



Audit and Risk Management Committee

Date:	Tuesday, 14 March 2017
Time:	6.00 pm
Venue:	Committee Room 1 - Wallasey Town Hall

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

AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

2. MINUTES (Pages 1 - 8)

To approve the accuracy of the minutes of the meeting held on 30 January 2017.

3. INTERNAL AUDIT UPDATE (Pages 9 - 18)

4. INTERNAL AUDIT ANNUAL PLAN 2017/18 (Pages 19 - 46)

5. INTERNAL AUDIT CHARTER & STRATEGY (Pages 47 - 60)

6. ANNUAL GOVERNANCE STATEMENT 2016/17 (Pages 61 - 64)

7. AGS SIGNIFICANT GOVERNANCE ISSUES UPDATE (Pages 65 - 78)

8. MANAGEMENT OF INSURANCE AND CORPORATE RISK (Pages 79 - 84)

9. **EXTERNAL AUDITOR - ANNUAL LETTER - GRANT CERTIFICATION 2015/16**
(Pages 85 - 88)
10. **EXTERNAL AUDITOR - AUDIT PLAN FOR MERSEYSIDE PENSION FUND**
(Pages 89 - 102)
11. **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**
(Pages 103 - 106)
12. **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 1)**
13. **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.

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 30 January 2017

Present: Councillor AER Jones (Chair)

Councillors A Davies J Hale
RL Abbey C Muspratt
P Doughty L Rowlands
D Elderton

Deputies: Councillors A Brighouse (In place of P Gilchrist)

39 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

No such declarations were made.

40 MINUTES

Resolved – That the minutes of the meeting held on 22 November 2016, be approved.

41 INTERNAL AUDIT UPDATE

The Chief Internal Auditor introduced his report that identified and evaluated the performance of the Internal Audit Section and included items of note arising from the actual work undertaken during the period 1 November to 31 December 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 i.e. Outstanding Audit Recommendations;
- Performance information relating to the Internal Audit Service and Internal Audit Developments.

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

Resourcelink System

The Chief Internal Auditor informed that following his report to the Audit and Risk Management Committee on 22 November 2016, further work had been completed by Internal Audit and that all of the outstanding actions had been implemented. Additional work was scheduled for 2017/18 to verify and assess the effectiveness of the new arrangements.

Business Rates – Valuations

The Chief Internal Auditor reported that an audit had been undertaken to determine whether the controls within the Non-Domestic Rates valuations system provided reasonable assurance that operating data was accurate and reliable. He informed that the work had resulted in a number of recommendations to management to improve the control environment. Members noted that all recommendations had been agreed, and were currently being implemented. It was further noted that follow up work was scheduled for later in the year, the outcome of which would be reported to Members in due course.

Other

The Audit and Risk Management Committee was apprised that information on the current status of outstanding audit recommendations appended at Appendix 1 to the report, namely Information Governance and Security, ICT Business Continuity and Data Loss Prevention would form the basis of a verbal report of the Head of Digital (SIRO) later in the meeting (see minute 43, post).

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

Resolved – That the report be noted.

42 AGS SIGNIFICANCE GOVERNANCE ISSUES UPDATE

The Assistant Director: Finance (S151) introduced his report that provided the Audit and Risk Management Committee with a progress update on actions taken by officers to address items of concern identified in the Annual Governance Statement for 2015/16.

The Assistant Director: Finance (S151) informed that following consideration of the Annual Government Statement (AGS) by the Committee at its meeting in September 2016, Members had requested that a standard agenda item be included for future meetings to enable regular updates on any matters of concern arising from the AGS.

The report Appendix 1 provided a detailed summary of key issues, outcomes required, target dates, actions and monitoring procedures and informed of the latest positions and progress in relation to the following matters:

- Compliance with Council processes and procedures - Performance Appraisals, Absence Management, Contract Procedure Rules, Essential Training;
- Improvement Notice Issued by the Secretary of State for Education re September 2016 Ofsted Report;
- ICT - Business Continuity and Resilience Plans including location of data centres; and
- 2016/17 Inspections – Information Commissioner’s Office.

