



Audit and Risk Management Committee

Date:	Monday, 13 June 2016
Time:	6.00 pm
Venue:	Committee Room 3 - 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 15 March 2016.

3. INTERNAL AUDIT UPDATE (Pages 9 - 24)

4. CHIEF INTERNAL AUDITORS REPORT (Pages 25 - 56)

5. ARMC ANNUAL REPORT (Pages 57 - 76)

6. DRAFT ANNUAL GOVERNANCE STATEMENT (Pages 77 - 98)

7. CORPORATE RISK REGISTER (Pages 99 - 116)

8. **MANAGEMENT OF INSURANCE AND CORPORATE RISK**
(Pages 117 - 122)
9. **INSURANCE FUND ANNUAL REPORT**
(Pages 123 - 138)
10. **EXTERNAL AUDITOR - AUDIT COMMITTEE UPDATE**
(Pages 139 - 154)
11. **EXTERNAL AUDIT PLAN**
(Pages 155 - 176)
12. **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**
(Pages 177 - 180)
13. **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR
(PART 1)**
14. **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.

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 15 March 2016

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

Deputies: Councillors J Salter (In place of J Crabtree)
G Watt (In place of J Hale)

52 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.

Councillor John Salter declared a personal and non-prejudicial interest in Agenda Item No.3 – Internal Audit Update and Item No. 6 – Annual Governance Statement - by virtue of his position as a member of the IT Services Disaster Recovery Panel (topic referenced in pages 20 and 49 of the agenda papers).

53 MINUTES

Reference to minute no. 51, the Chief Internal Auditor provided an assurance that without exception all internal audits were reported to members via his bi-monthly report and any identified escalations were presented to the Audit and Risk Management Committee for consideration and discussion by way of regular reporting cycle.

The Chief Internal Auditor extended an offer to members for a training session on the Committee's role and responsibilities and how to respond to the challenges associated with the duties as set out in the Committee Terms of Reference.

Members agreed that a training session be arranged in advance of the first Committee meeting in the municipal year.

Resolved – That the minutes of the meeting held on 17 February 2016, be approved.

54 INTERNAL AUDIT UPDATE

The Chief Internal Auditor introduced his report that identified and evaluated the performance of the Internal Audit Section and included items of note arising from the actual work undertaken during the period 21 January to 20 February 2016. The report focused upon:

- Any items of note arising from audit work conducted;
- Any issues arising that require actions to be taken by Members;
- Performance information relating to the Internal Audit Service;
- Developments being undertaken to improve the effectiveness of the Internal Audit Service.

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

Performance Management - An audit had been undertaken of the corporate Performance Management and Planning system in operation across the Council. The report acknowledged the significant amount of work that had been and was currently being undertaken in this area and includes a number of actions to improve systems in the following areas:

- Data Robustness
- Decision Making
- Achievement of Objectives

The Audit and Risk Management Committee was informed that these actions had been agreed with senior management and a detailed action plan implemented. It was noted that actions were currently underway to immediately address any identified issues. Further follow up work was to be conducted by Internal Audit during 2016/17 and the findings would be notified to the Committee.

Floral Pavilion - At the request of senior management an audit had been undertaken to review the income and stock management control systems in operation at the Floral Pavilion. Work was currently ongoing however emerging findings indicated potential control risks in a number of key areas that needed to be addressed to improve systems and tighten controls. Members noted that upon conclusion of the work a report was to be prepared for management and included an action plan to address issues identified. The outcome of this work would be reported to this Committee in the usual way.

Member's attention was also drawn to the Internal Audit Performance Indicators and development improvements, examples of which were provided. A table appended to the report, identified information related to audits where recommended actions were included in audit reports and where follow-up

actions had been scheduled. The Chief Internal Auditor advised that all of the recommendations were currently Amber rated indicating that progress is being made to address identified issues and actions are expected to be completed within the reported timescales.

Members noted that a number of the recommendations related to audits undertaken within ITS and had been the subject of a separate report by the Chief Information Officer at the September 2015 meeting of the Committee.

Resolved - That the report be noted.

55 **INTERNAL AUDIT PLAN 2016/17**

The Chief Internal Auditor introduced his report that presented the Internal Audit Plan of work for Wirral Council's Internal Audit Service for 2016/17.

The report identified work scheduled for completion that reflected the findings of the extensive planning exercise recently undertaken to ensure the ongoing relevance of previously identified risks, as well as the inclusion of any risks to the organisation that had recently emerged, or were likely to emerge in the near future.

The Audit and Risk Management Committee were informed that the updated plan had also been presented to the Senior Leadership Team and approved for implementation. The Chief Internal Auditor informed the Committee that the Plan contained an explanation regarding its preparation, and identified a list of proposed areas to be audited during 2016/17.

The Chief Internal Auditor apprised the Committee that Wirral's Internal Audit Service had taken a strategic view of risk in the preparation of the audit plan to ensure that audit effort was utilised as efficiently and effectively as possible to mitigate risk in a changing environment. The plan had also been designed to be extremely flexible and dynamic to ensure that organisational change was factored into the delivery process.

Members noted that the plan provided a brief overview of the assurance that was to be obtained through each audit, and that the exact scopes of the audits would be agreed with Senior Management prior to commencement of the audit to ensure that the key current risks were being addressed.

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

- The Corporate Risk Register
- Departmental Risk Registers
- Engagement with senior officers

- Review of the External Audit and Inspections reports
- A review of corporate strategies
- Cumulative audit knowledge and experience
- Engagement with other Heads of Audit
- Professional judgement on the risk of fraud and error

The Chief Internal Auditor informed that he was confident that resources were sufficient to enable delivery across all areas of the plan and provide the statutory Chief Internal Auditors annual assurance opinion. Comparative data obtained from other similarly sized public sector internal audit providers indicated that Wirral IA Services currently provide a very efficient and affordable service.

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

56 **MANAGEMENT OF INSURANCE AND CORPORATE RISK**

The Risk and Insurance Officer introduced the report of the Acting S.151 Officer that set out the key actions to be taken in relation to corporate risk and insurance management during 2016/17. The report also included progress made in relation to key actions planned for the current year.

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

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

The report also provided an update on progress on the following topics that had occurred following the Risk and Insurance Officer's report to the Committee in February, namely:

- Introduction of self-handling of Public Liability claims.
- Annual renewal of Casualty, Computer, Engineering, Motor and Foster Care policies.
- Refresh of Corporate Risk Register.
- Consideration of Risk Appetite.

The report further informed that in addition to day-to-day operations the service was responsible for major procurement exercises and improvement activities. The key actions to be implemented during 2015/16 were included in the report to the Committee on 18 March 2015.

Resolved – That the report be noted.

57 ANNUAL GOVERNANCE STATEMENT

The Head of Financial Services and Section 151 Officer introduced the report of the Strategic Director; Transformation and Resources that set out the planned approach for the production of the Council's Annual Governance Statement (AGS) 2015/16. The report also provided an outline of the work required to prepare the Statement, setting out indicative timescales.

The Committee noted that the report also provided an update on the progress that the Council had made to address the significant governance issues as identified in the Annual Governance Statement 2014/15.

Members questioned Officers on two key areas, namely absence management and ICT contingency planning. The Chief Internal Auditor informed the Committee that concerns expressed by Members in relation to absence management had been investigated and were being addressed through updates to the IT system, training of managers and tightening of data maintenance controls.

The Chief Internal Auditor also informed that ICT business continuity and resilience planning would be the subject of a further report to the Committee.

The report also confirmed the various principles underpinning the Annual Governance Statement, namely:

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

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

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

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

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

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

Resolved: That

- 1) the approach outlined in this report with regards to producing the Annual Governance Statement 2015/16 be endorsed;**
- 2) the progress made in addressing the 2014/15 Significant Governance Issues be endorsed; and**
- 3) the remaining actions deemed necessary to strengthen governance arrangements in these areas be supported.**

58 **EXTERNAL AUDITOR REPORT - MERSEY PENSION FUND AUDIT PLAN**

Grant Thornton UK LLP, the Council's external auditors, presented a report on the Audit Plan for Merseyside Local Government Pension Fund year ended 31 March 2016.

The external auditor informed of the procedures employed in support of the audit plan i.e. developments relevant to the Pension Fund's business and the audit. The report informed of the governance regulations, financial pressures and the changing nature of the investment markets.

The external auditor's report provided a summary of the audit approach, materiality and referred to the significant and other risks that had been identified.

The report further identified the items where the external auditor would undertake audit procedures given that were key figures / disclosures in the accounts:

- Management Remuneration – statutory requirement
- Audit Fees – statutory requirement
- Related Party Transactions – due to public interest in these disclosures

The external auditor provided information on the key phases of the audit, informing members that more detail regarding their work would be reported to the June meeting of the Audit and Risk Management Committee, followed by a sign-off of the financial statements opinion scheduled for September.

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

59 **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 3 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.

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

Following exclusion of the press and public, with reference to Agenda Item 3 (Internal Audit Update) a Member requested that internal audit investigate the circumstances and context regarding a particular case of sickness absence and the relevant protocols and procedures that applied.

Resolved - That the Chief Internal Auditor investigate the circumstances of the matter and report his findings to Members of the Audit and Risk Management Committee.

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WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

13 JUNE 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 1st March to 31st May 2016. There are 5 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 1st March to 31st May 2016.

3.2. Items of Note

3.2.a Risk Management

An audit has been conducted of the corporate Risk Management system focussing on:

- Reviewing the implementation of the recommendations from the previous audit report;
- Reviewing the development and operation of the corporate risk management system; including: Use of Concerto; Links to Performance Management; CIPFA benchmarking exercise for 2015/16; Linkage to directorates; Departmental and project adherence to procedures and principles of good risk management; Roles and responsibilities; Corporate procedures and guidance; and Monitoring and reporting.

The audit resulted in an overall organisational risk opinion of “moderate” and a number of recommendations were made to improve systems in operation and across the following themes:

- Management and maintenance of Risk Registers;
- Compliance with Risk Management Policy;
- Consistency of approach across the Council.
- Risk appetite.

Whilst responsibility for the Corporate Risk Management Policy lies with the Risk and Insurance Officer, responsibility for its successful implementation lies with the organisation. It is therefore imperative that through initiatives such as the cultural change programme, compliance with the Risk Management Policy is undertaken in practice.

It is acknowledged that changes to the planning process are imminent and the introduction of the Wirral Plan will also have an impact on how and when risk management processes will be applied, though obviously the overarching risk management principles will continue to be relevant. This is likely to require the Risk Management Policy to be reviewed to reflect updated procedures. Many of the recommendations in the report relate closely to development of the business planning and performance management framework to support the delivery of the Wirral Plan.

3.2.b Organisational Culture

A follow up audit has been undertaken to verify the implementation of the recommendations made in the previous audit report in 2015. This found that whilst none of the recommendations have been fully implemented, progress continues in respect of all of the recommendations:

- Work is underway to refresh the organisational Values and Behaviours to support the new operating model. Once the update to the Values and Behaviours has been approved, steps will be taken to communicate them to staff to ensure awareness and integration in all activities across the organisation;
- There is a significant corporate drive to ensure that the target for completion of performance appraisals is achieved for 2016/17;
- There has been work undertaken to give priority to specific mandatory training courses during the year, and monitoring of completion rates continues;
- It was stated that a Staff Survey is expected to be completed during 2016/17. A Briefing Note was presented to Strategic Leadership Team, which discussed the proposal to launch a staff survey during the summer of 2016.

Further audit work is planned for later in the year to confirm the continued implementation of the recommendations, and to broaden the focus of the work into other areas of organisational culture.

3.2.c. Annual Governance Statement

To support the production of the Annual Governance Statement 2015/16, Internal Audit has undertaken work to review the adequacy and effectiveness of the Council's governance arrangements. The work included:

- Distribution, review and sample testing of Governance Assurance Statements issued to SLT members
- Review of the arrangements for compliance with the Transparency Code.
- Review of key areas of legal and democratic arrangements.
- Review of Significant Governance Issues included within the Annual Governance Statement 2014/15.

The work concluded that the arrangements reviewed were adequate. The most significant planned development is the review of the Council's Code of Corporate Governance, to coincide with the publication of the revised CIPFA/SOLACE guidance. It is expected that this will happen over the coming months, with an associated programme of awareness-raising for staff and members.

The draft Annual Governance Statement 2015/16 is presented elsewhere on the agenda for this Committee meeting for your information and approval.

3.2.d Safeguarding

A consultancy style audit review of the governance arrangements in relation to those bodies that have an interest in safeguarding children issues is being undertaken following a recommendation made in the 'Safeguarding Children In Wirral Scrutiny Review' reported in December 2015. The aim of the audit is to provide an independent view on the inter-connectivity between relevant bodies, the clarity of the different roles and the overall effectiveness of the working arrangements with regard to safeguarding. Upon completion later this month the findings and any actions required will be reported to the relevant Strategic Director and this Committee in the usual manner.

3.2.e Merseyside Pension Fund: Contract Procedures

Following an audit undertaken during 2015/16 into the procurement of infrastructure advisory services to the Merseyside Pension Fund (MPF), that was reported to this Committee in February 2016, further assurance work has been completed across all MPF contracts to ensure compliance with Contract Procedure Rules and MPF policy.

The conclusion was that the contract processes within MPF for ensuring compliance with relevant corporate regulations and MPF policies are effective although a number of improvements to the current control environment have been agreed with the Head of Service that include:

- Enhancing the level of detail and guidance within the MPF Compliance Manual in respect to the CPRs and the role and responsibilities of the Investment Committee;

- Explicitly recording within the minutes of the Fund Operating Group the expected actions of the lead officers following discussions on all service contracts;
- Liaising with Corporate Procurement over two long standing contractual arrangements to establish whether further action is required to ensure continued CPR compliance.

Follow up work to evaluate progress in implementing agreed actions has been scheduled and the outcome of this work will be reported to this Committee in due course.

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 2015/16 and the current year to date have not 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. These actions are currently being overseen by the Information Governance Board chaired by the Strategic Director for Transformation and Resources.

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 2016/17.	6	6
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	90	99 (10)

forms returned for the period indicated in brackets)		
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	100

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 AGS working to allow for recent changes made to the CIPFA/SOLACE best practice guidance;
- More collaborative counter fraud exercises across Mersey region;
- Ongoing regional Counter Fraud Publicity Campaign (following the successful campaign in November 2015);
- Improving corporate counter fraud awareness across the Council;
- Further developments in 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;

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 and 2016/17

SUBJECT HISTORY (last 3 years)

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

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**INTERNAL AUDIT OUTSTANDING
RECOMMENDATIONS
PERIOD: 01 APRIL 2015 TO 30 APRIL 2016**

<u>Summary</u>	Total	R	A
1. Completed Audits	19	0	19
2. Follow Up Audits Completed	14	0	14
3. Advice And Guidance / Consultancy	0	0	0

INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS
PERIOD: 01 APRIL 2015 TO 30 APRIL 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
NDR Reliefs and Exemptions 08/09/2015	Transformation & Resources (T&R) [Transaction Centre]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	June 2016 Strategic Director Transformation and Resources	Jun 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	Sep 16	Two recommendations were accepted and implementation is being progressed.	A
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)	May 2016 Strategic Director Transformation and Resources	Jun 16	The recommendations were accepted and implementation is being progressed.	A
Sport and Recreation (Leisure Centres) - Income 26/10/2015	Families & Wellbeing (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	May 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
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	Jun 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	Jun 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. (19/5/16 - The formal HR disciplinary investigation is still on going.) 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. (19/5/16 - This work was completed on 8/4/16 and concluded that the MPF contract processes are effective in ensuring compliance with the corporate regulations and MPF policies.)	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
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	Jun 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	Follow Up underway.	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.	8 (4)	TBC Strategic Director Transformation and Resources	Oct 16	All recommendations agreed, and work underway to implement the recommendations.	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	All recommendations have been agreed with the last target implementation date - 30/04/2016. Follow up will be undertaken in June 2016.	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
Officers' Vehicle Use 07/03/2016	T&R [Human Resources & OD]	Moderate	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	August 2016 Strategic Director Transformation and Resources	Aug 16	The recommendations have been accepted and discussions are underway between HR & OD and Health & Safety to determine how implementation should be progressed.	A
Supporting People 07/03/2016	R&E [Supported Housing]	Minor	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	August 2016 Assistant Chief Executive	Aug 16	Recommendations accepted. Follow up will commence in Q2.	A
Homelessness 07/03/2016	R&E [Supported Housing]	Minor	One recommendation was made which does not present a significant risk to the organisation.	1 (0)	August 2016 Assistant Chief Executive	Aug 16	Recommendations accepted. Follow up will commence in Q2.	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
MPF - Contract Procedures 08/04/2016	T&R [MPF]	Moderate	Further to the findings in respect to the audit of an MPF investment advisory contract, additional assurance work has been completed across all MPF contracts to ensure those findings were an isolated case and not indicative of a larger problem. The review concluded that the MPF contract processes are effective in ensuring compliance with the corporate regulations and MPF policies. However three medium and one low priority recommendations have been made to enhance the control environment.	4 (0)	September 2016 Strategic Director Transformation and Resources	Sep 16	The recommendations has been accepted and the agreed actions are currently being undertaken.	A
Risk Management 2015/16 12/04/2016	T&R [Resources]	Moderate	Ten recommendations were made which do not present a significant risk to the organisation.	10 (0)	September 2016 Strategic Director Transformation and Resources	Sep 16	The recommendations have been accepted and progress is already being made with the implementation of some of the recommendations.	A
MPF Retirement Benefit Payments 29/04/2016	T&R [MPF]	Moderate	Two recommendations were made which do not present a significant risk to the organisation.	2 (0)	TBC Strategic Director Transformation and Resources	Sep 16	Final Report issued, and all recommendations agreed. Waiting for client response regarding actions and timescales.	A

INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS

PERIOD: 01 APRIL 2015 TO 30 APRIL 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	Jun 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. A third follow-up review is being conducted in order to ascertain the progress being made.	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	Sep 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
ResourceLink – 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	Jul 16	Email sent to client in February 2016. Problems with the ResourceLink system in March and April have delayed progress being made. Northgate (system provider) technician is visiting on 27/05/2016 to attempt to resolve the issues. Client to provide update week commencing 06/06/2016.	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	Jul 16	The Head of IT Services attended ARMC with an update in September 2015. IT Services have identified a solution to control and secure the Authority's mobile phones and implementation will be integrated with the Microsoft System Center implementation. The recommendations will continue to be monitored on an ongoing basis with the relevant IT Officer.	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 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	Jul 16	ICT Business Continuity and Resilience Plans featured as a Significant Governance Issue in the Annual Governance Statement 2014/15. Progress to develop robust business continuity and disaster recovery arrangements for critical services continues and is being monitored via Internal Audit and the Corporate Governance Group. The Business Continuity Team, in conjunction with IT Services, are to meet with Plan owners and undertake a desktop testing exercise of the Plans. Whilst progress is being made, this remains an ongoing risk to the organisation.	A
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. 1) VQSM should be used at the primary source for the Authority's Hardware Asset Register (HAR). 2) The Authority's HAR should be updated to include all hardware assets, and maintained in line with agreed procedures. 3) The project to develop "Here's My Asset", subject to demonstrating proof of concept, will assist the accuracy of the HAR, and its successful deployment should be prioritised by IT management. 4) All hardware assets connecting to the network should be visible to the Altiris Software. 5) Procedural guidance should require the immediate update of the HAR when an asset is to be added or deleted, where a segregation of duties should be achieved. 6) The accuracy of the HAR should be verified on a regular basis, and the results reported to IT Management.	7 (6)	December 2015 Strategic Director Transformation and Resources	Jul 16	The Head of IT Services attended ARMC with an update in September 2015. A project is currently in progress to implement the Microsoft System Center consisting of various elements. The recommendations will continue to be monitored on an ongoing basis with the relevant IT Officer.	A
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: 1) Determine and implement the most appropriate installation in the Customer Services Centre, ie running Paye.net in a virtualised environment, running two machines on each desk with a KVM (keyboard, video and mouse) switch, running machines in separate secure environment via RDP (remote desktop protocol).	3 (1)	December 2015 Strategic Director Transformation and Resources	Jul 16	The Head of IT Services attended ARMC with an update in September 2015. Discussions are ongoing with the contractor and a plan and timeline is being developed by the Information and Governance Security Officer. The recommendations will continue to be monitored on an ongoing basis with the relevant IT Officer.	A
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	Jul 16	The Head of IT Services attended ARMC with an update in September 2015. Action is being taken to document a policy which will then allow a suitable Data Loss Prevention solution to be enabled by IT. The recommendations will continue to be monitored on an ongoing basis with the relevant IT Officer.	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
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	Jul 16	The Head of IT Services attended ARMC with an update in September 2015. A number of initiatives are underway to deliver an effective Disaster Recovery solution. The recommendations will continue to be monitored on an ongoing basis with the relevant IT Officer.	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)	Jun 16 Strategic Director Transformation and Resources	Jun 16	One recommendation has been implemented and one recommendation partially implemented with full implementation expected by June 2016 on completion of the training programme for Dignity at Work, Grievances and Whistleblowing. Training is still being delivered and results will be gathered on completion.	A
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	Jun 16	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	Health and Safety Depot Review still to be completed. Liaison with Asset Management in progress.	A
Community Patrol 01/04/2016 Feb 2015	T&R [Resources]	Minor	Five recommendations were made which do not present a significant risk to the organisation.	5(0)	May 2015 Strategic Director Regeneration and Environment	N/A	Verbal assurance provided that implementation of the recommendations remains in progress.	A
Direct Payments 18/04/2016 June 2015	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	Oct 16	Each recommendation was assessed as being partially implemented. Further steps are required to be taken to ensure full implementation. This was fully acknowledged by the responsible senior manager who appreciated the follow-up review particularly following a period of changing roles and structures. Further internal audit work has been scheduled within the Internal Audit Plan 2016/17 to evidence full implementation of the outstanding recommendations.	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.

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

13 JUNE 2016

SUBJECT:	CHIEF INTERNAL AUDITORS ANNUAL REPORT 2015/16
WARD/S AFFECTED:	ALL
REPORT OF:	CHIEF INTERNAL AUDITOR
KEY DECISION ? (<i>Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.</i>)	NO

1.0 REPORT SUMMARY

- 1.1 The Internal Audit Service plans and completes audits to review all relevant areas of risk.
- 1.2 Reports, including recommendations produced following audits are presented to managers. A summary report is produced annually by the Chief Internal Auditor and an overall opinion provided as to the effectiveness of the Council's control environment.
- 1.3 This report presents the Chief Internal Auditors Annual Report for 2015/16.

2.0 RECOMMENDATION

- 2.1. That the report be considered by the Members and noted.

SUPPORTING INFORMATION

1. REASON FOR RECOMMENDATION

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

- 2.1 No other options considered.

3. BACKGROUND INFORMATION

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

CHIEF INTERNAL AUDITORS ANNUAL REPORT 2015/16

- 3.3 The attached Chief Internal Auditors Annual Report specifies the Internal Audit assurance opinion on key areas of the Council's activity for 2015/16.
- 3.4 The audits conducted during the year were principally planned to review the financial control systems in compliance with the requirements of the Accounts and Audit Regulations. However significant attention was also paid to key risks in the following areas:

Performance Management,
Counter Fraud and Corruption
Corporate Governance,
Risk Management,
ICT Systems,
Service Delivery.
- 3.5 The Audit Plan was compiled on a risk assessment basis that included consideration of the sensitivity and complexity of all risks identified. Client requests, systems being developed and the availability of resources were also other factors also taken into account during the year.

3.6 The Internal Audit Plan for 2015/16 was approved by this Committee in March 2015.

4. FINANCIAL IMPLICATIONS

4.1 There are none arising from this report.

5. LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6. RESOURCE IMPLICATIONS

6.1 There are none arising from this report.

7. 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. ENGAGEMENT/CONSULTATION

8.1 Members of this Committee are consulted throughout the process of delivering the Chief Internal Auditors Annual Report.

