respond to these demands as well as the changing nature of the investment markets

2. Financial Reporting

- There are no significant changes to the Pension Fund financial reporting framework as set out in the CIPFA Code of Practice for Local Authority Accounting (the Code) for the year ending 31 March 2016, however the Pension Fund needs to ensure on going compliance with the Code.
- The application of IFRS13 introduces a new definition of fair value for investment assets which may have an impact on the valuation approach for any directly held property assets.

3. LGPS 2014

- Funds have implemented the requirements of LGPS 2014 and moved to a career average scheme.
- This will continue to increase the complexity of the benefit calculations and the arrangements needed to ensure the correct payment of contributions.
- In addition, this places greater emphasis on the employer providing detailed information to the scheme administrator, while also requiring the scheme to have enhanced information systems in place to maintain and report on this data.

4. Accounting for management costs

- There continues to be a spotlight on the costs of managing the LGPS, and in particular investment management costs.
- Last year CIPFA produced guidance aimed at improving the transparency of management cost data and suggested that funds should include in the notes to the accounts a breakdown of management costs across the areas of investment management expenses, administration expenses and oversight and governance costs.
- This guidance is currently being updated.



Our response

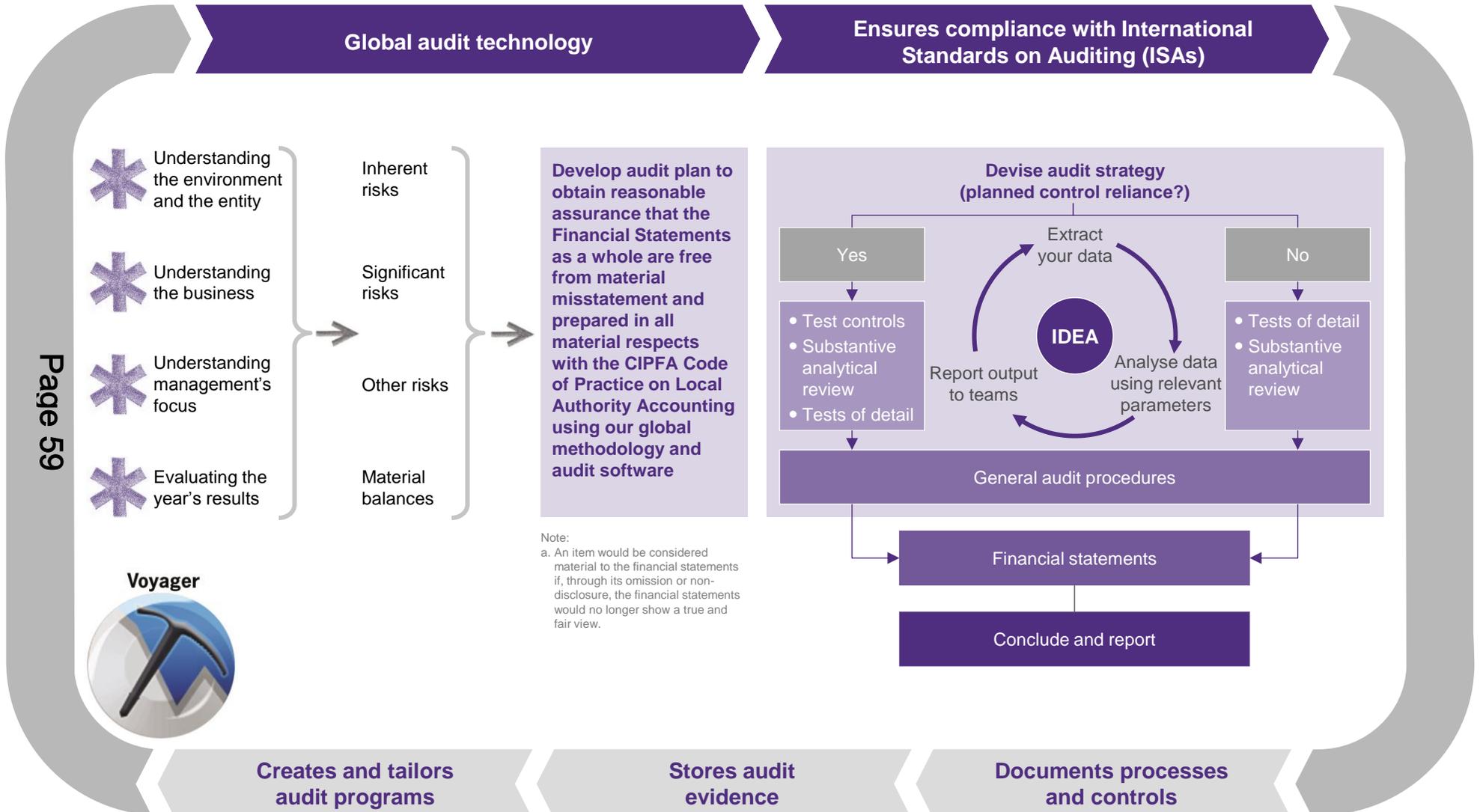
- We will monitor any changes to the Pension Fund investment strategy through our regular meetings with management.
- We will consider the impact of changes on the nature of investments held by the Pension Fund and adjust our testing strategy as appropriate.