The Audit and Risk Management Committee was apprised that information on the current status of outstanding audit recommendations appended at Appendix 1 to the report, and that ICT Business Continuity and Data Loss Prevention would form the basis of a verbal report of the Head of Digital (SIRO) later in the meeting (see minute 43, post).

Members questioned the Assistant Director: Finance (S151) on a number of points relating to the Council’s administration of the staff appraisals process. It was noted that there had been improvements in the number of appraisals undertaken and that although mandatory training on the procedures had only recently been established, management was confident that the targets would be achieved by the end of March 2017.

Resolved – That the report be noted.

43 IT UPDATE

Further to minutes 41 and 42, the Head of Digital (SIRO) provided a verbal report on the status of the IT programme of works designed to mitigate and remove risks associated with an underinvestment in IT infrastructure over the years. The report detailed progress thus far, and outlined the remaining steps to be completed regarding Information Governance and Security, ICT Business Continuity and Data Loss Prevention.

The Head of Digital (SIRO) informed that the programme of work had delivered, or was in the process of delivering, its planned objectives and provided a summary of the individual elements of the programme, namely:

- IT Contingency
- Disaster Recovery
- Data Loss
- Cyber Security
- Information Governance

IT Contingency and Disaster Recovery

The Committee was apprised that contracts had been signed and that works and associated procurement had been actioned with a specialised cable company to link fibre networks through the Mersey Tunnel. Design work for the network equipment was underway for connectivity between the Treasury Building and Mersey Travel Datacentre. Procurement to buy 'off the shelf' equipment had been actioned and additional procurement was underway to engage a specialist company with the technical expertise to move and re-commission equipment as part of the two Datacentre sites. The Head of Digital (SIRO) stated that the existing corporate risk would be mitigated when the project was complete, with equipment up and running by September 2017. Additional plans had also been considered to investigate the utilisation of 'cloud' technology i.e. paying a company for use of their servers.

Data Loss

Head of Digital (SIRO) informed that policies had now been put in place, reviewed and updated. This ensured that as part of the ICO Audit, the all required assurances would be in place prior to May 2017. The Committee was also informed that as part of existing data loss prevention protocols the Council utilised McAfee end point security software that controlled access to Wirral's computer networks. Members noted that the standard protocols also meant that there were no permissions for use of USB ports or USB plug in devices and Wirral computer equipment did not have DVD / CD drives fitted – any use of enabled ports would require encrypted devices as a minimum standard. The Head of Digital reported that the above arrangements were covered within the Information Security Policy which was to be reviewed and updated prior to May 2017.

Cyber Security

The Head of Digital (SIRO) also reported that all internal audit recommendations had been agreed, in line with overlapping recommendations from the ICO audit, and that any outstanding actions would be completed by May 2017.

General matters, including Information Governance

The Head of Digital (SIRO) reported that governance plans were in place and delivery was on track. He stated that Officer Sub-Groups met regularly and following restructuring better arrangements for scrutiny and information governance existed. He further stated that this fed into improved Corporate Governance arrangements, with regular briefings taking place with Councillor Ann McLachlan, Cabinet Member Transformation, Leisure and Culture. Planning was also well under way for data protection regulations expected to come into force in Europe, May 2018.

A Member thanked the Head of Digital (SIRO) for his report, but expressed the opinion that he would have preferred a written submission, to allow Members more time to effect detailed questioning of fact.

Members questioned the Head of Digital (SIRO) at length regarding the subjects of 3rd party relationships, groups and complications relating to governance / controls / auditing / best practice / data protection and working within regulations.

The Head of Digital informed that contractual obligations must be checked as part of all ICT and data processing duties, and scrutiny of arrangements ensured that the Digital Service must work to ensure that technology is adequate and met the requirements of the service i.e. including encrypted links.

As part of recent Audits, he reported that ICO best practice had been used as a benchmark, and standard terms and conditions had been amended as a result.

The Head of Digital (SIRO) re-iterated his confidence in the work scheduled and already undertaken, expressing the view that the investment to date would continue to improve the efficiency of the Council's IT networks.

Members re-enforced their request that written submissions be presented to the Committee in the future, noting the work undertaken and the dramatic changes to Council's IT over the past 2 years.