9. EQUALITY IMPLICATIONS

9.1 There are none arising from this report.

REPORT AUTHOR: Mark P Niblock
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APPENDICES

Chief Internal Auditors Annual Report 2015/16

REFERENCE MATERIAL

Internal Audit Plan 2015/16

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Annual Report

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**Wirral Council
Internal Audit Service**

**Chief Internal Auditor's
Annual Report and Opinion on the
System of Internal Control
2015/16**

May 2016

Mark P Niblock
Chief Internal Auditor
Wirral Internal Audit Service

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1 Management Summary

1.1 Head of Internal Audit Opinion

Significant steps were taken during the year by the Chief Executive and his management team to continue to develop and implement more effective control and governance arrangements and embed an organisational infrastructure to serve the organisation more effectively. This has taken place against a backdrop of significant organisational transformation and in an environment of severe financial constraint and as such should be commended.

1.2 My Overall Opinion is that:

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

1.3 Basis of the Opinion

My opinion has been based on:

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

1.4 Corporate Governance

The Code of Corporate Governance has been publicised on the Council's intranet, so as to raise awareness amongst officers and members of the principles of corporate governance and the importance of their commitment to compliance.

Internal Audit has standing membership on the Corporate Governance Group and uses this to raise governance issues highlighted in Internal Audit reports, as well as reviewing evidence of the progress being made in respect of Significant Governance Issues highlighted in the Annual Governance Statement.

Progress has been made during the year to address the four Significant Governance Issues highlighted in the Annual Governance Statement 2014/15.

1.5 Risk Management Arrangements

During the year, an updated Risk Management policy was approved by Cabinet. In accordance with the Policy, the Corporate Risk

Register is populated with risks to the achievement of the Council's corporate objectives, and each risk is allocated to a responsible Lead Officer. The highest rated ("red") risks, and changes to the risk ratings are considered regularly by the Corporate Governance Group and Strategic Leadership Team; and the Audit and Risk Management Committee also receives regular reports on risk.

The Internal Audit review conducted during the year identified positive progress in the development of the system, but also highlighted some areas for improvement. The implementation of the recommendations will link to the implementation of the revised performance management arrangements to support the Wirral Plan. The recommendations will also link to the outcomes of the CIPFA Risk Management benchmarking exercise, for which an action plan is in place.

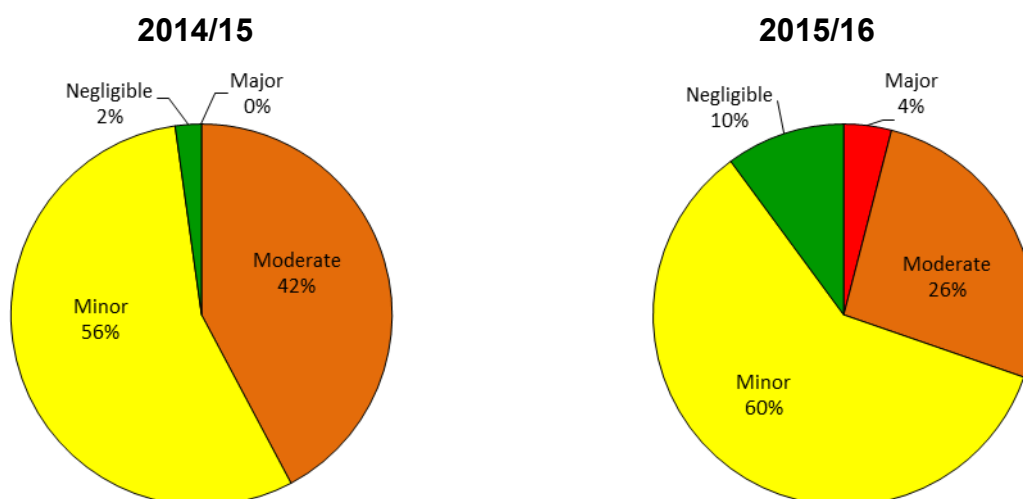
1.6 **Framework of Assurance**

The Corporate Governance Group chaired and supported by the Strategic Director for Transformation and Resources, a member of the Strategic Leadership Team, met regularly during 2015/16, using the comprehensive framework of assurance to demonstrate how assurance is provided to the Chief Executives Strategic Leadership Team and the Audit and Risk Management Committee. Regular updates were provided to this group during the year on all of these key assurance components and action plans covering key areas for development and improvement monitored. This included the comprehensive action report covering the Significant Governance Issues arising from the 2015/16 Annual Governance Statement and on which progress has been made.

1.7 **Risk Based Assignments**

Arising from the agreed plan of work a total of 97 individual pieces of work including reports, actions plans, briefing notes and memos have been issued. The work undertaken contributes to my overall opinion on the control environment; all of the reports issued identified an organisational risk opinion and have informed the opinion in this report as noted in the charts below.

The risk opinions included in audit reports identify the actual risk to the organisation of the audit findings taking account of the impact and likelihood of occurrence with 'Major' being the most significant and 'Negligible' presenting the least risk.



The charts illustrate the opinions provided in audit reports produced during 2015/16 and the previous year 2014/15. When comparing the two years the most notable feature is the reduction in the number of audits identifying a 'Moderate' risk opinion and the corresponding increase in the lesser 'Minor' and 'Negligible' risk opinions which is encouraging and suggests that there is an increased awareness and understanding of the need for robust systems of control and governance across management, particularly important during periods of significant transformation and change. Those audits identifying 'Major' risk opinions remain reasonably static over the two years.

The individual assignments identifying major or moderate organisational risk opinions were reported to the Strategic Leadership Team and the Audit and Risk Management Committee during the year due to their significance and have been taken account of when formulating my overall opinion. In the majority of these cases all of the issues arising have been attended to by senior management in year and the follow ups have indicated a strengthening of controls in these areas.

1.8 Key Control Developments in year that support the Opinion

- There have been a number of significant improvements to the organisation's governance and control environment and therefore reduced exposure to controllable risk,
- Following the Corporate Peer Challenge during the year further work has been undertaken to strengthen arrangements in a number of areas including working with partners,
- Revised performance management arrangements to support the delivery of the Plan are being implemented including the new

- Performance Appraisal system and Skills for Wirral training and development programme,
- The organisation has updated its Corporate Risk Management Policy and has participated in a benchmarking exercise so as to compare the Council's risk management systems with those of other Councils. The Corporate Governance Group, the Strategic Leadership Team and the Audit and Risk Management Committee regularly consider reports on risk, in accordance with the Risk Management Policy,
 - Risk Registers have been reviewed and refined to ensure that they reflect the critical risk issues that the organisation currently faces,
 - Engagement sessions have taken place with staff to attempt to embed the Wirral vision and values across the organisation, more work of this nature is scheduled during 2016/17,
 - Development of the Wirral Plan to highlight the Council's vision, and values and take account of emerging priorities,
 - Enhanced engagement with all stakeholders including the Council's budget consultation,
 - The Councils Constitution and Scheme of Delegation has been reviewed and revised to ensure continued ongoing fitness for purpose,
 - Development and implementation of the new Medium Term Financial Strategy 2016-21,
 - The corporate Information Governance Board has established itself as the driver for corporate improvements in information governance,
 - All Internal Audit reports issued with a major or moderate organisational risk opinion in 2015/16 have had follow up work undertaken and significant improvements have been made in these areas,
 - The response to the financial irregularities identified with petty cash management has been swift and effective with the account being closed and all transactions now undertaken by the Business Support Team or via Selfserve and P-Cards,
 - Reduction in the number of cash transactions across the Authority has resulted in significant progress in the development of alternative non-cash based systems,
 - Expenses and mileage claims are now processed on-line through the Selfserve HR system which has enhanced the control environment for these payments.

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

2. Opinion

2.1 Roles and Responsibilities

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

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

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

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

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

The opinion does not imply that internal audit have reviewed all risks and assurances relating to the Council. The purpose of the opinion is to contribute to the assurances available to the Council which underpin the Council's own assessment of the effectiveness of the organisation's governance arrangements and system of internal control. My opinion is one component that the Council takes into account in compiling its Annual Governance Statement. In particular, apart from the overall opinion, where 'Major' or 'Moderate' organisational risk opinions have been issued against individual audits, then the Council should assess whether or not the sources of those opinions and subsequent actions taken to address issues necessitate the need for a disclosure of a significant issue.

2.2 Chief Internal Auditors Opinion

My overall opinion is that:

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

2.3 Basis of the Opinion

The basis for forming my opinion is as follows:

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

2.4 The Code of Corporate Governance and associated processes

An assessment against the Code of Corporate Governance was undertaken by Internal Audit against the CIPFA/SOLACE Good Governance Framework. Overall design of controls was seen to be satisfactory and compliant with the requirements of the framework The Code was reviewed, refreshed and approved by the Audit and Risk Management Committee in September 2013, and is publicised on the Council's Intranet. A review and update of the Code is to be completed following the publication of the updated CIPFA/ SOLACE guidance document. An e-learning package will be constructed to accompany this.

2.4.1 Significant Governance Issues from 2014/15

The Annual Governance Statement 2014/15 detailed four Significant Governance Issues, and an action plan to address these has been in place during the year. There has been progress in respect of these issues and the Audit and Risk Management Committee have received updates on this during the year. The current position is that sufficient

progress has been made in respect of Procurement, Absence Management and ICT Business Continuity/Disaster Recovery for them not to be currently classified as significant issues whilst further work is currently ongoing regarding Cultural compliance which remains a significant issue going forward with more focussed work scheduled to be undertaken by the organisation during 2016/17. More detail on this is provided in the Annual Governance Statement for 2015/16.

2.4.2 ICT

Internal audit have continued to work with ICT managers during 2015/16 to identify key risks in this area of operations that has been subject to significant change as well as continually assessing and evaluating controls in place to mitigate emerging threats such as Cyber Security.

2.4.3 Business Continuity and Disaster Recovery

The projects to develop robust business continuity and disaster recovery arrangements continued through the year. This has included the ongoing development of business continuity plans for critical services and work to relocate the Council's primary data centre.

This does however remain an ongoing risk to the organisation that should be addressed at the earliest opportunity, monitoring and reporting of progress in this area by Internal Audit and the Corporate Governance Group will continue during 2016/17.

2.4.4 Information Governance

Information Governance remains a developing area and has seen some improvements in 2015-16 that includes the appointment of an Information Governance Security Officer and the ongoing work of the Information Governance Board to establish effective policy, procedure and good working practices across the organisation. However work undertaken during the year by Internal Audit clearly indicates that there remain a number of potential weaknesses in this area of operations that require the attention of management and the SIRO. The organisation is currently proactively working on a voluntary basis with the ICO to address issues in this area and improve arrangements.

Internal Audit remains an active participant in the officers Information Governance Board and will ensure that information risk receives appropriate focus during 2016/17 including necessary actions to address reported weaknesses.

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

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

The Audit and Risk Management Committee is presented with regular updates on the Corporate Risk Register at its scheduled meetings including summary reports of all risks together with new risks added during 2015/16.

The Corporate Governance Group and the Chief Executives Strategic Leadership Team received the Corporate Risk Register on a quarterly basis during 2015/16. Strategic and departmental management teams also discuss regularly the key risks on the register including reports identifying finance, audit and activity reports and performance management reports that highlight key risks to the achievement of the Council's corporate objectives.

The Risk Management Policy was revised for 2015/16 and was approved by Cabinet in March 2015. The Internal Audit review conducted during the year identified positive progress in the development of the system, but also highlighted some areas for improvement. The implementation of the recommendations will link to the implementation of the revised performance management arrangements to support the Wirral Plan. The recommendations will also link to the outcomes of the CIPFA Risk Management benchmarking exercise, for which an action plan is in place.

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

This element of the opinion is based on an assessment of the range of individual opinions arising from risk based audit assignments, contained within the internal audit plan that have been reported throughout the year. On 18 March 2015 the Annual Internal Audit Plan was agreed by the Audit and Risk Management Committee. During the year regular updates including any necessary changes to the plan were reported to, and agreed by, the Audit and Risk Management Committee. Arising from the agreed plan of work a total of 97 reports, action plans, memos and briefing notes have been issued. All of the work undertaken contributes to my overall opinion on the control environment; all of the reports issued contained a formal organisational risk opinion and have informed the opinion in this report. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses. The outcomes section of this report gives fuller details of:

- Performance against plan;
- Unplanned work undertaken;
- Key points arising where our organisational risk opinion was 'major'; and
- Follow up work undertaken.

2.6.1 Fundamental Financial Systems

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

Audit	Organisation Risk
Accounts Payable	Moderate
Bank Reconciliation (Drawings Account)	Moderate
Benefits	Negligible
Budget Cycle (Revenue)	Negligible
Capital Investment Programme	Minor
Counter Fraud Proactive Work (Officers Expenses, Gifts, Hospitality, Conflicts of Interests etc.)	Minor
Debt Management (Personal Finance Unit)	Moderate
General Ledger	Negligible
Income Management	Minor
MPF – Benefit Payments	Moderate
MPF – Contract Procedures	Moderate
MPF – LGPS Annual Return	Minor
MPF – Pensions Payroll	Minor
NDR (Reliefs & Exemptions)	Minor
Payroll System (Data Testing)	Minor
Treasury Management	Minor

2.6.2 Merseyside Pension Fund

Given, the complex nature of the Pension Fund operations and the materiality of the finances involved, its inherent risk level is significant. The delivery of the Internal Audit service to the Pension Fund has been developed and mutually agreed via a service level agreement (SLA), so as to formalise the audit relationship; clarify responsibilities and obligations on both sides; and embed positive practices. The SLA has now been operational for three years and has enhanced the effectiveness of the Internal Audit service to the Fund who have provided very positive feedback on the assurance work undertaken. The approved programme for 2015/6 included audits within the Benefits, Payroll, Member Services, and Investment Contract risk areas.

As in the previous year, the review of the Benefits system focused on providing assurance on the payment of retirement benefits following the implementation of the Local Government Pension Scheme 2014. Again it supported the co-operative arrangement with the external auditors by incorporating a programme of compliance tests on a sample of transactions pre-selected by Grant Thornton.

An audit was also completed to ensure the risks associated with the regulatory changes within the Pension Scheme Act 2015, referred to within the industry as 'Freedom & Choice', had been addressed. The outcomes from this work, together with the audit of the pension's payroll system, concluded that these operational processes are robust.

A requested audit review undertaken on an investment advisory contract did identify an issue of non-compliance with the contract procedure rules. Therefore further assurance work was completed across all MPF contracts to ensure that this finding was an isolated case and not indicative of a larger problem. The review concluded that the MPF contract processes are effective in ensuring compliance with the corporate regulations and MPF policies.

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

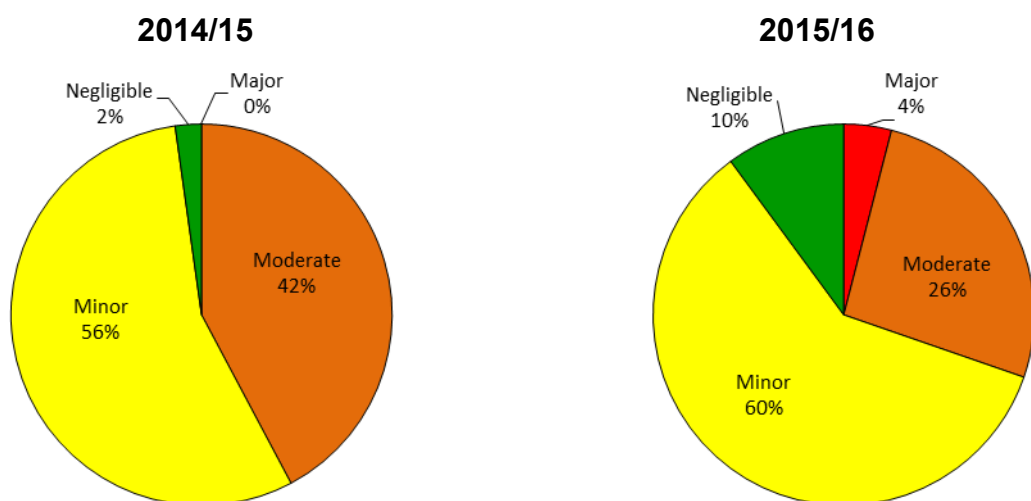
3. Audit Outcomes 2015/16

Assurances Issued During 2015/16

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

3.1 Audit Opinions Provided

The charts below illustrate the opinions provided in audit reports produced during 2015/16 and the previous year 2014/15. These opinions identify the risk to the organisation of the audit findings taking account of the impact and likelihood of occurrence with 'Major' being the most significant and 'Negligible' presenting the least risk. When comparing the two years the most notable feature is the reduction in 2015/16 of the number of audits identifying a 'Moderate' risk opinion and the corresponding increase in the lesser 'Minor' and 'Negligible' risk opinions which is encouraging and suggests that there is an increased awareness and understanding of the need for robust systems of control and governance across management, particularly important during periods of significant transformation and change. Those audits identifying 'Major' risk opinions remain reasonably static over the two years.



These opinions are explained in more detail below:

3.2 **Negligible Organisational Risk Opinion**

A Negligible organisational risk indicates that there were no weaknesses identified during the audit review and that the Council is not exposed to any risks directly associated with the findings. This opinion was provided for the following audits:

- Better Care Fund
- Biffa Contract Savings
- ERDF Merseyside Business Support Programme Procurement Exercise Health Check
- Financial Procedures Protocol
- General Ledger
- Housing Benefit Subsidy Claim 2013/14
- Local Welfare Assistance Scheme
- Revenue Budget Cycle - Departments
- School presentation / self-assessment
- Training Costs - Recoverable

3.3 **Minor Organisational Risk Opinion**

A Minor organisational risk indicates that the likelihood/impact of the risks identified during the review, should they materialise, would leave the Council open to minor non fundamental or material risk. This opinion was provided for the following audits:

- Contract Procedure Rules
- Capital Investment Programme
- Procurement Exercise Health Check
- Gifts, Hospitality and Conflicts of Interest
- Homelessness
- Income and Banking
- CRCEES
- Officers' Expenses
- Official Form Declarations (Internal)
- Library / One Stop Shop - Income Systems
- MFP-Member Records LGPS Annual Return
- Library IT system Cross Departmental Working
- MPF Pensions Payroll
- NDR Reliefs and Exemptions
- P & P System
- Parks & Countryside Services
- Patch Management
- Payroll System - IDEA testing
- Pensions Reform 2015 (Freedom & Choice)
- Barnston Primary School

- Supporting People
- Transaction Centre
- Transaction Centre - Petty Cash Operation
- Treasury Management
- WASBT
- Wirral Evolutions
- Wirral Evolutions Day Services
- Bedford Drive Primary School
- Black Horse Hill Primary School
- Brackenwood Infant School
- Brentwood Nursery School
- Brookdale Primary School
- Cathcart Street Primary School
- Christ Church CE (B'Head)
- Christ Church CE Primary School (Moreton)
- Eastway Primary School
- Higher Bebington Junior School
- Holy Cross Catholic Primary School
- Kilgarth School
- Ladymount RC Primary School
- Leasowe Nursery School & Family Centre
- Meadowside School
- Mount Primary School
- New Brighton Primary School
- Overchurch Infant School
- Overchurch Junior School
- Riverside Primary School
- Rock Ferry Primary School
- Sacred Heart Catholic Primary School
- Secondary School Financial Reporting
- Somerville Primary School
- St Albans Catholic Primary School
- St John's Catholic Infant School
- St Joseph's Catholic Primary School (Wallasey)
- St. Pauls RC Primary School
- Stanley School
- Stanton Road Primary School
- West Kirby Primary School
- Woodchurch Road Primary School

3.4 **Moderate Organisational Risk Opinion**

A Moderate organisational risk opinion indicates that the likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to a moderate risk of a fundamental or material nature. This opinion suggests that there are some weaknesses in the design and/or operation of the control environment that may have varying degrees of impact on the

achievement of systems and/or corporate objectives. This opinion was provided for the following audits:

- Accounts Payable
- Constitution
- Contract Tender Procedures - West Kirby Concourse
- Debt Management
- Elections
- Foster Care
- Foxfield School
- Gilbrook School
- Health, Safety & Resilience
- Bank Reconciliation - Drawings Account
- Implementation of the Care Act 2014
- Liquidlogic
- Management of Leavers
- Confidential Reporting (Whistleblowing)
- MPF - Contract Procedures
- MPF Retirement Benefit Payments
- Officers' Vehicle Use
- Organisational Change
- Our Lady & St Edwards RC Primary School
- Performance Management and Planning
- Personal Finance Unit
- Risk Management
- Safeguarding Children
- Thornton Hough Primary
- Transport Unit

3.5 Major Organisational Risk Opinion

A Major organisational risk opinion indicates that the likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to a major risk of a fundamental or material nature. This opinion suggests that there are some potentially serious weaknesses in the design and/or operation of the control environment that may have a significant impact on the achievement of systems and/or corporate objectives if not addressed.

The schedule below identifies the 4 reports out of the total of 97 produced during the year that contained 'Major organisational risk opinions. A number of these assignments were identified by Chief Officers from individual directorates in year, commissioning audit work in these areas. In all cases management action to address reported weaknesses was agreed and appropriate actions taken during the year as indicated.

Subject	Outcome
Organisational Culture	Follow up work is ongoing to review the improvements being made to the Council's culture and compliance. This remains a key corporate issue and an action plan is in place to address the weaknesses identified in the audit, and broader themes emanating from the Corporate Peer Challenge.
MPF – Contract Procedures	An audit undertaken of an investment advisory contract identified an issue of non-compliance with the contract procedure rules. Further assurance work was completed across all MPF contracts to ensure that this finding was an isolated case and not indicative of a larger problem. The review concluded that the MPF contract processes are effective in ensuring compliance with the corporate regulations and MPF policies. Recommendations to further enhance the control environment have been agreed by MPF management.
Direct Payments	A follow up audit has been conducted and highlighted that progress had been made in implementing each of the recommendations. The follow up review was appreciated by the client as it helped to provide focus on the further work required as the system develops and to ensure full implementation. It is expected that full implementation will be achieved during 2016/17.
Sport and Recreation Income	Follow up work is in progress to review the improvements being made to Sport and Recreation (Leisure Centres) Income. An implementation date for each recommendation was provided in the response to the original report, with all recommendations expected to be implemented by April 2016. Initial discussions have indicated that good progress is being made.

3.6 Additional Work during 2015/16

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

3.6.1 Counter Fraud

An initial exercise was undertaken to assess the Council's measures to counter fraud and corruption against CIPFA's new Code of Practice on Managing the Risk of Fraud and Corruption, which all authorities should comply with. The findings indicated that overall good practice advocated by CIPFA was being followed, where appropriate, and that the necessary policies and procedures were in place to support this approach. However, since our initial assessment CIPFA has issued a guidance document and assessment tool to accompany the Code which will be used to undertake further work of this nature in 2016/17.

The Mersey Region Fraud Group, which Wirral Internal Audit take the lead on continues to develop a regional approach to counter fraud, including the production of generic policies and procedures and undertaking collaborative working in targeted areas, such as data matching and other counter fraud exercises.

Wirral Council were successful in securing separate funding from the DCLG to purchase a 'Counter Fraud App' from the Intec Group. The app can be utilised by members of the public to report fraud and keep up to date on threats in the local area.

During the year the team ran a week long Public Fraud Awareness Campaign from 16-22 November 2015, in collaboration with the Fraud Team (Benefits and Revenues), Insurance & Risk, Publicity and other neighbouring authorities, which was aimed at raising public awareness of fraud and encouraging Wirral Residents/Businesses to help spot and report fraud. The campaign involved posters and leaflets in Council run public buildings, advertisements in the local newspapers and messages on the Council's Website, Facebook/Twitter pages and the One Stop Shop plasma screens.

Since the campaign the team has seen an increase in the number of referrals and the number of investigations that they were asked to both undertake or to provide advice and support with.