- We will ensure that the Pension Fund financial statements comply with the requirements of the Code through our substantive testing.

- We will continue to review the arrangements that the fund has in place for the quality of its' membership data.

- We will continue to discuss with officers their plans for increasing the level of transparency of reporting of the costs of managing the fund.

Our audit approach



Page 59

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in pension schemes, we have determined materiality for the statements as a whole as a proportion of net assets for the fund. For purposes of planning the audit we have determined overall materiality to be £66,000k (being 1% of net assets). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

In the previous year, we determined materiality to be £68,627k (being 1% of net assets).

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £3,300k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where we will undertake audit procedures as these are key figures/disclosures in the accounts that should be correct:

Balance/transaction/disclosure	Explanation
Management Remuneration	Due to public interest in these disclosures and the statutory requirement for them to be made.
Audit Fees	This is a statutory requirement and a requirement of ethical and auditing standards.
Related party transactions	Due to public interest in these disclosures.

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Merseyside Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Wirral Council as the administering authority, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	Work planned: <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions
Level 3 Investments – Valuation is incorrect	Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.	Work planned: <ul style="list-style-type: none"> • We will update our understanding of the arrangements and controls in this area and discuss with relevant personnel from the team during the interim audit. • We will perform walkthrough tests of the controls identified . • For a sample of investments, we will test valuations by reviewing the audited underlying accounts at latest date and agreeing these to the fund manager reports at that date. We will reconcile those values to the values at 31st March with reference to known movements in the intervening period. • We will also consider the basis of preparation of the audited financial statements, the reputation of the auditor of these statements and whether the auditor has issued a clean opinion in respect of these statements.

Other risks identified

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

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

Other risks	Description	Audit approach
Investment Income	Investment activity not valid. Investment income not accurate. (Accuracy)	<p>Work planned:</p> <ul style="list-style-type: none"> • Test a sample of investment income to ensure it is appropriate • Complete a predictive analytical review for dividend income • For direct property investments rationalise income against a list of properties for expected rental income.
Investment purchases and sales	Investment activity not valid. Investment valuation not correct.	<p>Work planned:</p> <ul style="list-style-type: none"> • We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances • Test a sample of purchases and sales to ensure these are correctly stated.
Contributions	Recorded contributions not correct (Occurrence)	<p>Work planned:</p> <ul style="list-style-type: none"> • Controls testing over the Administering Authority's contributions monitoring and reconciliation procedures • Test a sample of contributions to source data to gain assurance over their accuracy and occurrence. • Rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.