Resolved - That the report be noted.

44 **CORPORATE RISK REGISTER: UPDATE**

The Risk and Insurance Officer presented the report of the Chief Executive that confirmed the outcome of the most recent quarterly review of the Corporate Risk register. Progress towards the development of risk registers for Pledge Strategies, new Delivery Units and the revised Transformation Programme were also summarised. A summary of the status of key mitigating actions for the existing Corporate Risks at the end of quarter two 2016/17 was appended to the report.

The report informed that, following adoption of the Wirral Plan in 2015, the Strategic Leadership Team (SLT) had revised the Council's Corporate Risk Register. This was reported to this Committee on 14 June 2016. A review was undertaken at the end of each quarter by SLT. This addressed progress in relation to the management of the existing corporate risks as well as emerging risk areas for possible addition to the register.

Members questioned the Officer on the methodology used in the scoring of unmanaged and current risk. Discussion then took place regarding the increased incidence of 'Cyber Attacks' on Information and Communication Systems. The Head of Digital (SIRO) provided Members with additional

information about the regularity of such attacks and the preventative measures currently in place.

Members noted that ongoing management processes undertaken to mitigate risk across different areas of the Council. A request was made that an additional item of report be included in future reports, namely 'Brexit' and associated risks, financial or otherwise, to the Council.

Resolved – That

- 1) the progress in managing the corporate risks be noted; and**
- 2) further reports on the Corporate Risk Register be brought to future meetings of the Committee.**

45 **MANAGEMENT OF INSURANCE AND CORPORATE RISK**

The Risk and Insurance Officer introduced the report of the Assistant Director: Finance that set out the progress made since his previous report in November 2016 in relation to key actions to be taken in relation to corporate risk and insurance management for 2016/17.

The Risk and Insurance Officer reported that Risk and Insurance services remained a key element of traded services for schools and that his officers participated in a launch event on 12 January for services in the 2017/18 financial year. Estimates of insurance costs for controlled schools in the coming financial year had been produced as part of the corporate insurance budget activity. He further informed that forecasts of the cost of external premiums and contributions to the Insurance Fund in the forthcoming financial year and the allocation of these sums between schools and individual Council functions had been produced.

The Committee was informed that the outcome of this being that the Council's traded services were deemed competitive, and although formal evaluation had yet to be completed first signs were that there would be future cost savings and better provision of insurance cover.

Resolved – That the report be noted.

46 **INSURANCE FUND BUDGET 2017-18**

The Risk and Insurance Officer introduced the report of the Assistant Director: Finance that set out the elements which made up the Insurance Fund, the cost of running the Risk & Insurance Section and the Budget for 2017/18 arising from the forecast of insurance costs.

The report informed that the Budget for 2017/18 was £135,000 less than the agreed Budget for 2016/17.

The report covered key points in relation to the following:

- The Council's approach to Risk Management and Financing;
- Self-Funded Risks;
- Insurance Contracts and Premiums;
- Casualty (Liability) – improvements;
- Material Damage and Business Interruption;
- Comprehensive Motor – contract extension;
- Other Risks; and
- Administration.

The Risk and Insurance Officer informed that the 2017/18 Budget of £2,850,000 represented a reduction of £135,000 (4.5%) compared with the Budget for 2016/17. The forecast of greater income from Academies reflected the fact that more Academies had chosen to retain the services of the Risk and Insurance team than had been anticipated when the 2016/17 budget was prepared.

Members thanked the Officer for his positive report, endorsed the content and the Insurance Fund Budget 2017/18.

Resolved - That the Insurance Fund Budget 2017/18 be agreed.

47 **EXTERNAL AUDIT - AUDIT COMMITTEE UPDATE**

Mr Robin Baker of Grant Thornton UK LLP, the Council's external auditors, presented a report to Members on work undertaken with regard to progress in the delivery of their responsibilities as External Auditor covering the Year ending 31 March 2017. The report informed that:

Fee Letter

The External Auditor had issued the planned fee letter (2016/17) in April 2016.

Accounts Audit Plan

The External Auditor is 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 2016/17 financial statements. In addition the Council would also be informed of any subsequent changes to the audit approach.