3.6.2 CIPFA Fraud and Corruption Tracker (CFaCT)

CIPFA have established a new national Counter Fraud Centre (CFC) to lead on work to counter fraud and corruption across public services. In May 2015 the CFC carried out an annual survey of fraud and corruption detected in local authorities in England. The survey is similar to the former Annual Fraud and Corruption Survey delivered by the Audit Commission and includes questions commissioned by the Fighting Fraud Locally Board and the Home Office, to provide a picture of the amount of detected fraud, emerging risks and actions taken by local authorities across the country to combat fraud and corruption.

The highest results of fraud risks were in the generic areas pertinent to all organisations, in particular Procurement fraud, Abuse of Position and Debt fraud. There were also high figures for local authority specific areas in Social Care and Business Rates.

A number of emerging threats were identified such as:

- Organisational change which leads to fraud risks.
- Personal budgets and direct payments.
- Cyber and e-enabled fraud.

These areas have been incorporated into the annual Internal Audit planning process and audit work has been identified that will be undertaken during 2016/17.

3.6.3 National Fraud Initiative

The National Fraud Initiative has continued following the abolition of the Audit Commission in March 2015 with responsibility for the national exercise transferring to the Cabinet Office.

Data sets were submitted in October 2014 for the 2014/15 National Fraud Initiative biennial data matching exercise and results of data matches were received at the end of January 2015. For this current NFI exercise £164,812.02 has been identified to date, of which £164,506.71 is being recovered.

The team has worked with departments to develop and implement Action Plans taking into account lessons learnt from this exercise. The aim being to identify common themes and recurring types of fraud and error so that departments can identify what changes can be made and measures taken to reduce their incidence.

3.6.4 Investigations

For the financial year 2015/16 Internal Audit received 33 reports and referrals via a number of sources. This represents an increase of 83% from 2014/15 and is partly due to an increased awareness of fraud risks amongst employees and members of the public as a result of successful publicity campaigns run during the year. The type of issues covered a broad spectrum of the Council's activities.

3.6.5 Developing Systems

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

- Better Care Fund
- Public Liability Claims (Self Handling)
- Housing Benefit & Council Tax Support (Verification Policy)
- Implementation of the Care Act 2014
- Troubled Families Programme
- ICT "Target Operating Environment" project
- ICT in Council Libraries

3.6.6 Value for Money work

Whilst value for money work is implicit within all audit work a limited number of specific exercises have been undertaken during the year as detailed below. Time has been included within the Audit Plan to develop this approach and increase our focus in this area on proactive, value adding reviews to support the organisation in delivering increased budget savings and managing service redesign. Work in this area will undoubtedly increase and this has been reflected in the work plan. Developments have taken place during the year to improve our approach to this including new operational practices and reporting formats that are now in operation and encompass a review of the

effectiveness/VFM approaches in place.

- Performance Management
- Parks and Countryside

3.7 **Schools Work**

The objective of the schools audits was to form an opinion on the effectiveness of the controls within schools in ensuring appropriate levels of governance are exercised by the governing body and schools management over the delegated budget.

A risk self-assessment approach has been developed during 2015/16 that ensures a much more effective use of internal audit resources and targets those schools which are most in need of independent review and advice in a more timely fashion.

This approach involves the utilisation of an audit questionnaire designed to enable the assessment of controls currently in operation at schools on a more timely basis. The questionnaire highlights a range of high risk controls and systems, including those affected by recent changes in LA procedures, such as income and banking processes. Audit findings identified during the year include over thirty assurance opinions rated as 'Good', a clear indication that the approach has been well received and has encouraged schools to 'take ownership' of these systems and with ongoing support and guidance from Internal Audit and the LMS Unit ensure that appropriate and effective systems of control are in operation.

The Wirral Electronic School Communications Website (WESCOM) is currently being utilised by Internal Audit to convey best practice learning points in response to issues raised during individual audits for the collective benefit of all schools. Customer feedback in response to the new audit approach has been extremely positive to date.

3.8 **Other Work**

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

- Support to the Audit and Risk Management Committee;
- Attendance at monthly meetings with the Chair of the Audit and Risk Management Committee;
- Support to and attendance at the Corporate Governance Group;
- Support to and attendance at the Information Governance Board;

Wirral Council Internal Audit Service
Annual report for the year ended 31 March 2016

- Analysis of the HB Subsidy Claim to provide additional verification in support of the external audit on specific LHA cases.
- Attendance at regular meetings with the Chief Finance Officer;
- Attendance at regular meetings with the Strategic Director for Transformation and Resources;
- Regular attendance at the Strategic Leadership Team;
- Attendance at Departmental Management Team meetings
- Regular meetings with Strategic Directors
- Grant claims;
- Provision of ad-hoc advice;
- Annual planning and reporting and;
- Collation of evidence for the preparation of the 2015/16 Annual Governance Statement.

4 Effectiveness of Internal Audit

4.1 Internal Audit Standards

Internal Audit fully complies with the CIPFA Code of Practice for Internal Audit which has until recently been the pre-eminent best practice standard for public sector internal audit providers.

From 2013 Internal Audit are required to adhere to the new Public Sector Internal Audit Standards (PSIAS) which will replace the Code of Practice and require all public sector internal audit providers to be fully compliant with by 2018. Regular update reports on this have been presented to the Audit and Risk Management Committee during 2015/16 advising Members of the evolving requirements and progress being made by the service to become compliant. This has included the completion of a self-assessment exercise against the new standards that effectively introduce more demanding targets for internal audit across the public sector. A small number of areas have been identified for development and are included in an action plan being utilised by the service to ensure full compliance by the required deadline.

The new Public Sector Internal Audit Standards (PSIAS) note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The PSIAS require an external assessment of the service at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The scope of the external assessment will be agreed with the Section 151 Officer and the Chair of the Audit & Risk Management Committee as well as with the external assessor or assessment team.

It is the intention of Wirral Council to adopt the peer challenge assessment approach developed by the North West Chief Internal Auditors Group. This approach is acknowledged and supported by the Chartered Institute of Public Finance Accountants (CIPFA), the Chartered Institute of Internal Auditors (CIIA) and External Audit colleagues as being a best practice method of satisfying the requirements of the Standards and ensuring that internal audit are providing a robust and effective service. The objective of the group is to implement this approach during 2016/17.

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

4.2 Internal Audit Developments

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

- The implementation of a revised audit report format incorporating opinions on organisational impact;
- Developed reporting arrangements for Chief Officers and Members;
- Development of self-assessment approach to auditing Schools promoting ownership of issues and utilising audit resources more efficiently;
- Developed performance management system incorporating more effective reporting facilities;
- Developed approach to AGS work incorporating changes resulting from new CIPFA/SOLACE best practice guidance;
- Utilisation of the Intranet to communicate more effectively the outcomes of Schools audits and best practice points of note,
- Improved engagement with Chief Officers, managers and Members;
- Improved reporting arrangements for ARMC members;
- Reviewed and revised Internal Audit Strategy and Charter incorporating changes resulting from Public Sector Internal Auditing Standards;
- Regular scheduled attendance at departmental management meetings and the Chief Executives Strategy Group/Senior Leadership Team by the Chief Internal Auditor;
- Ongoing benchmarking against other audit service providers;
- Enhanced relations with Chief Internal Auditors from across the North West region;
- Further development of the Mersey Counter Fraud Group including the establishment of protocols and collaborative cross boundary working;
- Implementation of a comprehensive Quality Assurance Improvement Programme in compliance with the Public Sector Internal Auditing Standards;

Ongoing developments to be carried forward into 2016/17 include the following:

- Continued development of the Intranet facility as a vehicle for communicating audit and risk related issues to clients;
- Implementation of developed planning and management system incorporating automated working papers;
- Development of the Internal Audit Strategy, Charter and working arrangements to include recent updates to the Public Sector Internal Auditing Standards (2016);

- The implementation of a fully automated ‘paperless’ working environment and increased use of mobile technology and flexible working to increase efficiencies;
- Development of more collaborative proactive counter fraud working across the Mersey region;
- Development of local arrangements to ensure compliance with the Local Audit and Accountability Act, specifically regarding Audit Panels and the procurement of external audit services;
- Continued development of more collaborative working arrangements with colleagues from other organisations to address skills and capacity requirements;
- Further develop the extent of the value for money work undertaken;
- Full compliance with the Public Sector Internal Audit Standards;

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

4.3 Performance Indicators

For 2015/16 the internal audit service continued to set some challenging targets for all of its key measures, but particularly ‘plan delivery’ and ‘acceptance of High priority recommendations’.

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

For 2015/16 summaries of the post audit feedback forms indicate an overall satisfaction rate of 100% with the audit service, with over 88% of respondents noting that they were ‘very satisfied’ with the service provided.

The table below details the key performance measures relating to Internal Audit and actual performance for 2015/16:

IA Performance Indicator	Target	Actual
Percentage delivery of IA Plan 2015/16	100	100
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms indicating satisfaction with the IA service.	80	100
Percentage of internal audit reports issued within 10 days of completion of fieldwork.	100	98

4.3.1 Completion of the Internal Audit Plan for 2015/16:

The plan was 90% complete as at the 31 March with 10% carried over into 2016/17 with completion during April/May 2016. This predominately related to ICT audit work commissioned late in the year following the departure of the Principal ICT Auditor which ran over into 2016/17. At the time of writing this report the IA Plan for 2015/16 was 100% complete. All of the contingency days were used in investigations work, this equates to 9% of the audit days available.

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

The average delay on top of this was 1 day and the majority were delays in obtaining management responses to the reports, a factor largely beyond the control of Internal Audit management.

4.3.3 Comments received on the Customer Survey Feedback Questionnaires:

“Good approach and excellent communication process throughout”

“the report will assist us in tightening our internal control systems”

“Very satisfied with the support provided”

“the recommendations will ensure needed improvements are made”

“An informative and professional service”

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

Minuted feedback received from the Audit and Risk Management Committee during 2015/16:

“Members offered their congratulations on the work of the Internal Audit Team”

“The Vice-Chair commended the Internal Audit team on their work, noting that Wirral was held in high esteem for its efforts in the protection of the public purse, the Chair echoed Councillor Abbey’s comments, thanking the Officer for his report”.

4.4 Follow up Procedure

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

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

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

4.5 Working with External Audit

The Government introduced new legislation for local audit during 2013. The legislation abolishes the Audit Commission and in line with the government changes the Audit Commission appointed Grant Thornton as the Council's external auditors until 2017. The close links with External Audit continue to be important particularly given this change and we have liaised during the year with External Audit to ensure that we avoid unnecessary duplication and use resources to the best effect. Close links with External Audit have been evidenced by:

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

4.6 Working relationships

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

1 Scope, Responsibilities and Assurance

1.1 Approach

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

1.2 Responsibilities of Management and Internal Auditors

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

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

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

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

1.3 Basis of Our Assessment

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

1.4 Limitations to the Scope of Our Work

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

1.5 Limitations on the assurance that internal audit can provide

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

1.6 Access to this Report and Responsibility to Third Parties

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

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

13 JUNE 2016

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

1.0 REPORT SUMMARY

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

2.0 RECOMMENDATION

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

SUPPORTING INFORMATION

1. REASON FOR RECOMMENDATION

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

2. OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3. BACKGROUND INFORMATION

- 3.1 The Department for Communities and Local Government (DCLG) issued amended regulations in 2006, to the 2003 Accounts and Audit Regulations – 'The Accounts and Audit (Amendment) (England) Regulations 2006.
- 3.2 One of the amended regulations impacts on the process for preparing the Statement of Internal Control (SIC) which is subsumed within the Annual Governance Statement (AGS) and relates specifically to the the systems of internal audit in operation. This is:-
- Regulation 6 requires bodies to regularly review their system of internal audit, and for the findings to be considered by a committee of the body, or by the body as a whole.
- 3.3 Advice from CIPFA includes the assertion that the "systems of internal audit" can be considered to include the role and effectiveness of the Audit Committee which therefore should be assessed and evaluated.
- 3.4 To assist Councils in this evaluation exercise CIPFA has provided a self assessment checklist and recommended that this be completed annually by the Committee.
- 3.5 An annual report for 2015/16 has been prepared by the Chair in consultation with Internal Audit and is attached at Appendix A for consideration and approval by the Members.

4. FINANCIAL IMPLICATIONS

- 4.1 There are none arising from this report.

5. LEGAL IMPLICATIONS

- 5.1 There are none arising from this report.

6. RESOURCE IMPLICATIONS

- 6.1 There are none arising from this report.

7. RELEVANT RISKS

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

8. ENGAGEMENT/CONSULTATION

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

9. EQUALITY IMPLICATIONS

9.1 There are none arising from this report.

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

APPENDICES

Audit and Risk Management Committee Annual Report 2015/16

REFERENCE MATERIAL

CIPFA Publication 'A Toolkit for Local Authority Audit Committees'

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Annual Report

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**AUDIT AND RISK MANAGEMENT
COMMITTEE**

ANNUAL REPORT 2015/16

Councillor A Jones, Chair
Councillor A Davies, Vice-Chair

AUDIT AND RISK MANAGEMENT COMMITTEE:

ANNUAL REPORT 2015/16

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1. FORWARD

By the Chairman of the Audit & Risk Management Committee

Councillor Adrian Jones

I am pleased to present the Audit and Risk Management Committee's Annual Report for 2015/16. It records the progress made in providing the degree of independence, questioning, and thoroughness required across a wide range of control and corporate governance matters

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

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

As the newly appointed Chair for 2016/17, I can see that the Audit and Risk Management Committee has provided a valuable contribution to the development of standards and protocols across a wide range of governance areas during what has clearly been a challenging year and has proved its worth in helping to ensure that these are implemented across the Council in an effective and compliant way.

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

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

2. BACKGROUND

2.1 What drives Governance Policy?

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

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

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

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

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

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

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

2.2 Why do we need an Audit Committee ?

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

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

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

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

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

implementation of audit recommendations; and,

- reinforcing the importance and independence of internal audit

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

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

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

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

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

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

2.4. How do Officers Support the Committee?

The Audit and Risk Management Committee is supported by:

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

3. 2015/16 FINANCIAL YEAR

This Annual Report for 2015/16 produced by the Audit and Risk Management Committee has been prepared in accordance with the CIPFA best practice publication 'A Toolkit for Local Authority Audit Committees'. The report demonstrates how the Audit and Risk Management Committee has fulfilled its terms of reference during a very difficult year and how it is fully committed to helping to improve the Council's governance and control environments during what should prove to be a very challenging year ahead.

The committee's activities during 2015/16 were designed to make a positive contribution to the continual improvement of governance arrangements across the Council, as well as performing the statutory roles as identified in the Constitution.

4. SOME KEY INFORMATION

4.1. Audit and Risk Management Committee Membership

During 2015/16 the Audit and Risk Management Committee had the following 9 Members:

Councillor Jim Crabtree - Chair
Councillor Ron Abbey - Vice-Chair
Councillor John Hale - Spokesperson
Councillor Phil Gilchrist - Spokesperson
Councillor David M Elderton
Councillor Chris Blakeley
Councillor Angela Davies
Councillor Paul Doughty
Councillor Mathew Patrick
Councillor Adam Sykes

4.2. Key Features of the Audit Committee and its Operation

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

Best Practice	Expectation	Met	Comment
Independence	Independent from the executive and scrutiny	√	The Committee reports to the Council
Number of Members	3 to 5 members	√	The Committee has 9 Members
Number of meetings	Aligned to business needs	√	The frequency of meetings, 5 times a year complies with best practice.
Co-option	To be considered relative to skills	√	Training is currently provided to increase Members' skills, an evaluation

			of the adequacy and effectiveness of this is currently being conducted and appropriate actions will be taken to address any shortcomings in due course.
Terms of Reference	Accord with suggested best practice	√	The Committee has adopted the CIPFA recommended model.
Skills and training	Members have sufficient skills for the job	√	General and specific training is provided to increase Members' skills, an evaluation of the adequacy and effectiveness of this is conducted annually and actions to address any shortcomings.

4.3. Meetings and Attendance

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

Attendance by Members and approved deputies was over 90%.

5. CORE ACTIVITY 2015/16

5.1. Terms of Reference

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

Internal Audit

The Audit and Risk Management Committee:

- Approved the Chief Internal Auditor's Strategic Audit Plan,
- Considered regular reports produced by the Chief Internal Auditor, highlighting internal audit work completed, internal audit performance against key indicators and any significant issues arising during the period,
- Approved amendments to the reporting arrangements to Members including development of the summary reports from Internal Audit,
- Considered the Chief Internal Auditor's Annual Report and assurance opinion on the Council's control environment,
- Considered reviews of the effectiveness of the systems of internal audit,
- Ensured internal and external audit plans were complementary and provided optimum use of the total audit resource,

- Received updates on the Internal Audit Counter Fraud Teams' remit and activities undertaken,
- Received regular detailed updates on progress towards delivering Internal Audit's Improvement Plan, which is designed to increase overall efficiency and effectiveness of systems of Internal Audit across the Council,
- Received and considered implications of the introduction of the first UK Public Sector Internal Audit Standards,
- Approved and endorsed the Quality Assurance Improvement Programme for Internal audit,
- Received updates on the new Audit and Accountability Act 2013 and considered the implications for the Council,
- Considered reports on audit investigations conducted,
- Considered and approved revisions to Chief Internal Auditors Audit Plan.

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

External Audit

The Audit and Risk Management Committee:

- Considered the external auditor's Audit Plan,
- Considered progress against the plan presented by the external auditor
- Received and considered all external audit findings and inspection reports issued in the year and considered management's response to them, ensuring robust and thorough responses,
- Reviewed the external audit Committee Update reports and took appropriate actions in response to issues presented,
- Reviewed the Council's progress on all external audit and inspection recommendations on a regular basis and asked managers to explain progress where appropriate, thereby holding them to account,
- Received and considered all of the external auditors reports on the Merseyside Pension Fund,
- Considered the external auditor's Annual Audit Letter,

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

Risk Management

The Audit and Risk Management Committee:

- Considered regular reports on the Departmental and Corporate Risk Registers,
- Promoted risk management across the Council,
- Considered reports on Corporate Risk and Insurance Management,
- Considered reports on the Corporate Risk Management Policy and the management of risk.

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

Internal Control and Governance

The Audit and Risk Management Committee:

- Agreed the Council's Annual Governance Statement and action plans to improve identified weaknesses,
- Supported the development of a Mersey region Counter Fraud Group,
- Engaged with and supported the Counter Fraud Awareness Week initiative,
- Supported work undertaken as part of the Audit Commission's National Fraud Initiative,
- Considered and supported amendments to the Council's counter fraud arrangements,
- Considered reports on Officers Decision Notices permitted under the Councils Contract Procedure Rules,
- Approved the revised Contract Procedure Rules and Financial Regulations,
- Approved the updated Audit and Risk Management Committee self assessment checklist.

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

Accounts

The Audit and Risk Management Committee:

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

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

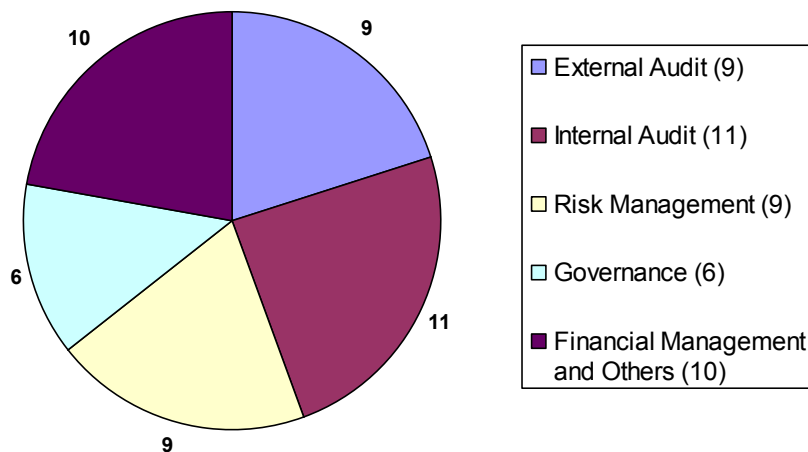
Specific Issues

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

- Regulation of Investigatory Powers Act 2000,
- Insurance arrangements and performance,
- Information Governance Update

To give a flavour of our business during the year, the following shows the types and numbers of reports considered between April 2015 and March 2016:

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



6. OTHER ACTIVITIES

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

- Authorising amendments to the draft Annual Governance Statement.
- Arranging special meetings and devoting significant resource to addressing governance issues arising.
- Referring several matters to Cabinet for attention.
- Asking Chief Officers to attend as appropriate and present reports on issues identified which affected governance.

7. OUTCOMES

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

- Oversaw work on the Statement of Accounts,

- Encouraged and presided over a strengthening of the control environment, specifically by overseeing various targeted reviews and the production of the Annual Governance Statement,
- Presided over significant changes in the structure of the organisation including officers with statutory responsibilities to ensure the proper administration of financial affairs and systems of internal control,
- Encouraged and presided over significant developments and improvements to strengthen the delivery of the Internal Audit service, including the implementation of a Quality Assurance Improvement Plan and other initiatives designed to ensure compliance with the new Public Sector Internal Audit Standards.
- Received reports which showed how improvements had been planned, and delivered, to the Statement Of Accounts,
- Encouraged and presided over a strengthening of the Council's information governance specifically by overseeing various targeted reviews and ensuing improvements.
- Endorsed the strengthening of the governance arrangements through the consideration and approval of the revised Contract Procedure Rules and Financial Regulations,
- Encouraged a strengthening of the Council's overall control environment, specifically by overseeing various targeted reviews and the production of and challenge to the Annual Governance Statement,

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

8. PLANS FOR 2016/17

During 2015/16 the Audit and Risk Management Committee has consolidated the progress that has been made in previous years, and going forward will look to develop further and become the recognised champion of good governance for the Council, helping to address any identified issues in what promises to be a very challenging and difficult environment. Our priorities for 2016/17 are to continue to meet our duties as specified in the Constitution by developing and building on our current status as well as responding to and implementing any requirements arising out the new Public Sector Internal Auditing Standards and the Local Audit and Accountability Act 2014. For 2016/17 we will:

- Continue to develop the Wirral Council Audit and Risk Management Committee to review all governance issues identified,
- Develop the proactive nature of the Committee to facilitate actions by officers to ensure that risks are identified earlier in the process and remedial actions taken in a more timely fashion in response,
- Oversee actions required to ensure that the requirements of the Local Audit and Accountability Act 2014 are met,
- Continue to drive up standards and meet the demanding requirements of the external inspection and assessment regime,

- Continue to review all governance arrangements to ensure the Council adopts the very latest best practice,
- Continue to support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations,
- Ensure we maintain and further improve our standards in relation to the production of accounts,
- Oversee the implementation of the Public Sector Internal Auditing Standards,
- Continue to help the Council to manage the risk of fraud and corruption,
- Continue to develop the Wirral Council Audit and Risk Management Committee to review risk and partnerships' issues and safeguard public sector interests,
- Oversee the development of audit plans to evaluate and test controls in operation over integrated systems such as Public Health,
- Equip existing and any new Members to fulfil our responsibilities by providing more detailed and effective training on all key areas of responsibility including financial arrangements and risk management, governance and audit planning.

Councillor Adrian Jones (Chair)
Wirral Council Audit and Risk Management Committee
May 2016

9. APPENDIX 1

AUDIT AND RISK MANAGEMENT COMMITTEE

TERMS OF REFERENCE

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

implemented within a reasonable timescale; and

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



Audit and Risk Management Committee Monday, 13 June 2016

REPORT TITLE:	Draft Annual Governance Statement
REPORT OF:	Strategic Director: Transformation and Resources

REPORT SUMMARY

This report presents Audit and Risk Management Committee with a draft Annual Governance Statement for consideration by Committee Members. A final version will be reported to the Committee in September 2016.

It is necessary for the Council: to have approved and adopted a Code of Corporate Governance that complies with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government; and to report publicly through the Annual Governance Statement the extent to which the governance processes outlined in the Code are operating effectively in practice.