Other risks identified (continued)

Other risks	Description	Audit approach
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<p>Work planned:</p> <ul style="list-style-type: none"> • Controls testing over completeness, accuracy and occurrence of benefit payments, including testing of control account reconciliations. • Test a sample of new starter pensions in payment by reference to member files. • We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained. • Ensure the annual pension increase has been updated in the Altair system correctly
Member Data	Member data not correct. (Rights and Obligations)	<p>Work planned:</p> <ul style="list-style-type: none"> • Controls testing over annual/monthly reconciliations and verifications with individual members • Sample testing of changes to member data made during the year to source documentation

Other risks identified (continued)

Other material balances and transactions

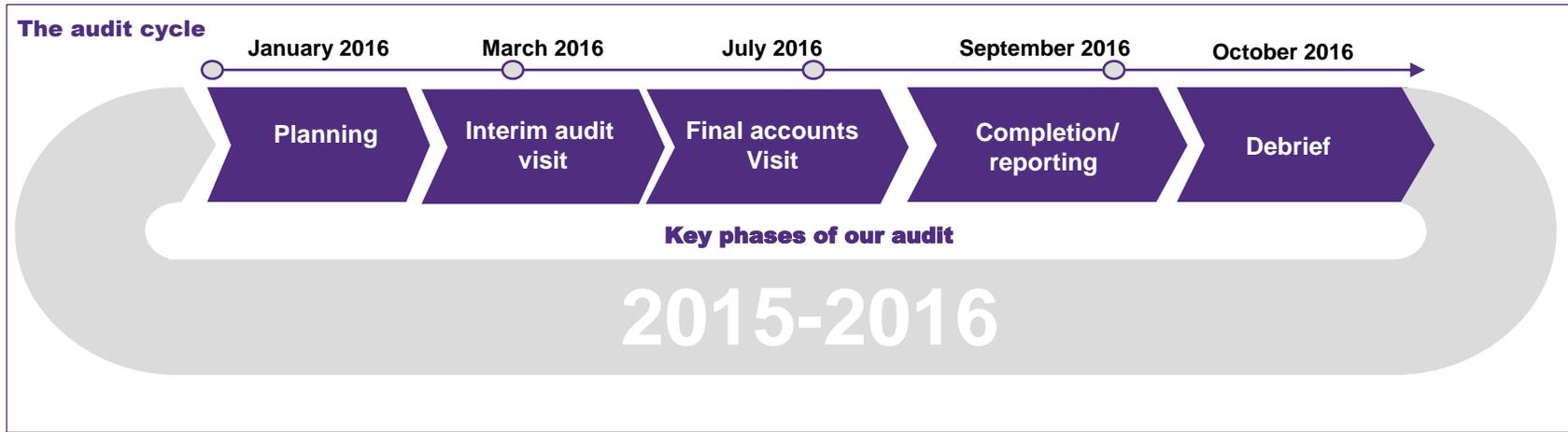
Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will likely include:

- Other investment assets
- Transfers in
- Transfers out
- Management expenses
- Cash deposits
- Current Assets
- Non current assets
- Current Liabilities
- Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits
- Financial Instruments

Other audit responsibilities

- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will read the Pension Fund Annual report and ensure that it is consistent with the Pension Fund Accounts included within the Council's statement of accounts

Key dates



Page 65

Date	Activity
January 2016	Planning
March 2016	Interim site visit
March 2016	Presentation of audit plan to Pensions Committee and Audit and Risk Management Committee
June/July 2016	Year end fieldwork
August 2016	Audit findings clearance meeting with Head of Pension Fund and Group Accountant
September 2016	Report audit findings to Pensions Committee and those charged with governance (Audit and Risk Management Committee)
September 2016	Sign financial statements opinion

Fees and independence

Fees

	£
Pension Fund Scale Fee	36,882
Total audit fees (excluding VAT)	36,882

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Fund and its activities, have not changed significantly.
- The Fund will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Fees for other services

Service	£
Proposed fee variation – IAS 19 Assurances to admitted bodies	2,180

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and the Annual Audit Letter of the Administering Authority.

Independence and ethics

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

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

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

Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Administering Authority's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. 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 NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the fund 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 fund 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		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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