Members noted that the External Auditor's Audit Plan for 2016/17 will be presented to the Audit and Risk Management Committee meeting in March 2017.

Interim accounts audit scheduled

The External Auditor's interim audit had started in January 2017 and completion of this part of their work programme was expected by March 2017. Any findings from their work will be reported as part of the Audit Plan.

Members were apprised that interim fieldwork visits included:

- Updating the External Auditor's review of the Council's control environment;
- Updating the External Auditor's understanding of financial systems;
- Review of Internal Audit reports on core financial systems;
- Early work on emerging accounting issues; and
- Early substantive testing.

Final accounts audit

The report informed the final accounts audit included information regarding the status of the audit of the 2016/17 financial statements and proposed opinion on the Council's accounts. The External Auditor reported that fieldwork on this was scheduled to be completed by August 2017.

Value for Money (VfM) conclusion

Members noted that the scope of the External Auditor's work had changed and was set out in the final guidance issued by the National Audit Office in November 2015. The Code required auditors to satisfy themselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The External Auditor informed that the timescale for compilation and reporting of the VfM conclusion was February - August 2017.

Resolved - That the report be noted.



**Audit and Risk Management Committee
Tuesday, 14 March 2017**

REPORT TITLE:	INTERNAL AUDIT UPDATE
REPORT OF:	CHIEF INTERNAL AUDITOR

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 January to 28th February 2017. There is just one item of note concerning audit work undertaken that is brought to the attention of the Members for this period and is 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 January to 28th February 2017.

3.2. Items of Note

3.2.a Counter Fraud

The Internal Audit Service is currently working on a revised corporate Counter Fraud and Corruption Strategy, Policy and Response Plan that incorporates current best professional practice in this field and identifies the principles that Wirral Council is committed to regarding the prevention, detection and reporting of attempted fraud and corruption. The document will be presented to the June 2017 meeting of this Committee for information, endorsement and approval.

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 fully implemented within agreed timescales and yet still present a serious risk

- 3.3.b Where items are addressed by officers those entries are removed from the report on a rolling basis.
- 3.3.c All of the reports identifying outstanding actions are currently BRAG rated as 'amber' indicating that progress is being made to address identified issues. The majority of these actions relate to ICT systems and Members will recall that the previous meeting of this Committee was attended by the Head of Digital who provided a progress update for all outstanding items in this area and identified an implementation date of May 2017 for actions.

Internal audit will continue to monitor progress in this area and notify Committee accordingly.

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.	85	80
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.	90	100
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	98

- 3.4.b There are currently no significant issues arising although it should be noted that achievement of the audit plan is slightly behind schedule. There is though a significant amount of work currently in progress that is expected to be completed shortly and should go some way to addressing the shortfall in delivery experienced to date. Members will recall that this is something that has been discussed previously at Committee and is primarily due to a number of vacancies experienced within the section earlier in the year. Appointments have subsequently been made to address the problem and the impact of this on delivery of the plan will ensure that any shortfall at the year-end is minimal and not have any impact upon the annual assurance opinion provided.

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:

- Further development of the Quality Assurance and Improvement Programme in line with the revised Public Sector Internal Auditing Standards;
- Streamlined and improved working papers to support findings identified in audit reports;
- Ongoing development and implementation of a more streamlined and dynamic AGS working to allow for further changes made to the CIPFA/SOLACE best practice guidance;
- Ongoing improvement of 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 to include joint fraud exercises and training;
- Continuing development of the use of computer assisted auditing techniques in the evaluation and testing of system controls for more effective and efficient auditing;
- Ongoing development and implementation of a new automated planning and management system for the service;
- Ongoing implementation of paperless working environment;
- Implementation of more streamlined planning process for 2017/18.

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.