The Framework identifies six core principles of good governance:

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

RECOMMENDATION/S

That the Audit and Risk Management Committee considers the current draft of the Annual Governance Statement and the final Annual Governance Statement be presented to the Audit and Risk Management Committee for approval in September 2016.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit England) Regulations 2015.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not applicable due to the statutory requirement.

3.0 BACKGROUND INFORMATION

3.1 The approach

The production of the Council's Annual Governance Statement is based on relevant supporting evidence provided by Internal Audit, with the overall direction provided by the Strategic Leadership Team to ensure high level corporate engagement and ownership.

The Council's Internal Audit team has been responsible for undertaking the relevant assurance work; however, it is important to note that the Annual Governance Statement is not owned by the audit function and is a Council statement on the effectiveness of its governance processes.

The review of the Annual Governance Statement and the accompanying assurances are also important roles for the Audit and Risk Management Committee.

3.2 Evidence

Internal Audit has provided the following sources of evidence and documentation to support the production of the Annual Governance Statement:

- a) A review of the key governance processes in place.
- b) Collation and review of Chief Officers and Managers Assurance Statements (in which assurances are provided and weaknesses highlighted over a range of key governance processes within specific areas of responsibility).

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

Further evidence has been gathered via a series of meetings with key Council officers.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report.

5.0 LEGAL IMPLICATIONS

5.1 The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2015.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are none arising directly from this report. Any implications identified in the production of the Annual Governance Statement will be reported to the Council's Strategic Leadership Team, Cabinet and the Audit and Risk Management Committee to identify the appropriate action that will be taken.

7.0 RELEVANT RISKS

7.1 Potential failure of the Council to comply with the statutory requirement set out in the Accounts and Audit (England) Regulations 2015).

8.0 ENGAGEMENT/CONSULTATION

8.1 Consultation has taken place with the Portfolio Holder for Governance, Commissioning and Improvement, Council Leader and External Audit to inform the draft of the Annual Governance Statement.

8.2 The production of the statement has been led by the Council's Strategic Leadership Team and supported by officers of the Corporate Governance Group.

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

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report.

REPORT AUTHOR: **Lucy Barrow**
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APPENDICES

1. Annual Governance Statement 2015-16

REFERENCE MATERIAL

- CIPFA/SOLACE Delivering Good Governance in Local Government: Guidance Note and Framework (2012).
- CIPFA Annual Governance Statement: A Rough Guide for Practitioners 2007/08.
- Accounts and Audit Regulations (England) 2011.
- CIPFA Code of Practice for Internal Audit in Local Government 2006.
- CIPFA The Role of the Chief Financial Officer in Local Government 2010.
- CIPFA The Role of the Head of Internal Audit in Public Service Organisations 2010.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee - Annual Governance Statement 2014-15	18 March 2015
Audit and Risk Management Committee – Annual Governance Statement 2014-15	8 June 2015
Audit and Risk Management Committee – Annual Governance Statement 2014-15	22 September 2015

DRAFT ANNUAL GOVERNANCE STATEMENT 2015-16

1. Scope of Responsibility

Wirral Council has continued to strengthen its governance arrangements during 2015-16 and is confident that there are robust internal governance controls in place, demonstrated by improvements towards the Council's existing governance issues.

The Council's strengthened position can be further illustrated by the Council's success in being recognised as Britain's 'Most Improved Council' at the LGC Local Government awards in March 2015. This award highlights that the Council has been recognised by its peers for the improvements that have been achieved.

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

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

Wirral Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the authority's code is available on our website at www.wirral.gov.uk. This statement explains how Wirral Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6 (3), which requires all relevant bodies to prepare an Annual Governance Statement.

2. The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify

and prioritise the risks to the achievement of Wirral Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Wirral Council for the year ending 31 March 2016 and up to the date of approval of the annual statement of accounts.

3. Overview of Council Progress

The Council has continued to progress its plans during 2015-16 to continually strengthen its governance arrangements and build on previous improvements. Internal governance controls have been strengthened and this is demonstrated by improvements delivered during 2015-16 to address the Council's existing governance issues.

The Council has identified one governance issue in 2015-16 which is outlined in this statement. This presents an improved position from four governance issues in 2014-15. The Council has made considerable progress to conclude three of its 2014-15 governance issues. Progress made against each of these issues is detailed below.

ICT Business Continuity and Resilience Plans

The Business Continuity Policy was reviewed in September 2015 and is available on the Council's intranet alongside a Business Continuity Planning Template. The Council identified 30 critical service areas where a Business Continuity Plan was required and work has been completed to prepare the plans which have been quality assured. Further work is now required to test the effectiveness of the plans.

A contract with a local public sector partner has been agreed for the relocation of the Council's primary data centre in order to strengthen the Council's ICT resilience. Further preparations are required and a project plan is in place to ensure that key milestones are met as work continues towards migration to the new site and completion of the Data Centre project, expected by July 2017. A review of the current Data Centre is to be undertaken to ascertain the remedial works required to strengthen arrangements.

The progress made, coupled with the future action expected to be taken, would indicate that this is no longer a Significant Governance Issue in its own right. The Data Centre project must continue to completion, and there are still many significant steps to take. Progress and implementation of this specific issue will continue to be monitored through the Corporate Governance Group.

Corporate Procurement Arrangements

A fit for purpose structure for the Procurement Team is in the process of being determined and implemented, with recruitment expected to take place during Spring/Summer 2016.

Contract Procedure Rules have been revised and were implemented on 1 April 2016. Briefing sessions have been delivered to circa 200 officers, having been offered to all staff, and further

sessions are to be delivered for circa 100 officers. A procurement e-learning module will be developed during 2016/17 and made compulsory for all officers. Officers must comply in full with Contract Procedure Rules, working in conjunction with the Procurement team, so as to ensure a robust corporate approach.

The progress made, coupled with the future action expected to be taken, would indicate that this is no longer a Significant Governance Issue in its own right. The requirement for full compliance with the Contract Procedure Rules, including procurement best practice principles, will be addressed as part of the identified significant governance issue relating to compliance. Progress and implementation of this specific issue will continue to be monitored through the Corporate Governance Group.

Absence Management

A new policy and procedure was introduced in October 2015 to help managers to improve effective reporting and management of sickness absence. Briefing sessions were held in November and December 2015 to explain the key changes. Further resources and support around the new Attendance Management policies and procedures are available to managers on the staff intranet.

It is recognised that mental health absence (particularly stress-related) is a challenge for the organisation. First day referral to Occupational Health for all mental health related absences has been implemented to assist employees in remaining in work or returning sooner. The development of a Health and Wellbeing strategy is planned, focusing on improving the health and wellbeing of the workforce and improving prevention and intervention strategies.

The Council has implemented a range of measures intended to assist in reducing absence. It is necessary for all officers across the organisation to comply in full with the Absence Management policy, so as to ensure that the objective of reducing absence levels is achieved.

The progress made would indicate that this is no longer a Significant Governance Issue in its own right. The requirement for full compliance with the Attendance Management policies and procedures will be addressed as part of the identified significant governance issue relating to compliance. Progress and implementation of this specific issue will continue to be monitored through the Corporate Governance Group.

Compliance

The one remaining issue is related to organisational and managerial compliance with certain Council processes and procedures, including performance appraisals, absence management, contract procedure rules and mandatory training. This issue requires further work to demonstrate a sufficiently improved position before it can be removed from the Council's annual governance statement. On this basis the Council has decided to retain this as a significant governance issue to ensure that there are robust review and scrutiny arrangements in place to ensure it is addressed. Corporate Governance Group will lead the development of a robust action plan to address this governance issue which will be regularly monitored.

There have been no 'new' governance issues identified during 2015-16 which demonstrates the Council is one which is stable and has embedded and consolidated arrangements to strengthen governance.

4. The Governance Framework

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

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

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

The Council's Corporate Plan 2013-16 was refreshed for 2015-16 and agreed by Council in December 2014. The Plan provided the organisation with a clear vision and set of priorities for the Council to deliver on within available resources. The Plan was implemented during 2015-16 through the Council's performance management framework which was based on the Corporate Plan and three Directorate Plans as approved in March 2015. Corporate Plan monitoring reports were provided to the Council's Strategic Leadership Team, Cabinet and Coordinating Committee quarterly. Directorate Plan monitoring reports were provided regularly to Directorate Management Team meetings and quarterly to the relevant Directorate Policy and Performance committee.

Performance reports were based on the key indicators as included within the plans and aligned to the Council's strategic priorities. Red, amber, green ratings were provided against agreed targets at the start of the year. Responsible officers were assigned to all indicators to ensure clear lines of accountability. In cases of under-performance, responsible officers were required to attend scrutiny committees to explain the reasons and the corrective action being put in place to address it.

During 2015-16, the Council led the development of a five year Wirral Plan to follow on from the previous Corporate Plan which concluded its final year in 2015-16. The Wirral Plan 2020, published in June 2015, sets out twenty 'pledges' for the Council and its public sector partners in Wirral to deliver on over the next five years. The Plan aims to make a stronger impact on delivering better outcomes for local people. The Wirral Partnership, which held its inaugural summit meeting in July 2015, saw partners from across the borough jointly endorse the Wirral Plan and adopt its priorities as shared outcomes which all public services would work towards. This partnership will now drive the implementation of the Plan to ensure effective delivery of the pledges by 2020.

The importance of delivering in partnership and maximising resources across Wirral's public sector is fully recognised by the Council, as well as the need to look beyond organisational and

geographical boundaries to work together with the whole of the public sector in Wirral. This will enable maximum impact to deliver better outcomes to Wirral residents and achieve value for money through developing a single long term vision for the borough.

As part of informing the Wirral Plan, the Wirral Partnership delivered the Wirral Residents' Survey in September 2015, the first detailed survey of what residents want, need and aspire to since 2008. The Wirral Plan focuses on three key priority areas: people, business and the environment. The Plan is underpinned by a number of strategies and a series of enabling projects have been developed around neighbourhood working, assets, transport, and the partnership's digital agenda to support the delivery of the twenty pledges. The Residents' Survey findings have informed the development of all strategies and the Council is committed to repeating the survey on a regular basis to ensure that residents' views continue to inform the Council's decision making processes.

A new performance management framework has been developed during 2015-16 to oversee the performance of the Wirral Plan effective from 1st April 2016. Training on the new performance management arrangements has been rolled out across the Council during April/May 2016.

In November 2015, the Council participated in a LGA Corporate Peer Challenge led by a team of local government experts. The focus of the peer challenge was on the Council's capacity to deliver the Wirral Plan 2020 and associated pledges; the Council's approach to partnership working; and the development of new models for service delivery.

The peer challenge found the Council had made major progress in developing the Wirral Plan and the Wirral Partnership, and endorsed the initial approach for changing the design and operation of the Council. The review findings also confirmed that there needs to be a stronger focus on long-term financial planning to ensure that the Council is fully aligning its resources to the Wirral Plan pledges, as well as highlighting that a new approach to large-scale transformation is required. The review further highlighted areas where the Council needed to strengthen its capability and capacity, including the need to develop a more commercial approach in how the organisation operates. An action plan has been developed in response to the findings of the Corporate Peer Challenge.

The Council responded promptly to the peer challenge findings to ensure that it continues to strengthen its financial management and stability. An overview of the Medium Term Financial Strategy 2016-21 was agreed by Council in February 2016 alongside the 2016-17 budget. Work is now underway to further align the Wirral Plan and its 20 pledges with the Medium Term Financial Strategy by September 2016, and ensure that resources are targeted in accordance with the priorities identified in the Wirral Plan. Closer alignment of budget setting to the Wirral Plan, and a move away from annual budget setting to longer term financial planning will provide the Council with strengthened governance and financial management arrangements.

Wirral Council continues to play an influential role in the Liverpool City Region as part of the Combined Authority which has been established to promote economic development of the region, draw down support from central government and European funding streams and work in

a targeted and integrated way on transport-related initiatives. The Combined Authority agreed its devolution deal with central government in November 2015 and Wirral Council's Leader is the lead for Economic Development for the Combined Authority.

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

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

The Council's Constitution provides a clear framework to ensure that Members and Officers have clearly defined functions and roles. This includes a scheme of delegation and a protocol on Member / Officer Relations that clarify the expectations and boundaries between Member and Officer roles and responsibilities. The Council has recently reviewed its constitution and scheme of delegation, which were approved by Council in December 2015 and will be kept under regular review to meet Council requirements and provide effective governance.

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

Portfolio briefings take place on a monthly basis between the Cabinet Members and Strategic Directors to discuss items relevant to the portfolio area including performance of services, budget and risk management issues. The Deputy Leader's portfolio includes responsibilities for transformation and improvement, and reports to Cabinet and Council on a regular basis regarding matters within the portfolios responsibilities.

In 2015-16, the Leader of the Council appointed Elected Members as Pledge Champions to ensure the Wirral Plan has strong member engagement and involvement. Pledge Champions take responsibility for driving the delivery and profile of their pledges, ensuring high levels of engagement and that community stakeholders, partners and residents are able to contribute towards achieving our shared priorities.

Wirral Council's Overview & Scrutiny function is currently delivered through four Policy and Performance Committees. The Committees have clear responsibilities to inform policy development and to enable pre-decision scrutiny of decisions within the remit of the strategic directorate. A Co-ordinating Committee is responsible for overseeing arrangements and allocating crosscutting activities. A total of 41 non-executive Members sit on one or more Policy and Performance Committees, supported by a team of dedicated Scrutiny Officers.

As part of the Council's budget setting process the Policy & Performance committees conducted

robust scrutiny of the Council's budget proposals in January 2016. The model adopted by the Council allowed Scrutiny Members to choose which budget proposals they wished to examine in detail. This was facilitated through a series of dedicated workshops to better understand the rationale behind proposals, as well as examining in detail the potential impact, risks and possible mitigation.

Scrutiny findings were fed into Cabinet's considerations and informed its final budget recommendations to Council in March 2016. The impact of Council scrutiny embedded within the budget-setting process has led to proposals being either supported, rejected or re-shaped as a result of the feedback received. This ensures that decisions taken through the annual budget setting process are informed by constructive challenge as well as the priorities articulated by local residents.

In order to ensure the scrutiny function can respond appropriately to the drivers for change, a review of the current scrutiny model will be completed to fully align the Wirral Plan themes of People, Business and Environment to the Council's Policy and Performance Committees. This will further enable the Council's scrutiny function to focus on the delivery of outcomes for Wirral residents and the delivery of Wirral Plan pledges.

Arrangements are in place to ensure the Head of Paid Service and Monitoring Officer role and functions are discharged effectively and these functions are set out in the Council's Constitution. This ensures that there is compliance with relevant laws and regulations and internal policies and procedures. The Council complies with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2015.

The Council also complies with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations 2010. The Chief Internal Auditor provides reports to the Council's Strategic Leadership Team and Audit and Risk Management Committee on a monthly basis.

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

In order to ensure that the Council has the skills, capacity and capability in the right places to deliver the Wirral Plan and associated pledges, the Council, during 2015-16, has been developing a new operating model which will implement a new approach to how the organisation operates and ensure its arrangements continue to be effective. The new operating model will ensure that the Council is structured based on delivering better outcomes with our partners for Wirral residents.

The Peer Review team reviewed the proposed model as part of the Council's peer challenge and considered it was an appropriate model and advised the Council to progress implementation promptly. The implementation of the new operating model is an organisational priority for 2016-17.

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

Wirral Council applies the Nolan principles of public life in its approach to Elected Member conduct. The principles cover Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership, and are embedded within the Members' Code of Conduct as part of the Council's constitution to ensure there is clear accountability and clarity. The Council's Standards and Constitutional Working Group have the responsibility to review the protocol on Member / Officer relations to provide a framework to govern how Members and Officers work together. The protocol gained Council approval in March 2015 and is embedded in the Council's Constitution.

The Council has an agreed set of organisational values and behaviours which inform and shape how staff across the Council provide services to Wirral residents, businesses and other stakeholders. The values are for staff to deliver with integrity, ambition, confidence and efficiency. Engagement sessions with staff to embed these values across the Council's workforce took place during 2015-16, however it recognised that there is further work required to ensure these values are visible and fully promoted within the organisation. This will be a priority for 2016-17 and the production of a new Organisational Development Plan will put in place the clear actions required to further embed the Council's values and behaviours

A new performance appraisal process was adopted in 2014-15 which required managers and staff to evidence how the organisational values have been demonstrated, review employee performance and set objectives for the future year. The Council did not achieve its target for completing performance appraisals in 2015-16, although there were significant improvements to the previous year's performance levels. Actions that were taken during 2015-16 to improve completion levels included regular communication to managers and staff to provide guidance and timescales for completion, as well as regular reporting to senior managers.

It is recognised that completion of performance appraisals for all employees is an essential part of ensuring the Council's workforce is clear on the vision and direction of the organisation, and to clearly set out objectives and expectations for the forthcoming year. The target set for 2016-17 is for 100% of all Council employees to have received a performance appraisal. To assist with the achievement of this target, the performance appraisal documentation has been revised and additional guidance and training for managers will be provided to ensure they are completed within the agreed timescales. The Council is therefore confident that the measures that have now been put in place, as outlined above, will make this target achievable.

Work is underway to produce a new Organisational Development Plan which will be in place for 2016-17. A short term culture action plan was created in 2015-16 to focus on the actions that needed to be taken promptly in response to the peer challenge findings and the detailed cultural diagnostic completed by the senior leadership team. The action plan focuses on communication and engagement with employees and managers, compliance and accountability and also the steps that need to be taken to develop the Council's capacity and capability to achieve the long term ambitions set out in the Wirral Plan.

The culture action plan has seen the development and delivery of a programme of Chief Executive and SLT roadshows across the organisation. These have increased leadership visibility and given staff opportunities to challenge and question. In addition staff engagement with customers has been improved through opening up external web and social media access to all staff.

As part of the Council's culture action plan, Accountability Statements have been developed for senior managers to improve accountability and compliance across a number of key areas including: budget, performance appraisals, managing attendance, and communication. These statements were signed by senior officers at the end of March 2016. Managerial compliance with certain Council processes and procedures will continue to require further actions to be taken during 2016-17. This includes performance appraisals, absence management, contract procedure rules and mandatory training. It is recognised that progress has been made, however this will remain as a significant governance issue within the 2015-16 Annual Governance Statement to ensure that remaining actions are completed.

'Dignity at Work' training is mandatory for all Senior Managers and a programme of training for managers which covers dignity at work, grievance and whistleblowing policies has been delivered during 2015-16. The dignity at work policy provides a process to follow when dealing with allegations of bullying and harassment. Since the implementation of the dignity at work policy, the Council has appointed and trained over 30 dignity at work advisors to support employees through these processes.

A revised Absence Management Policy was introduced in October 2015. The policy was cascaded to managers through email communications to notify them of the new policy and the Council's One Brief article informed all employees. Briefing sessions on the key changes to the policy were held for Managers in November 2015 and frequently asked questions were published. The Council's intranet page has also been revised to ensure the most relevant information is easily accessible; this includes a list of most frequent manager tasks. Since implementation the Council has seen an increase in the number of employees who are being managed in a formal process.

A revised Disciplinary Policy was introduced in July 2015. The policy was cascaded to managers through email communications to notify them of the new policy, and briefing sessions on the key changes to the policy were held for Managers in November 2015.

The Council established a Workforce Equality Steering Group in July 2014 which is chaired by the Director of Transformation and Resources and supported by the Council's Workforce Equalities Officer. The group has representation from all relevant divisions and meets regularly throughout the year to implement the requirements of the Equality Act 2010. The group also monitors the Corporate Equality Plan to progress the Council's aim to achieve the 'excellent level' of the Equality Framework for Local Government.

In order to ensure that Council policies and decisions do not directly or indirectly discriminate against Wirral residents, all Cabinet and Committee reports must include an Equality Impact Assessment (EIA). The assessment is used to analyse policies and practices to make sure they do not discriminate

or disadvantage people by treating them less favourably or putting them at a disadvantage because of their protected characteristic such as gender, race or disability compared to others without that characteristic.

The Council has a clear conflict of interest policy which applies to all employees. All Council employees are required to complete a conflict of interest declaration form annually as part of their performance appraisal. The Members' Code of Conduct clearly defines disclosable interests and details the obligations of Elected Members in the disclosure of interests to the Monitoring Officer. The Monitoring Officer is required to maintain a Register of Interests.

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

Risk management is high on the agenda both corporately and within directorates. A Corporate Risk Management Policy has been in place during 2015/16 and will be reviewed for 2016/17 to align to the delivery of the Wirral Plan.

The Council has reviewed and refreshed its Corporate Risk Register during 2015-16 to ensure the register reflects the Council's most critical risks. The register now includes a set of redefined risks with descriptions produced for each. This newly defined set of risks focuses on key strategic and tactical risks relating to the Wirral Plan and the delivery of outcomes. This will be reported to Cabinet and to Audit & Risk Management Committee in June 2016.

The Council again participated in a national CIPFA benchmarking exercise with other authorities during 2015-16 to further develop its approach to managing risks and incorporating best practice from others. The exercise highlighted that the Council had made progress since the previous year's assessment.

Risk monitoring reports are routinely reported to the Council's Corporate Governance Group and Strategic Leadership Team, and to the Audit and Risk Management Committee for their review of assurance requirements.

In order to ensure the Council has effective arrangements in place to deliver the Wirral Plan and fully understands the risks associated with achieving its ambitions, a risk appetite exercise has been completed with the Council's political and executive leadership to consider their collective appetite for risk. A survey was conducted in December 2015 to assess attitudes to key areas of risk and an action plan is in development to take this work forward including completing an exercise with partners to identify the risk appetite of the Wirral Partnership.

The Council has also launched new risk management e-Learning courses during 2015-16 to equip managers and staff with core skills to handle risk more effectively.

Policy and Performance Committees provide effective scrutiny of key Council decisions. As part of the development of the Wirral Plan, a series of three scrutiny workshops were held for non-

executive members, focusing on each of the Wirral Plan themes of People, Business and Environment. This provided Members with an opportunity to be briefed on delivery arrangements around the 20 Wirral Plan pledges as well as being able to challenge and influence the emerging delivery plan. The feedback from these sessions was compiled into a report that went to Cabinet in March 2016. This feedback was also cascaded to all pledge sponsors and leads in order that it could be considered for inclusion, where appropriate, in the Plan's supporting strategies and action plans.

The Council publishes minutes and agendas of all Committees on the Council website in line with the Freedom of Information Act 2000. The Council uses the mod.gov committee management and report writing and reviewing system for all cabinet and committee reports. This provides a streamlined report writing process and the mod.gov workflow strengthens the statutory sign-off process for all reports.

Wirral Council adheres to the requirements of the Transparency Code, as published by the Department for Communities and Local Government (DCLG) and publishes open data in line with this using the Data.gov discovery service.

The Council has a three stage corporate complaints procedure which is well publicised on the Council's website. Complaint responses are required within 15 working days, and responses to Stage 3 complaints are investigated by a senior manager from an unrelated service to that about which the complaint has been made. There are separate processes in place relating to schools, councillors and adult and children's social care.

All complaints are recorded and monitored and the corporate health report provides details of the number of complaints received. This information is regularly reviewed by the Council's Strategic Leadership Team and includes the percentage of complaints not resolved at stage 1, and the percentage responded to within the timescales. These figures are available by department so that areas of concern can be investigated further.

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

The Authority offers Members, including the newly elected, a programme of training covering the Member Charter, Code of Conduct, Code of Corporate Governance, and Regulatory Framework. All Elected Members also have the opportunity to complete a personal development plan and a new Elected Member development programme will be designed and implemented during 2016-17.

The Council has a 'Skills for Wirral' training and development programme for managers and employees. The 'Wirral Management Development Programme' provides essential training for managers to ensure that they have the support to meet the expectations framework. The Framework has nine essential modules which contain a mixture of workshops and e-learning modules. An online training needs analysis has assisted in identifying priorities for managers,

alongside specific targeted programmes. The Council's online training needs analysis for managers went live on 1 April 2015, in line with the Performance Appraisal process for 2015-16.

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

The Council is also taking action to respond to the findings of the Corporate Peer Challenge and is currently defining its transformation programme as recommended by the Peer Team. This will ensure that the Council has the capacity and capability to deliver its ambitious programme of change and put in place a strengthened commercialisation approach.

The Council is committed to ensuring that all employees receive regular and timely communication. There is an established 'One Brief' publication that is sent to all managers regularly to cascade outlining key communication messages which managers are expected to discuss with their teams during team meetings. Weekly communications are sent to all staff from the Chief Executive in order to keep the workforce informed of key organisational developments.

In February 2016 Managers' Brief was launched; a dedicated briefing system that provides direct distilled information for all managers with supervisory responsibilities, regardless of grade or level. Managers' Brief includes key communications messages to cascade to staff, HR and policy updates, and feedback from chief officer and senior leader sessions.

Internal Communications in the Council have been strengthened in 2015-16 through making better use of existing opportunities to communicate with staff and using a refreshed, clear, concise, plain English, approach wherever possible. Corporate screensavers have been rolled out across the entire council network of computers and key communications are uploaded to the HR SelfServe system ensuring all staff can access the information.

A series of staff roadshows have been led by the Chief Executive and supported by the Senior Leadership Team. The roadshows have been well attended by staff from across the authority and are the first of a regular six monthly plan for chief officers to meet with staff face to face and discuss the future direction of the Council.

Throughout 2015-16 regular Chief Officer and Senior Manager Conferences have been held to share important information about the Council through updates from the Leader and the Chief Executive as well as updates from a number of key areas across the Council. These sessions enable Chief Officers and Senior Managers to share their views and comments on the changes that are taking place and provides them with the confidence and capability to ensure continued effective delivery within their service area.

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

As set out in the Wirral Plan 2020, the Council is committed to engaging residents to ensure local priorities are addressed, and empowering communities to deliver more themselves. In 2015 Ipsos Mori, on behalf of Wirral Council, conducted a detailed Resident Survey to find out what Wirral residents want and need. Over 1,200 people responded to the survey which was designed to investigate residents' perceptions of Wirral as a place to live; priorities for residents; satisfaction with the council and public services; workforce patterns; and resident wellbeing and resilience.

The results of the survey will be used to support Wirral's 2020 Vision through informing decisions, tracking performance, and helping the Council to focus on resident priorities for improvement.

Further commitment to engaging with local people is illustrated through stakeholder consultation sessions held around the pledge strategies. Consultation sessions have involved residents, partners and other stakeholders to ensure that there has been extensive engagement in the development of strategies and their priority areas.

A budget consultation exercise took place during 2015-16 with local residents, staff and stakeholders to seek their views on a series of budget proposals put forward to help the council save the money required for 2016/17. Over 10,000 local people responded to the consultation which closed in January 2016. This is the highest level received and significantly higher than previous years. The results of the consultation were reported to Cabinet with recommendations approved at the meeting of Council on 3rd March 2016 when the final budget was set.

In Autumn 2015, the Council opened up access to social media sites to all staff. As part of the Council's culture action plan to harness the power of our staff as local people, the council has actively used its traditional communication channels to promote its 'new' media channels with employees. Opening up social media is contributing to an open and effective relationship between the authority and local residents by showing trust and a new, modern, risk aware but not risk averse approach.

In November 2015, the Council took part in the LGA's national social media campaign #OurDay. For one day, the Council's main Twitter account shared stories, facts, photos and videos, tagged with #OurDay. The day was a success in terms of reaching the public and showcasing some of the services the Council delivers.

Neighbourhood working arrangements are in place to bring communities closer to the decision-making process via the four constituency areas. The Constituency Committees meet on a quarterly basis and the focus of the neighbourhood working model is designed to engage locally Elected Members and their communities in discussions to identify solutions to local issues together.

The Wirral Partnership is currently reviewing the borough's neighbourhood working arrangements and is developing its future strategic approach which is fully aligned to delivering the Wirral Plan and associated pledges through a set of constituency plans. The strategy and

plans will be presented for approval by Elected Members in 2016-17.

5. Review of Effectiveness

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

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

Internal Audit has completed a self-assessment of its compliance with the Public Sector Internal Audit Standards. The overall assessment was a very high level of compliance with the Standards, with an external assessment to be completed before 2018, in accordance with the requirements.

Corporate Management Assurance

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

An officer Corporate Governance Group is chaired by the Strategic Director for Transformation and Resources. The group includes strategic leads for Performance, Risk, Internal Audit, Improvement and Strategy to ensure it has an appropriate profile within the organisation and significant governance issues are monitored and responded to in a timely manner.

Council

Council sets the authority's overall policies and budget each year and holds the Cabinet to account. Council has an agreed policy framework that is embedded within its constitution.

Cabinet

Cabinet has a leading role in ensuring good governance arrangements are in place to drive forward transformation and improvements across the Council. The Deputy Leader has responsibilities within their portfolio for governance, commissioning and improvement to ensure that there is a strong and robust leadership approach to governance and compliance across the organisation.

Audit and Risk Management Committee

The Audit and Risk Management Committee has an important role in maintaining the Council's system of internal control. It provides an independent assurance and scrutiny of the Council's financial and non-financial performance, including an assessment of the adequacy of the Council's risk management arrangements.

Audit and Risk Management Committee receive and review internal and external audit report and the Chair of the Committee produces an annual report. The Committee also complete an annual self-assessment based on CIPFA guidance.

External Audit

Grant Thornton is the Council's independently appointment External Auditor with a broad remit covering the Council's finance and governance matters. The annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. The Auditors work considers the Council's key risks when reaching its conclusions under the Code.

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

Standards and Constitutional Oversight Committee

The Standards and Constitutional Oversight Committee is responsible for keeping the Council's constitutional arrangements under review and recommends constitutional amendments which will support the Council to better achieve its purposes. The Committee also oversees and agrees minor changes to the Council's constitutional arrangements as recommended by the Monitoring Officer.

Merseyside Pension Fund

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

6. Significant Governance Issues

Description of Governance Issue	Responsibility / Lead Officer	Expected Delivery
<p>The Council has identified that further action is required to address organisational and managerial compliance with certain Council processes and procedures, including performance appraisals, absence management, contract procedure rules and mandatory training.</p> <p>Corporate Governance Group will lead the development of a robust action plan to address this governance issue.</p>	<p>Strategic Director – Transformation & Resources</p>	<p>March 2016</p>

7. Conclusion

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

The Council regards that its governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework, and will ensure that the actions outlined above will be taken to address the 2015-16 significant governance issue.

Signed: _____ Date: _____

Chief Executive

Signed: _____ Date: _____

Leader of the Council

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**Audit and Risk Management Committee
Monday, 13 June 2016**

REPORT TITLE:	CORPORATE RISK REGISTER
REPORT OF:	Chief Executive

REPORT SUMMARY

Under the terms of the Council's Constitution one of the functions of the Audit & Risk Management Committee is to provide independent assurance that the Council's risk management framework is effective.

A key output from the Council's risk management framework is the Corporate Risk Register. To ensure that the Council continues to focus on the most critical risks to the delivery of its objectives the Strategic Leadership Team has produced a revised set of corporate risks aligned to the Wirral Plan. These risks are presented for the information of Members. Actions to further develop the register are also confirmed.

RECOMMENDATION/S

1. That Members consider the refreshed set of corporate risks.
2. That future updates to the Corporate Risk Register be reported to this committee.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Having an understanding of the Council's principal risks and their controls supports the Committee's responsibility in relation to the adequacy of the Council's risk management framework.
- 1.2 The provision of regular reports to this Committee on the Corporate Risk Register is a requirement of the Council's current Corporate Risk Management Policy.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not applicable to this report

3.0 BACKGROUND INFORMATION

- 3.1 The purpose of the Corporate Risk Register is to summarise those areas of uncertainty which have the greatest potential to prevent or frustrate delivery of the Council's plans and to confirm how the authority is seeking to tackle them. At a strategic level these risks help to inform future priorities and interventions. The actions required to mitigate the risks also influence the content of strategies, plans and the allocation of resources. In that way they are a key component of the corporate planning process and so success in managing these risks is a key factor in overall corporate performance.

3.2 Rationale for a refresh of the Corporate Risk Register

- 3.2.1 Last year the Council and its partners adopted the Wirral Plan: A 2020 Vision. This sets out a refreshed set of priorities and a different tactical approach to the delivery of outcomes. SLT recognised that given such major changes the most significant threats to the delivery of the Plan could differ substantially from those which the Council has faced previously.
- 3.2.2 The team gave its support to an exercise to identify the most critical risks to the new plan and approved a mechanism proposed by the Risk and Insurance Manager through which information would be collated to inform discussion amongst the team as to the matters which should feature in the refreshed register.

3.3 Risk Identification and Definition Process

- 3.3.1 The first element of the exercise comprised a series of interviews with political and executive leaders. This was completed in December 2015.

- 3.3.2 There were two parts to each discussion. The first covered major influences on the success of the Plan both from within the partnership and in the wider operating environment. The second considered potential changes over the life of the Plan and the impact that they could have on those influential factors.
- 3.3.3 The output from the interviews was analysed and a report presented to SLT on 16 February. This summarised all of the risks identified through the interview process and those on the existing risk register. Those existing risks with no equivalent in the list of the new risks were highlighted. Extracts from authoritative reports on the risks facing local authorities nationally were also included to give the team an opportunity to consider whether these presented a sufficiently critical threat to warrant potential inclusion in any revised register. SLT indicated a preference for the revised register to focus on key strategic and tactical threats with oversight of high impact operational risk areas (such as fraud and health & safety) being exercised through the new Corporate Health report.
- 3.3.4 SLT agreed a draft set of risks and a sub group of SLT was charged with refining the definitions with support from the Risk and Insurance Manager. The output from this work was reported to the team on 1 March. Additional input from individual SLT members and the Marketing & Communications team was incorporated into improved definitions for the risks. SLT considered this information on 29 March agreed the core set of revised corporate risks and assigned lead responsibility for the management of each.

3.4 Risk Analysis

- 3.4.1 To enable risks to be analysed it is necessary to understand their potential consequences the controls in place to mitigate them and how these alter their significance.
- 3.4.2 With assistance from SLT the Risk and Insurance Manager collated information on how each risk might impact on the Partnership the Council and the community. Information was also gathered on current and additional key controls for each risk and responsibility for the operation of each one. Further actions that could be taken if these controls were considered insufficient were also identified.
- 3.4.3 SLT considered all of this information on 31 May. With reference to the Council's risk scoring matrix and in accordance with its Risk Management Policy the team allocated scores for each risk's likelihood and impact on 2 separate bases:
- Unmanaged - Assuming that no there was no mitigation in place
 - Managed - Taking into account the current key controls

This information was added to the draft risk register document appended to this report.

3.5 Future Actions

- 3.5.1 Proposals for consideration of the Council's appetite for the revised corporate risks will be considered jointly by Cabinet and SLT.
- 3.5.2 Arrangements will be developed for the monitoring of the risks by SLT and reporting to stakeholders as part of the revised performance management and integrated reporting framework.
- 3.5.3 Analysis will be undertaken of the key risks to the delivery of the Wirral Plan Pledge Strategies, the revised Transformation Programme and any business plans to be developed under the Council's new Operating Model. Critical individual or cross-cutting risks will be reported to SLT so that the team can take a view as to whether any of these warrant addition to the core corporate risks.

4.0 FINANCIAL IMPLICATIONS

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

5.0 LEGAL IMPLICATIONS

- 5.1 There are none arising directly from this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 Whilst there are no direct implications effective management of the corporate risks will help to mitigate negative impacts on the Council's ICT, human resources and other assets.

7.0 RELEVANT RISKS

- 7.1 The issues contained in the register are considered by the Strategic Leadership Team to present the most significant risks to achievement of the Council's objectives and priorities. As such failure to manage them effectively could have severe implications for delivery of the Wirral Plan.

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

Draft Revised Corporate Risk Register

REFERENCE MATERIAL

N/A

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	
Corporate Risk Register	26 January 2016
Corporate Risk Register	24 November 2015
Corporate Risk Register	22 September 2015
Corporate Risk Register	8 June 2015
Corporate Risk Register	18 March 2015

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Revised Corporate Risks Plotted on Existing Corporate Scoring Model

The graphic below shows the managed (current) risk scores for the revised corporate risks plotted on the Council’s corporate risk scoring matrix. This enables the reader to appreciate the significance of each risk relative to all the others. Each risk is indicated by its number, rather than by its full description. For complete descriptions please refer to the individual pages below.

		Impact				
		Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Likelihood	Very High (5)	5	10	15	20	25
	High (4)	4	8	12 (5)	16 (7)	20
	Medium (3)	3	6	9 (3), (4), (8), (9), (10)	12 (1), (2), (6)	15
	Low (2)	2	4	6	8	10
	Very Low (1)	1	2	3	4	5

Corporate Risk No. 1 / Financial Resilience

Risk Description		Lead Responsibility				
<p><i>There is considerable uncertainty around the approach of Central Government over the level of future funding across the public sector and the mechanism for its allocation. The continuing review of Welfare Reform could further increase demand. The ability of the Council and its partners to continue to deliver the essential services residents need could be compromised should funding reductions continue as planned, or be accelerated, without substantial action from the Council and its partners.</i></p>		Director of Finance / S151 Officer				
Pledges affected	Impacts					
The availability and use of funding impacts on the delivery of all the Pledges	<ul style="list-style-type: none"> Short-term actions adversely impact the longer-term outcomes. Further curtailment of services and /or need to review pledges. Potential insolvency through lack of planning / action. Possible intervention and /or take-over of individual services. Damage to the reputation of the Partnership in the eyes of the community and potential investors. 					
Unmanaged Risk Rating	Impact	5	Likelihood	4	Total	20
Key Existing Controls		Responsibility				
<ul style="list-style-type: none"> Financial planning, management and reporting Management of demand Programmes to reduce costs Programmes to increase revenue 		Head of Financial Services (TS) Strategic Director F&W (CF) Strategic Director T&R (JB) Strategic Director T&R (JB)				
Managed Risk Rating	Impact	4	Likelihood	3	Total	12
Planned Additional Controls		Responsibility				
Improving financial management	Introduction of accountability statements					Chief Executive (ER)
Reducing costs	Partnership working / integration with Health Enhanced Transformation Programme Working across the Liverpool City Region					Strategic Director F&W (CF) Strategic Director T&R (JB) Strategic Director T&R (JB)
Increasing revenue	Business Rates retention pilot Commercialisation / income maximisation Implementation of Growth Plan					Head of Financial Services (TS) Strategic Director T&R (JB) Head of Business and Investment (AE)

Corporate Risk No. 2 / Organisation Development and Pace of Transformational Change

Risk Description						Lead Responsibility	
<p><i>The Council is pursuing fundamental change to its design and operating model at the same time as developing cross-boundary and cross-sector alliances and embracing commercialism and innovative solutions to deliver outcomes. It is uncertain whether the Partnership will have available to it the capacity and expertise necessary to deliver transformation at the speed required and maintain day-to-day operations. Particularly given competition for staff from other employers.</i></p>						Strategic Director – Transformation & Resources	
Pledges affected		Impacts					
The risk has the potential to affect the delivery of all Pledges.		<ul style="list-style-type: none"> • Failure to deliver key outcomes • Wasted resources / failure to deliver Medium Term Financial Strategy • Failure to remodel the organisation • Damage to reputation of the Council and its partners 					
Unmanaged Risk Rating		Impact	5	Likelihood	4	Total	20

Key Existing Controls						Responsibility	
Capacity and Expertise	<ul style="list-style-type: none"> • Performance appraisals • Accountability statements • Ad-hoc initiatives -e.g. Children’s Social Work • HR involvement in development of business cases for Alternative Delivery Models 					All - Head of HR & OD (CH)	
Transformation	<ul style="list-style-type: none"> • Robust business case process for agreed Transformational Change projects within a gateway framework • Engagement of key stakeholders with clear communication regarding timescales • Risk assessment of current projects and benefits undertaken • Standard approach 					All - Senior Manager - Transformation & Improvement (MD)	
Managed Risk Rating		Impact	4	Likelihood	3	Total	12
Planned Additional Controls						Responsibility	
Capacity and Expertise	<ul style="list-style-type: none"> • Development of People Strategy, including culture • Appraisal of resources needed to support ADMs 					All - Head of HR & OD (CH) 2016/17	
Transformation	<ul style="list-style-type: none"> • Revised Transformational Change programme agreed and resourced • Implementation of agreed governance to monitor and control delivery • Strengthen programme management arrangements using standardised tools and techniques • Establish a central Transformation Office with clearly defined roles / responsibilities • Align performance reporting for internal and Partnership 					All - Senior Manager - Transformation & Improvement (MD) – 2016/17	

Corporate Risk No. 3 – Partnerships

Risk Description					Lead Responsibility		
<p><i>The approach within the Wirral Plan is bringing together organisations which have different capabilities, cultures and levels of resilience. The focus of different partners could be affected by their own financial imperatives and the need to answer to a range of stakeholders. The constituent parts of the Partnership could also be affected by future changes in their structures or key personnel.</i></p>					Chief Executive		
Pledges affected		Impacts					
Impacts on all Pledges.		<ul style="list-style-type: none"> • Damage to the reputation of the Council and partners. • Lack of financial/organisational commitment from Partners • The improved outcomes for Wirral residents would not be achieved. 					
Unmanaged Risk Rating		Impact	4	Likelihood	3	Total	12

Key Existing Controls					Responsibility		
<ul style="list-style-type: none"> • The Wirral Partnership agreed a single Wirral Plan with joint priorities, and committed to a partnership approach with collective actions to deliver it • Partners have lead responsibility for a number of the Pledges and are involved in delivery of all of them • To ensure that a single approach is taken forward, the Partnership Delivery Group (PDG) meets regularly, bringing together CEXs of Partner Organisations to co-design implementation of the Plan and emerging Strategies 					Chief Executive (ER)		
					Chief Executive (ER)		
					Chief Executive (ER)		
Managed Risk Rating		Impact	3	Likelihood	3	Total	9

Planned Additional Controls					Responsibility	
<ul style="list-style-type: none"> • Implementation of new governance arrangements, to ensure that any issues or challenges in relation to implementation and performance can be pro-actively identified and addressed by relevant mitigating actions. • Development of activity to strengthen the links between the PDG, the defined Partnership Lead Group(s) and the underpinning Pledge Boards/Groups. 					Chief Executive (ER) - 2016/17	
					Chief Executive (ER) - 2016/17	

Corporate Risk No. 4 – Devolution

Risk Description					Lead Responsibility		
<i>Uncertainty exists around how the Liverpool City Region might operate in future and the final shape of Devolution (potential for inefficiencies, silo behaviour, culture mismatch and gaps in accountability). Wirral might fail to reap the considerable benefits presented by membership of the LCR if it has insufficient influence and does not have enough 'ready to go' projects.</i>					Chief Executive		
Pledges affected		Impacts					
The risk potentially impacts on all of the Pledges.		<ul style="list-style-type: none"> Potential loss of additional financial resources; failure to secure Council efficiencies; decreased influence and loss of identity for the Council and Partners. Adverse impact on most effective delivery of Wirral Plan and Pledges Failure to achieve improved outcomes and services for Wirral residents 					
Unmanaged Risk Rating		Impact	4	Likelihood	3	Total	12

Key Existing Controls					Responsibility		
<ul style="list-style-type: none"> To ensure up to date knowledge and communication of developments: Regular updates and briefings with elected members and SLT i.e. through Leader's Portfolio reports; P&P progress reports; Scrutiny Review; SLT discussions To optimise Wirral's influence: Wirral's Chief Executive and Leader part of regular LCR meetings to develop new LCR arrangements and devo deal Wirral elected members appointed to LCR Scrutiny and other thematic Boards Wirral officers represent Wirral's interests and priorities at relevant LCR boards and networks Ongoing activity to develop Wirral projects and ensure that they are represented within LCR strategic priorities SLT ongoing discussions to ensure a Strategic and comprehensive knowledge of developments; to agree Corporate approach; and to identify Wirral's priority focus and projects for the Short, Medium and Long term 					Chief Executive (ER)		
					Chief Executive (ER)		
					Chief Executive (ER)		
					Chief Executive (ER)		
					Chief Executive (ER)		
Managed Risk Rating		Impact	3	Likelihood	3	Total	9

Planned Additional Controls					Responsibility	
<ul style="list-style-type: none"> Review all arrangements for City Region governance and implementation. Proposals for new arrangements to be put to the Combined Authority AGM on 18th June 2016 Clarity of the new proposed arrangements will address the identified risk around uncertainty, and extensive consultation will follow to enable Wirral and partners to influence; shape; and play an effective role in the new arrangements 					Chief Executive (ER) - 2016/17	
					Chief Executive (ER) - 2016/17	

Corporate Risk No. 5 - Integration of health and social care

Risk Description		Lead Responsibility					
<p><i>Significant challenges are posed by an ageing population and a predicated upsurge in the use of primary care. Levels of demand for hospital care and the high cost Social Care support, set against reducing resources present a significant set of challenges to the Healthy Wirral Partnership. Bringing together health and social care could also expose the partnership to the uncertainties of NHS funding.</i></p>		Director of Adult Social Services					
Pledges affected	Impacts						
The risk would directly affect Pledges 1, 6 and 9. However the financial impact of this risk could affect the delivery of all Pledges.	<ul style="list-style-type: none"> • Failure to optimise the Wirral health and social care 'pound'. • Increasing demand pressures would make delivering outcomes difficult. • Services would be less streamlined and residents would continue to have to deal with multiple points of contact. • Throughput from hospital admissions would not be addressed. • Failure to realise efficiencies presented by integrated commissioning 						
Unmanaged Risk Rating	Impact	5	Likelihood	4	Total	20	

Key Existing Controls		Responsibility					
Integration	Integration of community and older people's services Integrated commissioning hub Integration project for all age mental health services Integration of all age disability services	All- Director of Adult Social Services (GH)					
Managing Demand	Initiative to reduce long term care admissions Initiatives around review of activity and replacement with alternatives (e.g. assistive technology) Wirral Independence Service Short term crisis support, to avoid admission	All - Director of Adult Social Services (GH)					
Other	STAR Re-ablement service Integrated single gateway into services Rapid Community Response Service – with Wirral Community NHS Trust	All - Director of Adult Social Services (GH)					
Managed Risk Rating	Impact	3	Likelihood	4	Total	12	

Planned Additional Controls		Responsibility					
<ul style="list-style-type: none"> • Introduction of on-line self-assessment • Development of extra care housing • Review of the supported living service model • Support regional work around specialist services and fees 		All - Director of Adult Social Services (2016/17)					

Corporate Risk No. 6 – Effect of demographic changes on demand for services

Risk Description					Lead Responsibility		
<p><i>People living longer is clearly positive and presents opportunities for the council and its partners, but also brings additional requirements and costs. Extra demand could be driven by the trend in some communities for people to develop chronic conditions at an earlier age, because of health inequalities, and living longer with them. Residents will need to do more for themselves. But some communities are less resilient and well-resourced than others. Young people have higher expectations than previous generations and a failure to provide educational and employment opportunities could lead to the trend for them to move away from the area to continue.</i></p>					Strategic Director – Families & Wellbeing		
Pledges affected		Impacts					
All pledges within the ‘People’ area of the Plan and most pledges within the ‘Environment’ area of the plan		<ul style="list-style-type: none"> • Negative impact on the lives of individuals (people end up in a greater state of crisis). Communities could become less cohesive and sustainable • Needs go unmet • Financial implications - one area requires an increasingly larger proportion of available future resources 					
Unmanaged Risk Rating		Impact	4	Likelihood	4	Total	16
Key Existing Controls					Responsibility		
<ul style="list-style-type: none"> • Integrated Care programme • Joint Commissioning arrangements with the CCG • Delivery of commissioned lifestyle services - Head of Public Health • Vision 2018 work stream on early intervention and prevention 					All - Director of Adult Social Services (GH)		
Managed Risk Rating		Impact	4	Likelihood	3	Total	12
Planned Additional Controls					Responsibility		
<ul style="list-style-type: none"> • Build community capacity • Develop a more comprehensive programme of education and advice • Integration agenda – Healthy Wirral • Programmes of early intervention and prevention - Head Of Transformation • Implement health and social care integration 					All - Director of Adult Social Services (GH)		