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

APPENDICES

Appendix 1: Audit Recommendations Status Report

REFERENCE MATERIAL

Internal Audit Plan 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 AUDIT RECOMMENDATIONS
PERIOD: 01 APRIL 2015 TO 31 JANUARY 2017**

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

INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS

PERIOD: 01 APRIL 2015 TO 31 JANUARY 2017

1. Completed Audits - RED, AMBER or GREEN flag

Audit	Date	Area [Section]	Organisational Risk	Areas for Development / Improvement and comments	Total Recs (H)	Timescale / Responsible Officer	Outcome	BRAG Status
Information Governance and Security - Intranet Policies and Guidance	12/07/2016	Authority Wide	Minor	Ten recommendations were made which do not present a significant risk to the organisation.	10 (0)	November 2016 Authority-Wide	The Head of Digital reported at the January ARMC meeting that all audit recommendations will be completed by May 2017.	A
Cyber Security	26/09/2016	Business Services [Digital]	Moderate	Ten recommendations were made covering: - information security policies - firewalls - vulnerability monitoring - rogue wireless access points - information risk register - information security training - cyber insurance	10 (0)	June 2017 Director of Business Services	The Head of Digital reported at the January ARMC meeting that all audit recommendations will be completed by May 2017.	A

INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS

PERIOD: 01 APRIL 2015 TO 31 JANUARY 2017

2. Follow Up Audits Completed - RED, AMBER or GREEN flag

Audit	Follow up date	Original Report date	Area [Section]	Organisational Risk Position as at the date of the original audit	Areas for Development / Improvement and comments	Original Total Recs (H)	Implementation timescale for all actions Director	Outcome	BRAG Status Current position	Organisational Risk Current Position
ICT Business Continuity	04/09/2015	Dec 14	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 Authority-Wide	The Head of Digital reported at the January ARMC meeting that the project will be complete by September 2017. This area is included in the draft Internal Audit plan for 2017/18.	A	Moderate
Payment Card Industry - Data Security Standard	04/09/2015	Jul 14	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 Director for Business Services	The Head of Digital reported at the January ARMC meeting that the project will be complete by May 2017. This area is included in the draft Internal Audit plan for 2017/18.	A	Minor
Data Loss Prevention	07/11/2016	Oct 14	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)	January 2017 Information Governance Board	The Head of Digital reported at the January ARMC meeting that the project will be complete by May 2017. This area is included in the draft Internal Audit plan for 2017/18.	A	Major

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

B	Audits	All actions agreed and implemented, with no further Internal Audit action necessary.
	Follow Ups	All actions implemented, with no further Internal Audit action necessary.
G	Audits	Most actions agreed and implemented, e.g. low priority recommendations are outstanding, with no further Internal Audit action planned.
	Follow Ups	Most actions implemented, e.g. low priority recommendations are outstanding, with no further Internal Audit action planned.
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.



**Audit and Risk Management Committee
Tuesday, 14 March 2017**

REPORT TITLE:	INTERNAL AUDIT ANNUAL PLAN 2017-18
REPORT OF:	CHIEF INTERNAL AUDITOR

REPORT SUMMARY

The report identifies the Internal Audit Plan of work for 2017/18.

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

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

RECOMMENDATION

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

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 The Audit and Risk Management Committee is required by its terms of reference to advise on the adequacy of the Council's strategic risk management, internal control and governance processes.
- 1.2 The Public Sector Internal Audit Standards produced jointly by the Chartered Institute for Public Finance and Accountancy and the Chartered Institute of Internal Auditors sets out the expected professional standards for Internal Audit in Local Government.
- 1.3 The standards set out the requirement for a risk based internal audit plan. This report identifies the Annual Internal Audit Plan for 2017/18.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 FINANCIAL

- 3.1 There are none arising from this report.

4.0 LEGAL IMPLICATIONS

- 4.1 There are none arising from this report.

5.0 RESOURCE IMPLICATIONS

- 5.1 There is none arising from this report.

6.0 RELEVANT RISKS

- 6.1 The Council may not achieve its corporate objectives.
- 6.2 The Audit and Risk Management Committee may fail to comply with best professional practice and thereby not function in an efficient and effective manner.
- 6.3 Appropriate actions may not be taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.
- 6.4 Statutory requirements for the Council to provide adequate and effective systems of internal audit may not be met.

7.0 ENGAGEMENT/CONSULTATION

- 7.1 Members of this Committee are consulted throughout the process of preparing and delivering the Internal Audit Plan.