Corporate Risk No. 7 – Safeguarding

Risk Description						Lead Responsibility	
<i>A major failure in safeguarding would cause preventable harm to children or vulnerable adults and compromise our pledge to protect the vulnerable, but could lead to regulatory intervention and significant cost, to the Council and its partners..</i>						Strategic Director – Families & Wellbeing	
Pledges affected		Impacts					
Older people live well (Pledge 1) Vulnerable children reach their full potential (Pledge 4) Zero tolerance to domestic violence (Pledge 7) Wirral’s Neighbourhoods are Safe (Pledge 20)		<ul style="list-style-type: none"> Impact on the lives of the individuals involved and their communities Central government intervention – risk of being taken over by experts, an independent trust or neighbouring authorities Damage to the reputation of the Partnership and individual agencies Demoralisation of staff Financial implications costs could increase if (may need to bring in more people to respond to the issue) 					
Unmanaged Risk Rating		Impact	5	Likelihood	5	Total	25

Key Existing Controls						Responsibility	
<ul style="list-style-type: none"> Strong leaders and managers with a relentless focus on outcomes for vulnerable people Social workers work directly with children and families at an early stage to prevent the need for further intervention Managers and social workers have a discernible ‘grip’ on cases at all times Strong oversight of caseloads, vacancies and a high quality of training and supervision Safeguarding Reference Group provides full briefing to the political leadership A review of the relationship between the key strategic groups One Independent chair across Safeguarding Boards 						Strategic Director – F&W Strategic Director – F&W Strategic Director – F&W Strategic Director – F&W Strategic Director – F&W Strategic Director – F&W	
Managed Risk Rating		Impact	4	Likelihood	4	Total	16

Planned Additional Controls						Responsibility
<ul style="list-style-type: none"> Implement service improvement plan resulting from the recent diagnostic and self-assessments Implement programme in relation to children in care and on the edge of care Deliver the priorities of the LCSB and the SAPB Implement ‘Making Safeguarding Personal’ (MSP) and evaluate its impact 						Strategic Director – F&W Strategic Director – F&W Strategic Director – F&W Strategic Director – F&W

Corporate Risk No. 8 – Governance (including information governance)

Risk Description		Lead Responsibility				
<i>Major acts of non-compliance with internal and external governance requirements could result in poor decision-making, malpractice and breach of legislation, leading to regulatory intervention and significant cost, both in financial terms and to the reputation of the Council and its partners.</i>		Head of Legal & Member Services / Monitoring Officer				
Pledges affected	Impacts					
Effective governance impacts on the delivery of all the Pledges.	<ul style="list-style-type: none"> Legal challenge to decisions. Financial penalties for non-compliance (e.g. for information governance incidents or breaches of procurement legislation). Loss of confidence by the public and other stakeholders in the Council’s decision-making and governance arrangements. Potential loss of inward investment in the borough from damage to the reputation of the Council and the wider Wirral Partnership in the eyes of potential investors. 					
Unmanaged Risk Rating	Impact	5	Likelihood	4	Total	20

Key Existing Controls	Responsibility					
<ul style="list-style-type: none"> Council Constitution Code of Corporate Governance Member / Officer Protocol Staff Policies (e.g. Dignity at Work) Corporate Policies (e.g. Whistleblowing) Operational policies (e.g. Information Governance, Gifts and Hospitality) Ethical Framework for Members Regulatory policies - Planning and Licensing 	Head of Legal & Member Services / Monitoring Officer (ST) Head of Legal & Member Services / Monitoring Officer (ST) Head of Legal & Member Services / Monitoring Officer (ST) Head of HR & OD (CH) Head of Legal & Member Services / Monitoring Officer (ST) Head of Legal & Member Services / Monitoring Officer (ST) Head of Legal & Member Services / Monitoring Officer (ST) Head of Regeneration (DB) and Planning and Head of Environment & Regulation (MS)					
Managed Risk Rating	Impact	3	Likelihood	3	Total	9

Planned Additional Controls	Responsibility				
<ul style="list-style-type: none"> Review the Constitution, Code of Corporate Governance and Members Code of Conduct. Introduce the webcasting of Council Committee and Cabinet meetings. Review and enhance information governance arrangements. 	Head of Legal & Member Services (ST) Head of Legal & Member Services (ST) Head of Legal & Member Services (ST) and Chief Information Officer (MZ)				

Corporate Risk No. 9 – Economic Activity

Risk Description						Lead Responsibility	
<p><i>Wirral is in competition for growth with areas across the country. Low levels of business and housing growth would adversely affect the Council's income (Council Tax and Business Rates) and limit employment opportunities, with consequent effects on wellbeing and prosperity, and could drive an increase in demand for support.</i></p>						Head of Business and Investment	
Pledges affected		Impacts					
<p>All pledges within the 'Business' element of the Plan, plus – 'Good quality housing' (pledge 18) 'Reduce child poverty' (pledge 5) 'Young people are ready for work' (pledge 3). The financial impact of this risk could affect delivery of all pledges.</p>		<ul style="list-style-type: none"> • Inability to deliver the Medium Term Financial Strategy. • Failure to contain demand for Council services • Negative impacts on the health and well-being of individuals. 					
Unmanaged Risk Rating		Impact	5	Likelihood	4	Total	20
Key Existing Controls				Responsibility			
<ul style="list-style-type: none"> • Implementation of the Growth Plan 				Head of Business and Investment (AE)			
Managed Risk Rating		Impact	3	Likelihood	3	Total	9
Planned Additional Controls						Responsibility	
<ul style="list-style-type: none"> • Implementation of place marketing activities • Delivery of programmes to drive key growth sectors, such as the Maritime Knowledge Hub • Implementation of the Wirral Waters Investment Fund. • Delivery of the Ways to Work programme. 						Head of Business and Investment (AE) – (2016/17) Head of Business and Investment (AE) - (2016/17) Head of Business and Investment (AE) – (2016/17) Head of Business and Investment (AE) – (2016/17)	

Corporate Risk No. 10 – Resources and Infrastructure

Risk Description		Lead Responsibility				
<i>The availability to the partnership of sufficient and fit for purpose IT and communications, buildings and other assets could be undermined by inadequate planning and allocation, or a major disruptive incident. This might affect the delivery of essential services, harming the reputation of partners.</i>		Strategic Director – Transformation & Resources				
Pledges affected	Impacts					
The risk has the potential to affect the delivery of all Pledges.	<ul style="list-style-type: none"> • Compliance failures (breach of regulations or legislation) • Inefficient service delivery • Potential interruption to the delivery of critical services • Wasted costs • Criticism of partner agencies 					
Unmanaged Risk Rating	Impact	4	Likelihood	4	Total	16

Key Existing Controls		Responsibility				
<ul style="list-style-type: none"> • Implementation of current asset management strategy. • Business continuity policy. • Additional backup /security at Cheshire Lines. • Standardised, refreshed IT hardware. 		Senior Manager - Asset Management (JR) Head of Corporate & Community Safety (MC) Chief Information Officer (MZ) Chief Information Officer (MZ)				
Managed Risk Rating	Impact	3	Likelihood	3	Total	9

Planned Additional Controls		Responsibility				
<ul style="list-style-type: none"> • Establishment of data centres. • Implementation of new Digital Strategy (including Rationalisation and standardisation of systems and applications). • Implementation of new Asset strategy (JR 2016/17 onwards). • Roll out of testing programme for business continuity plans. 		Chief Information Officer (MZ) - 2016/17 Chief Information Officer (MZ) - from 2016/17 onwards) Senior Manager - Asset Management (JR) from 2016/17 onwards Head of Corporate & Community Safety (MC) - 2016/17				

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**Audit and Risk Management Committee
Monday, 13 June 2016**

REPORT TITLE:	MANAGEMENT OF INSURANCE AND CORPORATE RISK
REPORT OF:	Head of Financial Services

REPORT SUMMARY

This report sets progress made since my previous report in March 2016 in relation to key actions planned for 2016/17.

RECOMMENDATION/S

1. That the content of this report be noted.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Regular update reports are presented to this Committee on the work around risk management and insurance which seek to support the Risk Management framework and maintain the successful management of the Insurance Fund.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not applicable to this report

3.0 BACKGROUND INFORMATION

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

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

- 3.2 In addition to day-to-day operations the insurance service is responsible for major procurement exercises and improvement activities. This report focuses on the latter. The key actions to be implemented during 2016/17 were included in the report to this Committee on 15 March 2016. Progress made since that report in respect of those actions is summarised in the paragraphs below.

3.2.1 Crime Insurance

The Council's insurers have indicated that a premium increase of approximately £12,000 (30%) would be required to convert the existing Fidelity Guarantee policy to a Crime policy. The increased cost would be offset from savings made on other parts of the insurance programme. I consider that the additional premium would represent good value because of the much wider cover that would be provided. Detailed information on the risk is currently being compiled to enable insurers to confirm that the actual premium will be the sum which they have previously indicated.

3.2.2 Risk Appetite

Proposals to create a practical statement of the leadership's appetite for risks associated with the Wirral Plan have been developed. These will be put to joint session of Cabinet and the Strategic Leadership Team.

3.2.3 Corporate Insurance Budget

The Insurance Fund Annual Review is the subject of a separate report to this meeting.

3.2.4 Corporate Risk Management Policy

The annual Internal Audit report on the risk management framework has made a number of recommendations for improvement. These will be taken into account in updating the Policy. Changes to other areas of governance such as the new Operating Model and the revised Transformation Programme also need to be taken into account. As such I expect to present the revised policy to the September meeting of this committee.

3.2.5 Corporate Risk Register

The Corporate Risk Register is the subject of a separate report to this meeting.

3.2.6 Alignment of Risk Management and Performance Management

The Risk and Insurance Officer continues to work with colleagues from the Performance & Scrutiny and Change teams to develop risk management arrangements for pledge strategies, transformation projects and business plans. Arrangements to include information on key risks into revised performance reports for executive leaders, Members and the wider Wirral partnership are also in development.

3.2.7 Traded Service for Schools and Academies

The authority's risk and insurance service for schools remains popular with almost all schools buying back the service in 2016/17. The vast majority of existing academy clients have also confirmed that they wish to continue with the authority's service when their existing long term agreements end in August. My officers have been making plans to retain as clients schools which convert to Academies as a result of the Government's recent white paper. However conversions could have an impact on contributions to the Insurance Fund in the current year. This is because academies cannot be covered under the Council's corporate insurance programme and those schools which convert part way through the year may be due a of refund of part of their charges. Amendments will be made to insurance fund contributions to offset budget implications from these part year conversions.

3.2.8 MMI Scheme of Arrangement

In April Municipal Mutual Insurance (MMI) advised that following a further review of the company's assets and liabilities it was increasing the levy from 15% to 25%. This has resulted in the Council making a further payment of £49,805 which has been met in full from existing earmarked reserves. The Council's remaining exposure under the scheme continues to be fully reserved.

3.2.9 Policy Renewals – April 2016

Terms for all policies renewable on 1 April were agreed with insurers prior to expiry of the 2015/16 policy period. All were within budget with exception of the premium for Engineering which was 1.92% (£2,093) greater. The renewal premium for Computer insurance was 12% (£1,950) greater than the estimate because of increased sums insured for Reinstatement of Data and Increased Cost of Working to support new arrangements for ICT service continuity. However a reduction in Liability claims handling fees because of the introduction of limited self-handling mean that overall the cost of policies renewed in April will be slightly less than the budget.

3.2.10 Policy Renewals – June 2016

Information required by insurers to enable them to provide terms for the renewal of the Council's Property, Terrorism, Business Interruption, Computer, Museums and Personal Accident insurance policies is currently being collated. Premiums will be agreed prior to renewal on 30 June to ensure continuity of cover. I intend to exercise options to extend the Long Term Agreements on these contracts to 2018 and have obtained authority for this action from the Head of Procurement.

3.2.11 Request for Quotations – Broking Service

The existing contract for insurance broking services ends on 29 June. In view of the relatively low value in the contract I decided to request quotations from three public sector insurance broking specialists. The contract will be for a minimum of 3 years in which period all of the Council's major insurance contracts will need to be remarketed. Responses were received on 24 May and have been evaluated on price and quality by a panel from the Risk and Insurance team. Whilst the outcome from the evaluation is clear and satisfactory, due to procurement process constraints, at the time of writing I cannot disclose the final result. The cost of the service will however be within the sum allowed for with the 2016/17 budget.

3.2.12 Claims Handling Changes

The move to managing low value liability claims "in house" commenced on 1st April. This change has coincided with an unprecedented but most welcome, fall in the number of new claims received. The claims management process will evolve with experience. But on the limited number of claims received to date the procedures in place have worked well. I envisage no significant problems arising from this pilot and the full savings should be realised as the additional work will be absorbed within existing resources.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Adoption of the limited self-handling of Liability claims referred to in paragraph 3.2.12 has resulted in a saving of £17,500 against the 2016/17 budget.

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 If a large number of schools were to convert to academies the pool of contributors to the Insurance Fund would decrease. Over time this could reduce the authority's buying power and the degree to which it could self-insure. This in turn could increase the cost of financing insurable risk. My officers remain vigilant to potential conversions and will make changes to the authority's arrangements to ensure that potential negative impacts are gradual and limited wherever possible.

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

None

REFERENCE MATERIAL

Correspondence with insurers, brokers and legal services providers

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee Corporate Risk & Insurance Management Corporate Risk & Insurance Management Corporate Risk & Insurance Management Corporate Risk & Insurance Management Corporate Risk & Insurance Management	15 March 2016 17 February 2016 24 November 2015 22 September 2015 8 June 2015



**Audit and Risk Management Committee
Monday, 13 June 2016**

REPORT TITLE:	INSURANCE FUND ANNUAL REPORT
REPORT OF:	Head of Financial Services

REPORT SUMMARY

This report provides a review of Risk and Insurance activity during 2015/16 and the plans for 2016/17 and beyond. It details the underwriting arrangements and recent loss histories for the principal areas of insured risk and describes the impact of measures taken to improve their management. The provisions and reserves within the Insurance Fund at the end of 2015/16 are confirmed.

RECOMMENDATION/S

1. That Members endorse the release of monies from the Insurance Fund to the General Fund indicated in paragraph 3.45
2. That the Insurance Fund Budget 2017/18 be prepared for presentation to this committee in January 2017

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 To maintain appropriate financial reserves.
- 1.2 The Insurance Fund Budget forms part of the Council budget-setting process.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The operating and budget surpluses could have been retained within the Insurance Fund. However this would have presented a lost opportunity to support General Fund balances.

3.0 BACKGROUND INFORMATION

Approach to Risk Financing

- 3.1 Since 1988 the Authority has used a combination of self-insurance and external insurance to address the financial consequences of risk.
- 3.2 Those risks which have the potential to generate substantial losses are self-insured to a high level but with a cap on the Council's liability above which costs are met by insurers. Such risks include legal liability to members of the public and to other organisations for injury or damage to property motor accidents involving Council vehicles and damage to Council buildings.
- 3.3 Other more minor, expected, losses such as damage to equipment and plate glass are wholly self-insured.
- 3.4 The self-funding of losses is part of the Council's overall approach to managing risk. It provides a greater incentive to deal with risk more effectively given that any reduction in claims directly benefits the Authority. It also minimises the Council's liability for Insurance Premium Tax (currently levied at 9.5%) and contributions to insurers' administrative costs and profit margins. The level of self-insurance is influenced by the need to maintain the stability of the Insurance Fund over the long term and by the Council's appetite for risk. However as a point of principle the Council is seeking to cover more low value insurable risks through the Insurance Fund to leverage greater value from the Fund.
- 3.5 Claims are met from the Insurance Fund with the Fund being maintained through proportionate annual contributions from all directorates and from schools.

- 3.6 The Fund also holds reserves which are available to support the implementation of initiatives to improve the management of risks both insured and uninsured.

Principal Areas of Insured Risk - Liability

- 3.7 The Council currently self-insures liability risks to a maximum aggregate of £3.598m for all claims occurring in any one policy year. The level of aggregate varies from year to year according to market conditions and loss history. It has been as high as £7.25m in 2005/06. In addition the Council's maximum liability for any single insured claim is currently limited to £250,000. Any costs above this are met by the insurer Zurich Municipal. The current Long Term Agreement on this contract expires on 31 March 2017.
- 3.8 As reported previously to Members the Council is currently trialling the self-handling of self-represented (no solicitor involvement) Liability claims involving low value property damage. Prior to this the administration of all such claims was undertaken by insurers. This is a growing proportion of the claims portfolio and whilst the 2015/16 pilot will deliver savings of around £17,500 in contract costs, the potential exists for expanding the in house handling criteria to provide further savings in future years.
- 3.9 A large proportion of claims are still administered by Zurich Municipal. However the company has no authority to settle claims within the deductible limits. All decisions on tactics, settlement and quantum on claims up to £250,000 are controlled by the risk and insurance function within the Council. This ensures that decisions are made in the best interests of the authority rather than the insurers and that a stable claims strategy can be maintained. As the insurers have no financial interest in claims below the deductible they may have little motivation to secure the most efficient outcomes. On the rare matters that have the potential to exceed £250,000 the Council works in partnership with the insurers to agree mutually acceptable outcomes. Both Zurich Municipal and the solicitors engaged to defend legal proceedings work to defined service level agreements and the Council continuously monitors and manages their performance.
- 3.10 It is of note that the per-claim self-insured retention on liability has remained stable at £250,000 for over 15 years. In this period the real terms value of this deductible has been eroded by the effect of inflation. Officers will consider the relative merits of increasing this limit as part of the remarketing of the Liability insurance contract later this financial year.

Changes in the Civil Justice Regime

- 3.11 Behaviours within the claims environment have continued to evolve following the changes in claims regulation reported in some detail within the 2015/16 version of this report. Claimant solicitors continue to push at the boundaries to test the system as they attempt to maximise their costs income. However, the reduction in average legal costs on fast track matters appears to be sustained. Following many years of unhelpful stagnation in regulation, dynamism appears to be the new norm with further significant changes to the track limits being

proposed within the government’s plans for the current parliamentary term. Whilst many industry commentators feel that the dust should be allowed to settle prior to further changes, the latest proposed changes do have the potential to further reduce the average cost per claim for the Council. It is likely that Wirral will again be playing a lead national role in this latest consultation.

Public Liability Claims Statistics

3.12 The rate of receipt of new Public Liability (PL) claims has continued a downward trajectory. During 2015/16 a total of 363 new claims were received. This was a 7% reduction over 14/15 and a cumulative 27% fall over 5 years. The reduction of volume over the last few years will be partially attributable to the outsourcing of services, the community asset transfer program and the change to Academy status of many of the larger secondary schools. Whilst the majority of claims continue to relate to simple highway slips and trips a proportion are significantly more complex involving abuse, defamation, bullying and harassment, failure to educate, disease, tree related subsidence, nuisance and social services matters for both failure to remove and / or inappropriate removal. Table 1 below shows the rate of receipt of Public Liability claims over the last 5 years.

Table 1: Claims received – Public Liability

	Number of new Public Liability Claims Received within year				
	2011/12	2012/13	2013/14	2014/15	2015/16
Highway Claims	423	435	373	319	324
Other	75	55	72	71	39
Total Claims	498	490	445	390	363
Year on Year	N/A	- 2%	- 9%	- 12%	- 7%

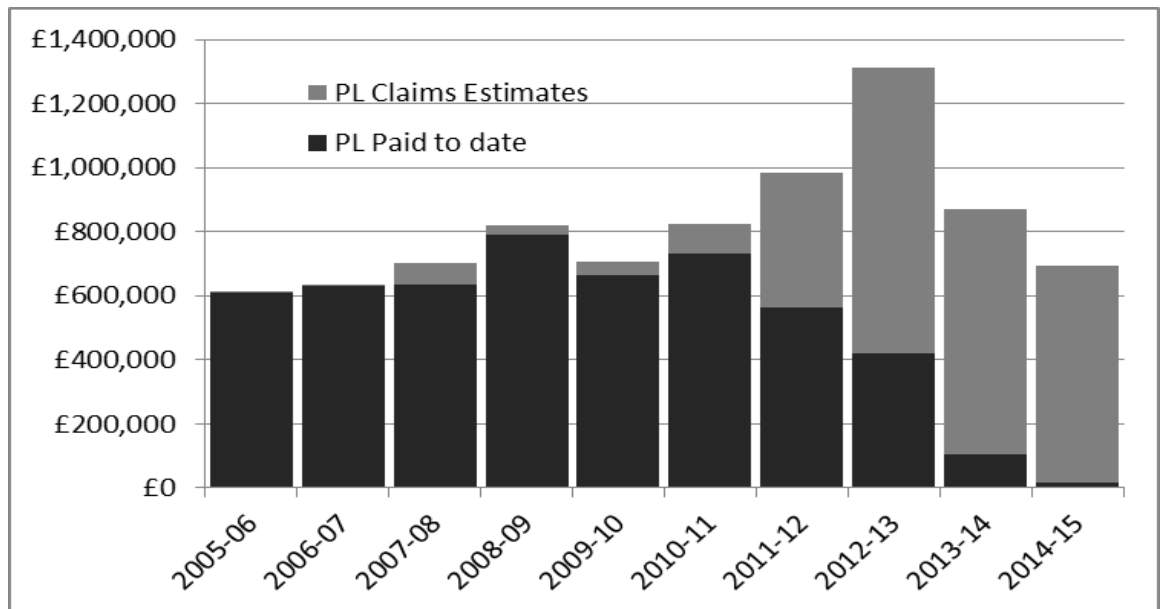
3.13 Whilst good risk management activity can affect the outcome of PL claims, by providing a defence, the frequency of receipt is influenced by factors over which the Council has little control. Dominant influences will include the incidence of severe weather, claims farming activity and the prevailing propensity to claim within the community. It will be noted that the winter of 2015/16 was again relatively mild and this is likely to have contributed to the fall in highway claims receipt.

3.14 This “claims received” table data describes the level of claims management activity required within the given periods. It is not necessarily reflective of the impact on individual account years as a claim could be received many years

after the incident. Whilst this delayed receipt issue is more of an issue on Employers liability matters, as will be shown, it should be noted.

3.15 Chart 1 below indicates the expected final costs of known public liability claims occurring over a 10 year period. The yearly totals are split between amounts paid and reserves for claims outstanding. The chart does not incorporate any element of the necessary funding for claims incurred but not yet received. The higher reserved costs for recently submitted claims are accounted for by our obligation to reserve each individual new claim on a full liability basis until investigations indicate that a defence is available. Provided that the excellent repudiation rate experienced in recent years can be maintained, it is expected that the ultimate cost of these latest claims will revert to the standard Public Liability settlement pattern of less than £1m per year. The recent civil justice developments have however increased the level of uncertainty in this prediction. The obvious anomaly showing within the data for 2013 demonstrates 2 unconnected larger claims. The frequency of large claims on this account, in comparison with our peers, continues to be remarkably low.

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



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

3.17 Individual claims can take many years to settle. A portfolio of over 400 open public liability files with a potential combined value circa £3m is currently being managed.

Employers Liability Claims Statistics

3.18 Following a welcome fall in 2014/15, the number of Employers Liability (EL) claims received in 2015/16 slightly reduced again to a total of 35. Although the frequency is down from the peak, the figure remains high in comparison with the long term average and particularly when viewed alongside the reducing headcount. In recent years much of the EL claims growth has resulted from vibration and noise related claims from Parks employees that are very difficult to defend. The trend of increasing frequency of historic disease claims is repeated throughout the public sector and industry generally. The alleged causes of the new claims are noted within table 2 below.

Table 2: Claims Received – Employers Liability

New Employers Liability Claims Reported by Date with Alleged Cause					
	2011/12	2012/13	2013/14	2014/15	2015/16
Vibration	17	6	7	6	6
Noise (NIHL)	16	6	15	5	11
Asbestos	1	0	1	0	2
Slip / trip / trap / fall	11	11	18	12	5
Others including assault / stress and harassment	20	22	9	13	11
Total for year	65	55	50	36	35

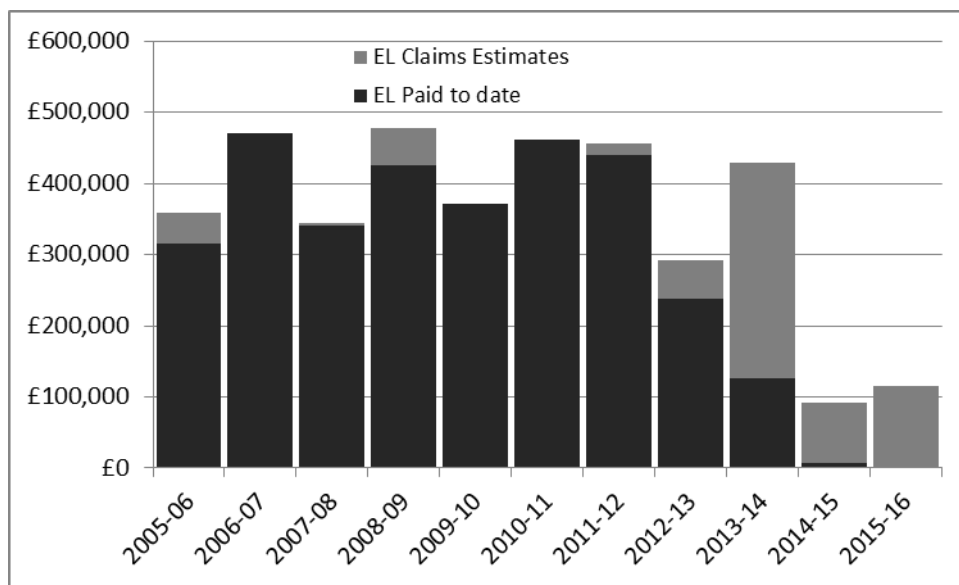
Note that figures within this table will differ slightly from reports extracted from claims database due to the impact of historic matters (predating 1981) that are recorded elsewhere. These historic exposure matters added a total of 5 claims to the 2015/16 figures.

3.19 Employers liability claims generally take much longer than public liability claims to be reported, investigated and, if necessary settled. The Council is still receiving claims with alleged exposure periods as far back as the 1950's and 1960's for matters such as Noise Induced Hearing Loss and cancers relating to asbestos exposure.

3.20 Given the long exposure periods of disease claims a separate claim needs to be registered against each policy period covered by the exposure. This results in claims payments being distributed across multiple insurers with associated complexity due to the varying aggregate and deductible positions across these policies. Some insurers insist that a separate claim is recorded for each year within a long term policy period. With some alleged exposures spanning a 40 year employment period this can create extensive administration work. Whilst

Wirral has comparatively good records of historic insurances and can trace all insurers for most claims, we do have uninsured periods due to insurer insolvency (Independent Insurance 1981–1984 and earlier MMI exposures for both Bebington Corporation and Birkenhead) and exposure to some employment prior to 1950 for which no insurer details can be traced.

3.21 The overall reserve for known EL claims was £854,050 at 31/03/16 across 75 current live files (excludes multiple registrations for account years). The distribution of estimates and payments amongst the more recent policy years is shown within chart 2.



3.22 The level of complexity within individual EL cases continues to increase. It is also generally becoming more difficult to track down essential witnesses and documents. A lack of documentation for historic cases is expected. However the ongoing reorganisation and contraction within services can often make the location of evidence and witnesses for even recent incidents difficult. The Council’s ability to defend Employers’ liability claims is regularly impacted by this position.

3.23 The management of Liability claims continues to occupy a substantial amount of the risk and insurance resource. Amongst the new cases in 2015/16 were many complex and technically demanding claims. Whilst the Council continues to retain a good record in defending such cases this success requires an ongoing investment of time and expertise.

3.24 The account continues to generally perform well. The defence rates are high in most areas of exposure. The Highways claims statistics in particular continue at peer leading levels. The ‘firm but fair’ stance on liability and the counter-claims fraud strategy contribute to this outcome. The performance of claims handling and legal services providers and the continuing active involvement of experienced officers controlling of tactics and procedure all assist in containing the overall cost to the Council of this area of risk.

3.25 The Council has established, and maintains, a reputation within the market as a leading authority on liability claims matters. This reputation will pay dividends in the upcoming exercise to remarket the casualty exposures.

Property and Business Interruption

3.26 The Council self-insures to a maximum of £500,000 damage to property through fire and to a maximum of £1m for damage to commercial properties and to schools through storm flood and escape of water. It also has a maximum liability of £500,000 for business continuity losses through fire and £1m through storm and flood. Any costs above this are met by the insurer Zurich Municipal. I have taken up the option to extend these contracts by two years to 29 June 2018.

3.27 Although all property losses are reported to insurers minor claims are investigated and administered directly by the Council. A loss adjuster would be appointed to investigate and report to insurers on larger losses (those estimated to cost in the region of £30,000 or more). However the authority would still have a significant role in managing any necessary reinstatement process and ensuring the optimum settlement is achieved from the insurer.

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

Year	Number	Paid to Date	Outstanding	Total
2011/12	11	£ 27,974	£ 0	£ 27,974
2012/13	16	£ 31,508	£ 0	£ 31,508
2013/14	17	£ 30,529	£ 0	£ 30,529
2014/15	13	£ 57,602	£ 9,999	£ 67,601
2015/16 *	14	£ 81,433	£ 43,541	£124,974

* Part year figures (as at 30 April 2016)

Motor

3.29 The Council self-insures to a maximum £203,600 all claims relating to any one policy year. In addition its maximum liability for any single claim is limited to £75,000. Any costs above this are met by the insurer. The policy is subject to a Long Term Agreement until 31 March 2017 with an option to extend for a further 2 years.

3.30 The Risk and Insurance service is responsible for handling all claims for 'own damage'. Insurers administer third party claims but must refer to the Council any proposals to pay or reject claims. As with Liability claims the authority has input into all decisions on tactics and quantum and continuously monitors and manages the performance of the claims handlers.

3.31 The reduction in vehicle numbers has been partly responsible for a decrease in the volume and cost of claims in recent years. However better management of fleet risk is another factor. The authorisation to drive procedure, minibus

assessment process and a more robust approach to the investigation of accidents and the service's management of claims are all elements of this approach.

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

Year	Number	Paid to Date	Outstanding	Total
2011/12	29	£18,305	£ 0	£ 18,305
2012/13	42	£91,963	£ 9,253	£101,216
2013/14	32	£48,719	£ 2,109	£ 50,828
2014/15	43	£32,297	£ 0	£ 32,297
2015/16	38	£31,660	£18,467	£ 50,127

Other Classes of Business

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

3.34 In line with the principle of optimising the use of the Council's Insurance Fund risks associated with the loss of money and loss of or damage to marine craft will be insured through the Fund with effect from the expiry of the current external insurance contracts on 30 June 2016.

Review of Liability Reserves and Provisions

3.35 Whilst it is important to ensure that the Insurance Fund holds sufficient resources to meet its liabilities there is also an opportunity cost to maintaining a greater balance than is needed.

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

3.37 Actuaries will generally not provide a specific defined figure for recommended funding levels. The advice contained within the output from their reports is usually heavily caveated and provided in a wide range for the scheme manager to consider funding levels based on the organisational risk appetite. These reports cost around £10,000 to commission and in periods of claims environment volatility, such as we are currently experiencing, they can be of limited value as they use historic trends to predict future funding requirements.

3.38 The output from the last external review to be commissioned was reported to this committee on 28 January 2014. As in 2014/15 a further detailed in house

evaluation of the sums required as at 31 March 2016 has been undertaken to inform this report. This internal fund review

- 3.39 The evaluation took as its starting point the figure recommended by the actuary as the provision required as at 31 March 2013. To this were added the liability funding figures for 2013/14 2014/15 and 2015/16. The value of all liability claims payments made during those years (including payments due under the Municipal Mutual Insurance (MMI) Scheme of Arrangement and payments made against the uninsured liability reserve) were then deducted. The figures have then been analysed by officers using actuarial technique and account knowledge. Officers are content that current funding levels are likely to lie within the upper range of certainty from an externally commissioned actuarial report.
- 3.40 This exercise indicated that a sum of £9,183,287 was required as at 31 March 2016 to meet outstanding liabilities as per the right hand column of the following table.

Combined Liability	Position as at 01/04/2015 £	Calculated Requirement at 31/03/16 £
Provisions < 1 year (provision for known liability claims that is expected to be utilised entirely within 2016/17)	1,500,000	1,300,000
Provisions > 1 year (provision for known liability claims where payment is expected to be made beyond the next year)	2,547,064	2,449,671
Insured Liability Reserve (reserve for insured claims incurred but not yet received, or claims received but insufficiently reserved)	3,208,546	4,003,424
Uninsured Liability Reserve (reserve to cover claims payments for periods of insurer insolvency or policy coverage deficiency)	1,000,000	1,000,000
MMI reserve / provision (reserve to cover claims payments for periods of insurer insolvency or policy coverage deficiency)	430,192	380,387

Total liability reserves / provisions	8,685,802	9,133,482
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3.41 The 'claw back' clause in the MMI Scheme of Arrangement was triggered by the company's administrators during 2012/13 and in 2013/14 the Council made an initial payment of £74,708 representing 15% of its historic liability. The trigger also meant that the Council faced contributing 15% to all future liability settlements attributable to the MMI period of insurance. In March this year the company announced that because of a continuing deterioration in its financial position a further payment of £49,805 representing another 10% of the Council's historic liability was required. This also means that the Council will now be responsible for 25% of all future liability settlements made on or after 1 April 2016. Although this leaves an open ended liability Wirral is considerably less affected by this development than other authorities and officers remain satisfied that current funding levels are adequate to manage the exposure.

Review of Other Reserves and Provisions

3.42 As indicated above the Insurance Fund underwrites a number of other classes of business. It also holds sums in respect of uninsured liability risks and to pay for risk improvement measures. These figures are also reviewed each financial year. The table below compares the actual amounts held as at the end of March 2016 in respect of these elements of the Fund.

Class	Position as at 01/04/15 £	Sum Held as at 31/03/16 £	Sum Required at 31/03/16 £
Property (IF020)	2,500,000	2,500,000	2,500,000
Motor (IF018)	200,000	200,000	200,000
Wholly self-insured claims (such as plate glass and equipment) (IF051, IF103, IF104,)	171,998	173,648	173,648
Fidelity Fund (IF105)	12000	30,000	30,000
Civil Contingency (funds improvements in resilience to service disruption)	1,500,000	1,500,000	1,500,000

Professional Indemnity (funds excesses on Professional Indemnity claims any claims for uninsured services.)	50,000	50,000	50,000
Risk Management (supports individual risk improvement initiatives)	150,000	150,000	150,000
Claims Management (funds the legal costs of handling uninsured liability claims)	150,300	150,000	150,000
Contaminated Land (funds uninsured liability claims for environmental impairment)	750,000	750,000	750,000
Budget Surplus / Deficit (balance of Fund income v expenditure)	82,993	82,993	0
Total	5,567,290	5,586,641	5,503,648

3.43 The Budget Surplus Deficit reserve exists to help even out contributions to the Insurance Fund over different financial years. In particular where there is a risk that actual premiums could be greater than the estimate. However I am confident that costs for 2016/17 will be broadly in line with the estimate and that the credit balance in this reserve at the end of March 2016 was not required. As such that balance has been returned to General Fund balances in 2015/16.

3.44 The Risk and Insurance service also achieved an operating surplus of £268,947 for 2015/16. This figure is attained from the premiums taken into the Insurance Fund, combined with fee income derived from traded services and consultancy services, less the claims paid and necessary provision / reserve adjustments within the year. This surplus has also been returned to General Fund balances in 2015/16.

3.45 The closedown of the Insurance Fund accounts for 2015/16 and review / amendment of the reserves and provisions held within it therefore resulted in the following key actions.

- (i) **The release of the budget surplus of £82,993 to the General Fund.**
- (ii) **The release of the operating surplus of £268,947 to the General Fund**

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

Insurance and Risk Management 2015/16

3.47 Throughout 2015/16 regular progress reports on Risk and Insurance Management were presented to this Committee.

Services for Schools

3.48 The insurance facility for Academy schools established in 2011/12 continued to prove very popular with schools which have taken the decision to convert. The authority assists schools with tendering to obtain competitive quotations for academy-specific insurance packages, critically appraises policy wordings verifies all policy documentation provides support with claims and general risk management advice. The service generated income of approximately £40,000 in 2015/16. This helped to offset the Council's own insurance administration costs.

3.49 Wirral has remained at the forefront of developments in the field of insurance for academies. The rapid increase in academy conversions envisaged in the recent Government white paper presents both threats and opportunities. For the risk and insurance service itself the change holds out the potential for increased fee income from individual academy clients and the service is looking to capitalise on this. However academies cannot be covered under the Council's corporate insurance arrangements. So as more schools convert the pool of contributors to the Insurance Fund will decrease. Over time this could reduce the authority's buying power and the degree to which it could of self-insure. This in turn could increase the cost of financing insurable risk.

Budget

3.50 The Insurance Fund Budget 2016/17 was approved by Audit & Risk Management Committee on 17 February 2016. The report confirmed that the cost to the General Fund would be £32,000 less than the Budget for 2015/16.

Insurance Management 2016/17 and beyond

- 3.51 Regular reports on the progress of Insurance and Risk Management will continue to be presented to the Audit and Risk Management Committee.
- 3.52 The following table shows the key insurance / claims tasks for the year ahead and the target dates for completion.

Task	Target Date
Procure insurance broking and consultancy services	30 June 2016
Negotiate annual renewal of Property, Business Interruption, Museums, Marine Liability and Personal Accident / Business Travel policies	30 June 2016
Take decision on possible extensions of the Motor insurance and Engineering inspection contracts	30 September 2016
Compile the Insurance Fund Budget 2017/18	January 2017
Procurement of Casualty insurance policy (and Motor and Engineering contracts if not extended)	January 2017
Negotiate annual renewal of the Foster Care and Computer policies (and Motor and Engineering contracts if extended).	March 2017

4.0 FINANCIAL IMPLICATIONS

- 4.1 Any remarketing exercise like those indicated in the table above creates uncertainty for the future cost of the contracts concerned.
- 4.2 As indicated in paragraph 3.45 a total of £351,940 has been released from the Insurance Fund to support General Fund balances.

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 remarketing of the Casualty insurance programme is the single largest insurance procurement exercise which the authority undertakes. Conducting it will take up a significant proportion of the capacity within the Risk and Insurance service.

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.

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Wirral Council

Audit and Risk Management Committee Progress Report and Update Year ended 31 March 2016

May 2016

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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 your business 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.



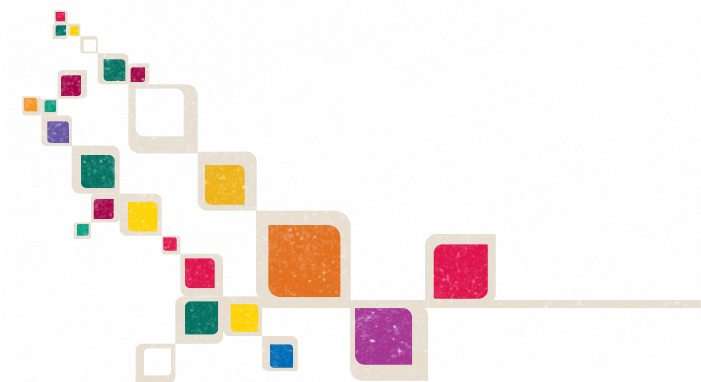
Introduction

This paper provides the Audit and Risk Management Committee with a report on progress in delivering our responsibilities as your external auditors.

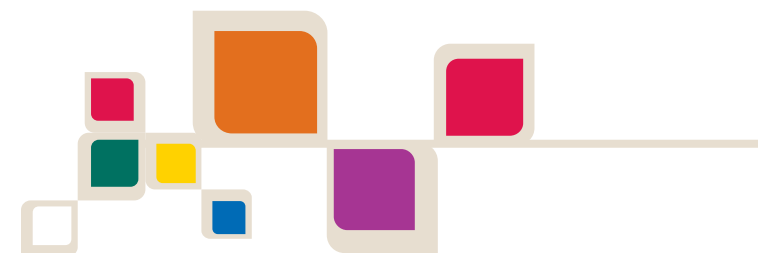
Members of the Audit and Risk Management Committee can find further useful material on our website www.grantthornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- Innovation in public financial management (December 2015); www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015) www.grantthornton.co.uk/en/insights/making-devolution-work/

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



Progress at May 2016



2015/16 work	Planned Date	Complete?	Comments
<p>Fee Letter</p> <p>We are required to issue a 'Planned fee letter for 2015/16' by the end of April 2015</p>	April 2015	Yes	The 2015/16 fee letter was issued in line with the published timetable.
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.</p>	March 2016	Yes	The Audit Plan was agreed with management and will be presented to the Audit and Risk Management Committee on 13 June 2016.
<p>Interim accounts audit</p> <p>Our interim fieldwork visit plan included:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money risk assessment. 	February and March 2016	Partially	We completed our interim audit work by the end of March. This included early audit testing where practical to support a more efficient final accounts audit. Our interim testing did not identify any issues that we need to bring to your attention.
<p>Final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	June and July 2016	Not started	We are planning to complete our audit by 31 st August 2016 as part of the transition to the earlier closedown from 2018.

Local Government Accounting and other issues

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IFRS 13 'Fair value measurement

The 2015/16 Accounting Code applies IFRS 13 'Fair Value Measurement' for the first time. The standard sets out in a single framework for measuring fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

There is no public sector adaptation to IFRS13 but the Treasury and therefore the Code has adapted IAS 16 Property, Plant and Equipment so that operational assets (providing service potential) are no longer held at fair value but current value. As such IFRS 13 does not apply to operational assets. This new definition of current value means that the measurement requirements for operational property, plant and equipment providing service potential have not changed from the prior year.

However, surplus assets will need to be measured under the new definition of fair value, reflecting the highest and best use from the market participant perspective.

Other areas affected by the new standard include investment property, available for sale financial assets and those items where fair values are disclosed - for example, long term loans and PFI liabilities. IFRS 13 also introduces extensive disclosure requirements.

Local Authorities need to:

- review their classification of surplus assets and investment properties
- discuss IFRS 13 with their property valuers and treasury advisers to ensure that fair values provided are produced in line with the new standard
- update accounting policies and disclosures to reflect the new standard.



Highways Network Asset

CIPFA announced at the recent Local Government Accounting Conferences some key messages with regards to changes in accounting for the Highways Network Asset form 2016/17. These included:

- Transport Infrastructure Assets will now be referred to as single asset, the Highways Network Asset (HNA);
- this will be measured at Depreciated Replacement Cost (DRC) using the Modern Equivalent Asset (MEA) basis of valuation from 1 April 2016 and will be applied prospectively rather than requiring a full retrospective restatement; and
- the new requirements only apply to authorities with assets meeting the definition of a single HNA asset.

CIPFA expects that the transport infrastructure assets held by district councils/ non-highways authorities will be scoped out of the new requirements as assets are unlikely to form a single interconnected network. However, district councils will need to consider the nature of their transport infrastructure assets to assure themselves and evidence that their transport infrastructure assets are not part of an interconnected network.

The 2016/17 Accounting Code which will include further details on these announcements is expected to be published in Spring 2016. Grant Thornton has produced a short briefing on these announcements which is available from your Engagement Lead and Engagement Manager and will provide further briefings as further details become available requirements.

CIPFA guidance

Audit Panels

In December 2015 the Chartered Institute of Public Finance and Accountancy (CIPFA) published its guidance on the establishment of auditor panels.

Under the Local Audit and Accountability Act 2014 'relevant authorities' are able to appoint their own local auditors via an auditor panel. The Secretary of State for Communities and Local Government has decided to implement a phased introduction of the new local audit framework, with all health bodies and smaller local government bodies moving to the new framework as planned on 1st April 2017 and larger local government bodies a year later, on 1st April 2018. In practice, this means that smaller local authorities must have appointed their local auditors by 31st December 2016 and larger principal authorities by 31st December 2017.

The guidance sets out the options available to local authorities in England for establishing an auditor panel; what form such a panel can take; the operation and functions of the panel; and the main task of the panel – that is, advising the authority in connection with the appointment of the local auditor

Better Care Fund

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Healthcare Financial Management Association (HFMA) have issued a joint report examining the progress that has been made six months into the implementation of the government's £5.3bn Better Care Fund (BCF) arrangements. While the report points out that the fund has already begun to produce improved working relationships between NHS bodies and local public services, it highlights that more needs to be done to ensure the success of the BCF. The report is based on the results of a CIPFA and HFMA joint finance staff survey of NHS bodies and local authorities representing almost a third of BCF sites, and is available from the CIPFA website - <http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/better-care-fund-struggling-with-red-tape>.

National Audit Office publications

Council accounts: a guide to your rights

The NAO has published an updated version of Council accounts: a guide to your rights on its website. The guide has been updated to reflect the new requirements of the Local Audit and Accountability Act 2014, and applies to 2015-16 accounts. The document provides information on how people can ask questions and raise objections about the accounts of their local authority.

<https://www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights/>

Arrangements for the exercise of public rights:

The Accounts and Audit Regulations 2015 set out new arrangements for the exercise of public rights from 2015/16 onwards. A key implication of the Act is that the final approval of the statement of the accounts by an authority prior to publication cannot take place until after the conclusion of the period for the exercise of public rights. As the thirty working day period for the exercise of public rights must include the first ten working days of July, authorities will not be able to approve their audited accounts or publish before 15th July 2016.

Smaller authorities must also wait until the conclusion of the thirty working day period for the exercise of public rights before publishing their accounts and the auditor's report.

Grant Thornton Publications

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Reforging local government: Summary findings of financial health checks and governance reviews

The recent autumn statement represents the biggest change in local government finance in 35 years. The Chancellor announced that in 2019/20 councils will spend the same in cash terms as they do today and that "better financial management and further efficiency" will be required to achieve the projected 29% savings. Based on our latest review of financial resilience at English local authorities, this presents a serious challenge to many councils that have already become lean.

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Our research suggests that:

- the majority of councils will continue to weather the financial storm, but to do so will now require difficult decisions to be made about services
- most councils project significant funding gaps over the next three to five years, but the lack of detailed plans to address these deficits in the medium-term represents a key risk
- Whitehall needs to go further and faster in allowing localities to drive growth and public service reform including proper fiscal devolution that supports businesses and communities
- local government needs a deeper understanding of their local partners to deliver the transformational changes that are needed and do more to break down silos
- elected members have an increasingly important role in ensuring good governance is not just about compliance with regulations, but also about effective management of change and risk
- councils need to improve the level of consultation with the public when prioritising services and make sure that their views help shape council development plans.

Our report is available at <http://www.grantthornton.co.uk/en/insights/reforging-local-government/>, or in hard copy from your Engagement Lead or Engagement Manager.

CFO Insights – driving performance improvement

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.

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We are happy to organise a demonstration of the tool if you want to know more.

Innovation in public financial management

In December 2015 we issued a report, which drew on a survey of almost 300 practitioners worldwide, also includes insights from experts at the International Consortium on Governmental Financial Management (ICGFM) and the Massachusetts Institute of Technology's Centre for Finance and Policy.

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The report is the latest in a decade-long series jointly published by Grant Thornton and the ICGFM and it covers four major topics that, globally, will impact on the future of public financial management:

Changing practices: Our research showed that the biggest issue ahead will be finding the political commitment to support more difficult innovations on the agenda – such as increasing public engagement.

The right PPP formula: 90% of respondents felt that substantial investment in infrastructure was required to drive economic growth. In this age of austerity, most governments are also seeking ways to attract outside investment – with the majority using some form of public-private partnership (PPP). Many countries remain inexperienced with such arrangements and the results of

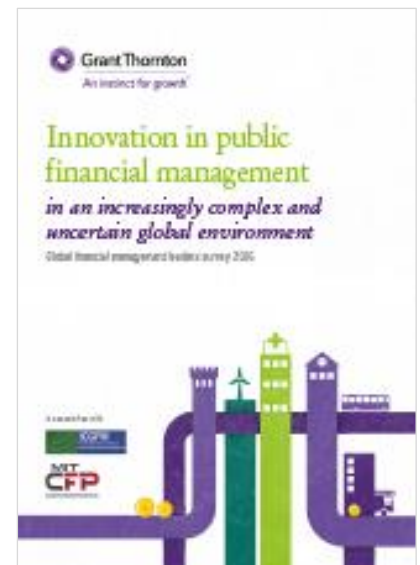
their application have been mixed. There has been little improvement since our 2011 survey, which shows that it takes a long time to develop the requisite skills and experience to make PPPs work.

Transparency with technology: Public financial managers are convinced of the importance of enhancing transparency and most are trying to be innovative in this area. However, most are using outdated digital tools. Fewer than half use social media to enhance openness. Even among the best, most transparency efforts are focussed on releasing data sets than data insights.

The new normal: Public financial management remains weighed down by the effects of the global financial crisis, but respondents also focussed on important developments since 2008, such as the Eurozone problems and the collapse of commodity prices. This suggests that public financial management is having to come to terms with not just the lessons one major financial crisis, but with how governments can live with less over the long term.

Our report, Innovation in public financial management, can be downloaded from our website: <http://www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/>

Grant Thornton reports



2016 Transparency Report

Grant Thornton's commitment to quality underpins all that we do and this is reflected in our 2016 Transparency Report.

It also covers our arrangements for governance and management and sets our most recent financial information.

The report can be downloaded from our website:

www.grantthornton.global/globalassets/1.-member-firms/global/grant-thornton-global-transparency-report-2016.pdf

Alternatively, hard copies can be provided by your Engagement Lead or Audit Manager.

We have more than 42,000 people in over 130 countries and this report is a public statement of our commitment to provide high-quality services to businesses and organisations operating throughout the world.

It is designed to help clients, audit committees, regulators and the public, who make up our many stakeholders, understand us better.

The report covers the three key aspects of our business, namely:

- Audit and assurance;
- Taxation; and
- Advisory services.

The report provides information on our audit methodology and sets out how we monitor the quality of our work and engage with external regulators.

Grant Thornton reports



Transparency report 2016

Our commitment to brighter futures





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The Audit Plan for Wirral Council

Year ending 31 March 2016

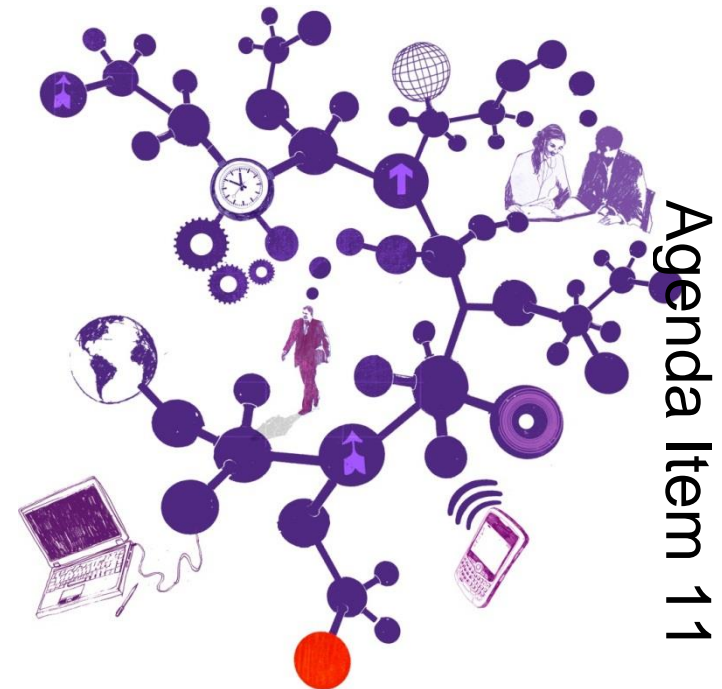
March 2016

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Agenda Item 11

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

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21 March 2016

Dear Members of the Audit and Risk Management Committee

Audit Plan for Wirral Metropolitan Borough Council for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Wirral Metropolitan Borough Council, 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. The Plan is designed 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 Council 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 Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

Robin Baker
Engagement Lead

Chartered Accountants

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Understanding your business

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

Challenges/opportunities

1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- The Medium Term Financial strategy sets out that between 2016-2021 there is an anticipated funding gap of £39 million and this includes a £28 million funding gap in 2016/17

2. Devolution

- The Autumn Statement 2015 also included proposals to devolve further powers to localities.
- The Devolution agenda in Merseyside is well advanced. In November 2015 Wirral and the other Liverpool City Region councils agreed a devolution deal with the Government. The deal includes a £30m per annum investment fund and will see the introduction of an elected mayor.

3. Wirral Plan 2020

- The Council published the Wirral Plan in July 2015. The new plan – a 2020 Vision sets out how the Council will organise itself to achieve the stated ambitions to deliver the best outcomes for Wirral.
- The Plan includes a series of 20 pledges which the Council and its partners are committed to achieve by 2020.

4. Integration with health sector

- Developments such as the increased scope of the Better Care Fund and transfer of responsibility for public health to local government are intended to increase integration between health and social care.

5. Earlier closedown of accounts

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

Our response

- We will consider the Council's plans for addressing its financial position as part of our work to reach our VFM conclusion.

- We will consider your plans as part of the local devolution agenda as part of our work in reaching our VFM conclusion.
- We are able to provide support and challenge to your plans based on our knowledge of devolution elsewhere in the country.

- We will monitor the progress made by the Council to ensure that robust business plans, strategies and financial plans are in place to help achieved the stated outcomes.

- We will consider how the Council has reflected changes to its responsibilities in relation to public health and how it is working with partners, as part of our work in reaching our Vfm conclusion.

- We will work with you to identify areas of your accounts production where you can learn from good practice in other authorities.
- We aim to complete all substantive work in our audit of your financial statements by 31 August 2016 as a 'dry run'

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. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.
- Investment property assets are required to be carried at fair value as in previous years.
- There are a number of additional disclosure requirements of IFRS 13.

2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.

3. Highways Network Asset

- Although you are not required to include Highways Network Assets until 2016/17, this will be a significant change to your financial statements and you will need to carry out valuation work this year.

4. Joint arrangements

- Councils are involved in a number of pooled budgets and alternative delivery models which they need to account for in their financial statements.



Our response

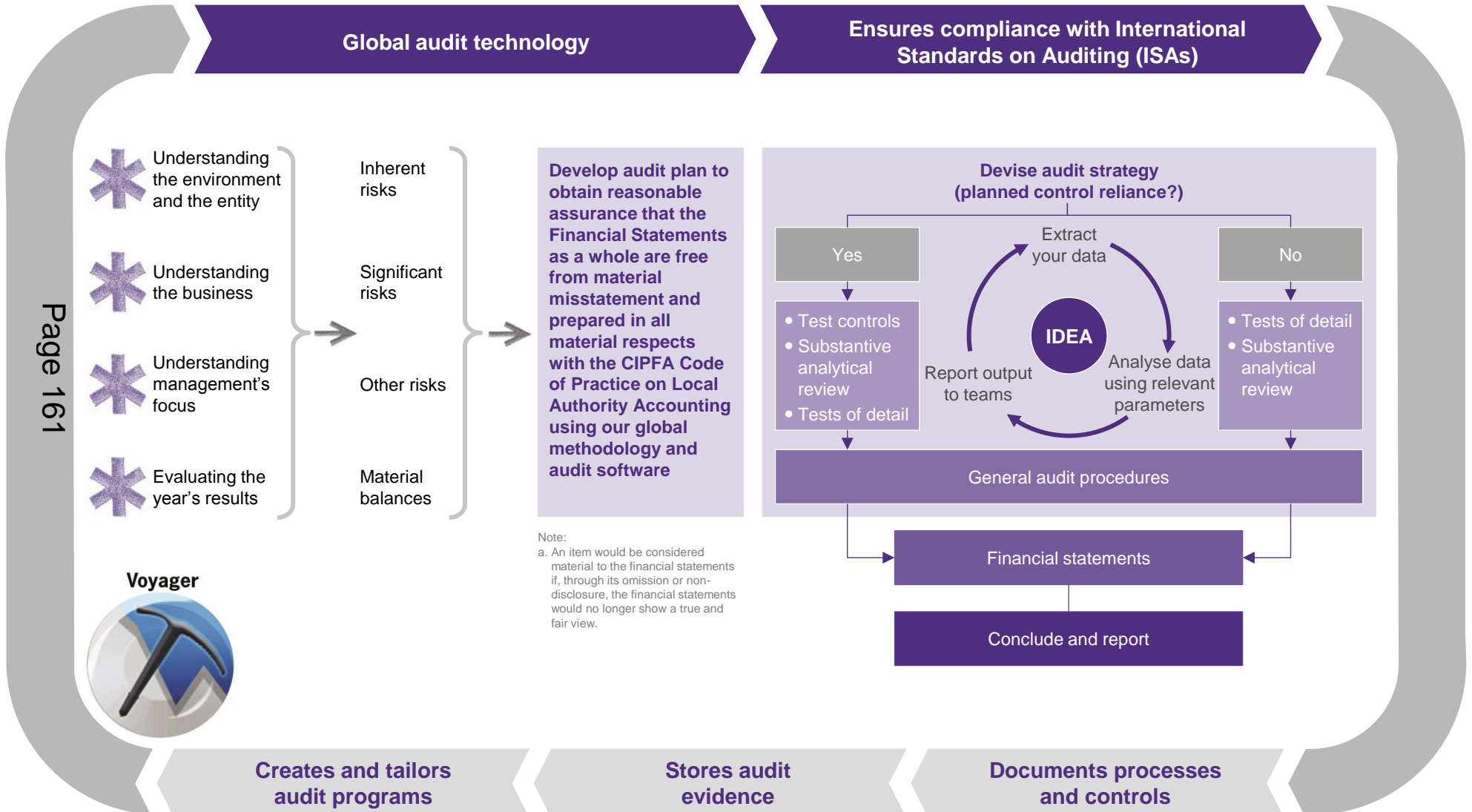
- We will keep the Council informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We will discuss this with you at an early stage, including reviewing the basis of valuation of your surplus assets and investment property assets to ensure they are valued on the correct basis.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

- We will review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of CIPFA guidance.

- We will discuss your plans for valuation of these assets at an early stage to gain an understanding of your approach and suggest areas for improvement.

- We will review your proposals for accounting for these arrangements against the requirements of the CIPFA Code of Practice.

Our audit approach



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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 public sector entities we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £13,713k (being 1.9% of gross revenue expenditure). 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 £14,876k (being 2% of gross revenue expenditure).

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 £686k.

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, irrespective of value, we will undertake audit procedures as these are key figures/disclosures in the accounts.

Balance/transaction/disclosure	Explanation
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.
Members Allowances	Due to public interest in these disclosures and the statutory requirement for them to be made.
Disclosure of auditors' remuneration in notes to the statements	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	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Wirral Council we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <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, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	<p>Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of processes and controls over journal entries <p>Further work planned:</p> <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

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Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
<p>Valuation of property, plant and equipment</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 164</p>	<p>The Council revalues its assets on a rolling basis over a five year period . The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value.</p> <p>The CIPFA Code of Practice has implemented IFRS 13 for the 2015/16 financial statements. The Council is required to include surplus assets within property, plant and equipment in its financial statements at fair value, as defined by IFRS13. The basis on which fair value is defined for investment property is also different to that used in previous years.</p> <p>These issues represent significant estimates and change in the estimation basis of these balances by management in the financial statements.</p> <p>There are also extensive disclosure requirements under IFRS 13 which the Council needs to comply with.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. • Review of the disclosures made by the Council in its financial statements to ensure they are in accordance with the requirements of the CIPFA Code of Practice and IFRS 13.

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Valuation of pension fund net liability	The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	<p>Work planned:</p> <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

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
<p>Operating expenses</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 166</p>	<p>Creditors understated or not recorded in the correct period (Operating expenses understated)</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Documentation and identification of the processes and key controls within the operating expenses cycle; • Walkthrough of controls to confirm our understanding; and • Substantive testing of operating expenses for the period April to December 2015. <p>Further work planned:</p> <ul style="list-style-type: none"> • To complete substantive testing of operating expenses for the full financial year 2015-16; • Agreement of creditors to system balances and control account reconciliations; • Review and substantive testing of year end accruals and creditor balances, including confirmation that balances due have been settled after the year end; and • "Cut-off" testing to obtain assurance that creditors have been accounted for in the correct financial year.

Other risks identified (continued)

Other risks	Description	Audit approach
<p>Employee remuneration</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 167</p>	<p>Employee remuneration accruals understated (Remuneration expenses not correct)</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Documentation and identification of the processes and key controls within the employee remuneration cycle; • Walkthrough of controls to confirm our understanding; • Use of analytical techniques to compare expected payroll costs with actual up to the end of quarter 3; • Substantive testing of payments made to employees for the period April to December 2015 mainly completed. <p>Further work planned:</p> <ul style="list-style-type: none"> • To complete substantive testing of payments made to employees for the full financial year 2015-16; • To complete the use of analytical techniques to compare expected payroll costs with actual for the full financial year; and • Review of payroll reconciliations , including those at the year end.
<p>Welfare Benefit expenditure</p>	<p>Welfare benefit expenditure improperly computed</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Documentation and identification of the processes and key controls within the Welfare benefits expenditure cycle • Walkthrough of controls to confirm our understanding <p>Further work planned:</p> <ul style="list-style-type: none"> • Reconciliation of welfare benefits expenditure system to the general ledger and financial statements • Housing benefit subsidy claim testing using Audit Commission HB COUNT approach.

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 include:

- Heritage assets
- Assets held for sale
- Investments (long term and short term)
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Provisions
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Schools balances and transactions
- Segmental reporting note
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Collection Fund and associated notes

Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- 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 carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

Results of interim audit work

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

	Work performed	Conclusion
Internal audit	We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.	Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p> <p>We will complete our detailed testing of journal entries as part of our audit of the financial statements.</p>
Early substantive testing	We have undertaken early substantive testing on revenues, employee remuneration and operating expenses for the first nine months of the 2015-16 financial year.	Our testing to date has not yet identified any issues that we need to bring to your attention. We will complete additional testing covering the remaining three months of the year as part of the accounts audit in June/July 2016.

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Results of interim audit work (continued)

	Work performed	Conclusion
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. This testing included employee remuneration, operating expenses and Housing Benefit Expenditure.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>

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Value for Money

Background

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

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out below:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none">• Acting in the public interest, through demonstrating and applying the principles and values of good governance• Understanding and using appropriate cost and performance information to support informed decision making and performance management• Reliable and timely financial reporting that supports the delivery of strategic priorities• Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none">• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions• Managing assets effectively to support the delivery of strategic priorities• Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none">• Working with third parties effectively to deliver strategic priorities• Commissioning services effectively to support the delivery of strategic priorities• Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for money (continued)

Risk assessment

We have completed our initial risk assessment based on the NAO's guidance. In our initial risk assessment, we consider :

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies, including the Care Quality Commission and Ofsted.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

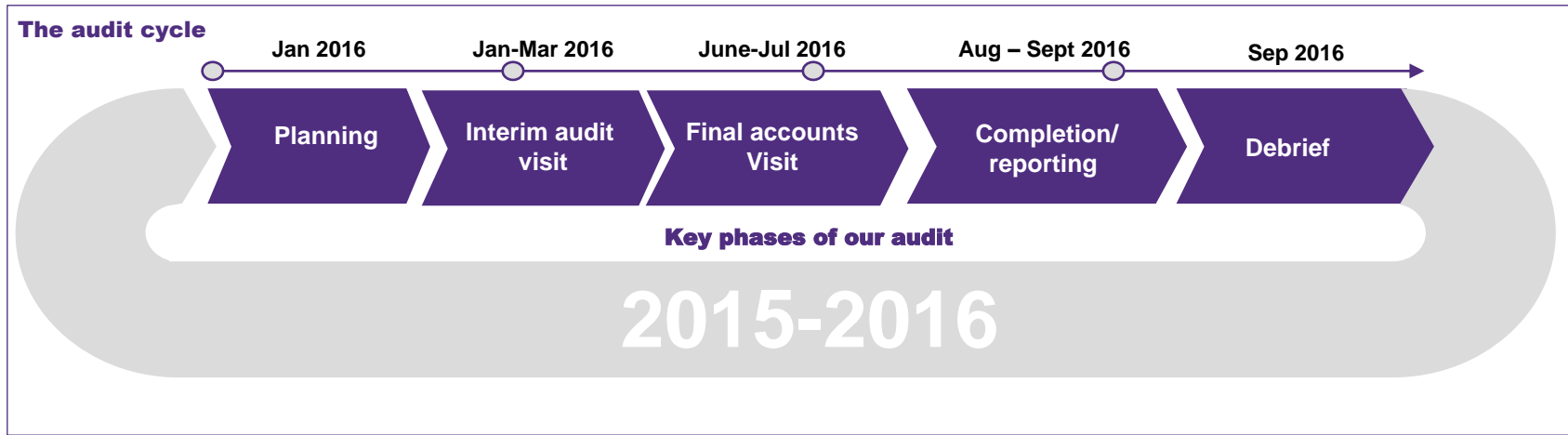
We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p>PA06-172</p> <p>The Council's medium term financial strategy (MTFS) has now been developed to cover the period 2015/16 – 2020/21 to align with the Wirral Plan. The MTFS sets out a challenging financial position with an anticipated funding gap of £129 million over the five years of the plan and included a £28million funding gap in 2016/17.</p> <p>The Council has now set the 2016/17 revenue budget and the budget process included a review of 2015/16 as the Council recognised the significant challenge to implement the £38 million of savings required in 2015/16. This review has resulted in revisions to the proposed savings required in 2016/17 to £31.5 million.</p> <p>Savings plans are in place and progress in delivery will be monitored through a combination of existing arrangements and the development of a Transformation Programme that will report to Cabinet on a quarterly basis.</p> <p>The delivery of the required savings and the establishment of revised financial governance arrangements represent a significant challenge to the Council.</p>	<p>The ability to achieve the required financial savings will be dependent on the Council planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p> <p>The revision and development of appropriate financial governance arrangements links to the Council clearly needing to demonstrate and apply the principles of sound governance.</p>	<p>We will review the Council's arrangements for identifying and agreeing savings plans alongside the communication of key findings to Cabinet and Council.</p> <p>We will review the financial governance arrangements established by the Council to consider how the Council is managing and monitoring these key financial risks.</p>

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and Annual Audit Letter. We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.

Key dates



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Date	Activity
January 2016	Planning
January to March 2016	Interim site visit
June 2016	Presentation of audit plan to Audit & Risk Management Committee
June to August 2016	Year end fieldwork
Aug 2016	Audit findings clearance meeting with Head of Finance – Acting s151 Officer
Sept 2016	Report audit findings to those charged with governance (Audit & Risk Management Committee) and sign financial statements

Fees and independence

Fees

	£
Council audit	159,863
Grant certification	24,920
Total audit fees (excluding VAT)	184,783

Our fee assumptions include:

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

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Service	Fees £
Audit related services:	
• Certification of Teachers Pension Return	4,200
• Report on Skills Funding Agency Sub contracting arrangements	3,950

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 Annual Audit Letter

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 the Council.

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 Council'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 Council's key risks when reaching our conclusions under the Code.

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

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and 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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WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

13 JUNE 2016

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

1.0 EXECUTIVE SUMMARY

- 1.1 This report summarises the use of covert surveillance by the Council between 1 February and 31 May 2016.
- 1.2 This report was requested in the work plan for the Committee.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Regulation of Investigatory Powers Act 2000 (RIPA) governs how public bodies use surveillance methods. The Council may use covert surveillance for the purpose of preventing or detecting crime or preventing disorder.
- 2.2 The origin of RIPA lies in the Human Rights Act 1998 which places restrictions on the extent to which public bodies may interfere with a person's right to respect for his or her home and private life and correspondence during the course of an investigation into suspected criminal activities. The provisions of RIPA ensure (in summary) that any such interferences are in accordance with the law and are necessary and proportionate (i.e. the seriousness of the suspected crime must outweigh any possible interferences with the personal privacy of the persons being investigated and of persons who associate with them).
- 2.3 The Council's Constitution authorises Directors to designate Heads of Service and Service Managers to authorise the use of covert surveillance in accordance with the procedures prescribed by RIPA. Since 1 November 2012 such authorisations require the further approval of a magistrate.
- 2.4 The Office of Surveillance Commissioners (OSC) is responsible for overseeing the operation of RIPA. The OSC inspected the Council on 8 June 2012. The outcome of that inspection was reported to the Committee on 19 September 2012. The Committee approved amendments to the Council's Policy and Guidance Document made in response to the Report which were adopted by the Cabinet on 18 October 2012. There was a further inspection by the OSC on 13 May 2015. The outcome was reported to the Committee on 22 September 2015 when the Committee approved an updated Policy and Guidance Document which took account of the recommendations of the OSC.

3.0 THE USE OF RIPA BY THE COUNCIL

- 3.1 Since 1 September 2015 the Council has used covert surveillance with the intention of detecting evidence of criminal behaviour as set out below.
- 3.2 On 8 February and 1 March 2016 magistrates approved authorisations to use covert surveillance to detect suspected flytipping on a site in Wirral.
- 3.3 On 31 March 2016 a magistrate approved the authorisation of covert surveillance by the Trading Standards Section into suspected illegal trading.

4.0 CHANGES IN LEGISLATION

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

5.0 SUCCESSFUL PROSECUTIONS ARISING FROM COVERT SURVEILLANCE APPROVED BY A MAGISTRATE

- 5.1 On 18 April 2016 a member of the public pleaded guilty to an offence committed on 20 April 2015 of unlawful flytipping in Riverbank Road, Bromborough. Mixed domestic and builders waste together with a freezer were deposited.
- 5.2 On 3 May 2016 he received a sentence of 3 months imprisonment suspended for 12 months, a 12 month Community Order and costs of £1,200 to cover clean up, and prosecution costs. He also had to pay a Victim Surcharge of £80.

6.0 RELEVANT RISKS

- 6.1 These have been discussed in previous reports.
- 6.2 There is a risk that some investigations of anti-social behaviour will not be able to use covert surveillance because the suspected criminal behaviour does not carry a custodial sentence of 6 months or more.
- 6.3 The Anti-Social Behaviour Team are however intent on applying to the Court for approval of covert surveillance in suitable cases of suspected harassment of

individuals which would amount to an offence under the Protection from Harassment Act 1997 (which can attract a sentence of 6 months or more imprisonment).

7.0 OTHER OPTIONS CONSIDERED

7.1 None.

8.0 CONSULTATION

8.1 None.

9.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

9.1 None.

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

10.1 None at present.

11.0 LEGAL IMPLICATIONS

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

12.0 EQUALITIES IMPLICATIONS

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

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

13.0 CARBON REDUCTION IMPLICATIONS

13.1 None.

14.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

14.1 See paragraphs 4 and 6.

15.0 RECOMMENDATION/S

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

16.0 REASON/S FOR RECOMMENDATION/S

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

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REFERENCE MATERIAL

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

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Reports to the Audit & Risk Management Committee	10 June 2013 18 September 2013 28 January 2014 18 March 2014 17 September 2014 27 January 2015 8 June 2015 22 September 2015 17 February 2016