8.0 EQUALITY IMPLICATIONS

8.1 There are none arising from this report.

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

APPENDICES

Appendix 1: Internal Audit Annual Plan 2017/18

REFERENCE MATERIAL

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

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Report presented annually to this Committee.

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WIRRAL INTERNAL AUDIT SERVICE

INTERNAL AUDIT PLAN

2017 - 2018

Internal Audit Service
Old Market House
Birkenhead
Wirral
CH41 5AL

Section One

INTRODUCTION

- 1.1 This document summarises the results of Internal Audit's planning work. It sets out details of the:
- Responsibilities and scope of internal audit
 - Resourcing and delivery of the Council's internal audit service
 - Arrangements for reporting internal audit work
 - Proposed programme of work for 2017/18 (the Audit Plan)
- 1.2 The Audit Plan for 2017/18 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). The PSIAS represent mandatory best practice for all internal audit service providers in the public sector.
- 1.3 The Council has adopted the PSIAS definition of internal auditing:
'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.
- 1.4 In accordance with PSIAS, the mission of internal audit is to 'enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.
- 1.5 The work of internal audit is a key element in delivering the Council's strategic priority of corporate effectiveness and business efficiency, but also supports the Council in achieving all the aims and objectives set out in the Wirral Council Plan: A 2020 Vision.
- 1.6 The PSIAS require that the internal audit service is delivered and developed in accordance with the internal audit charter. The Council has formally agreed provisions relating to internal audit as detailed in the Financial Procedure Rules of the Council's Constitution in accordance with the Internal Audit Charter.

Section Two

INTERNAL AUDIT – RESPONSIBILITIES AND SCOPE

2.1 *Responsibilities of internal audit*

The internal audit function is responsible for:

- Reviewing and developing the Council’s governance processes. Specifically, this includes:
 - Promoting appropriate ethics and values within the Council
 - Supporting effective organisational performance management and accountability
 - Communicating risk and control information to appropriate areas of the organisation
 - Coordinating the activities of, and communicating information among, Audit and Risk Management Committee, external audit, internal audit and management
- Evaluating the effectiveness of the Council’s risk management processes and contributing to their improvement
- Assisting in the maintenance and development of an effective control environment by providing robust independent assurance over its operation.

2.2 *Responsibilities of management*

The establishment and maintenance of adequate control systems is the responsibility of management. Recommendations made by internal audit can reduce risk and improve systems of control. However, the implementation of audit recommendations cannot eliminate risk entirely.

2.3 *Responsibilities of the Audit and Risk Management Committee*

In regard to internal audit, the Audit and Risk Management Committee is responsible for:

- Approving, but not directing, internal audit's strategy, plan and monitoring performance
- Reviewing summary internal audit reports and the main issues arising, and seeking assurance that action has been taken where necessary
- Receiving and considering the Chief Internal Auditors annual report.

2.4 *Responsibilities for fraud prevention and detection*

The primary responsibility for the prevention and detection of fraud rests with management. Management's responsibilities include creating an environment where fraud is not tolerated, identifying fraud risks, and taking appropriate actions to ensure that controls are in place to prevent and detect fraud.

It is not the role or responsibility of internal audit to detect fraud. However, internal audit will evaluate the potential for the occurrence of fraud in each assignment and how the Council manages the risk of fraud.

2.5 *Scope of internal audit activities*

The scope of internal audit work includes:

- The entire control environment of the Council, comprising financial and non-financial systems.
- Reviewing controls that protect the interests of the Council in its dealings with partnerships in which the Council has an involvement.

Internal audit may also provide assurance services to parties outside the Council as appropriate and with the agreement of the Council.

Section Three

RESOURCING & DELIVERY OF INTERNAL AUDIT

3.1 *Resource requirements*

The level of resource required to deliver an effective internal audit service to the Council has been assessed based on the need to provide adequate audit coverage of the Council's:

- Key financial systems
- Risk management and governance arrangements
- Front line services
- Support services
- Procurement and contract management activity
- Information management arrangements
- Anti-fraud and corruption arrangements
- Schools

Account has also been taken of the need to be able to resource:

- Unplanned work which may arise during the year
- Follow up work to provide assurance that previously agreed recommendations are implemented
- Provision of advice and consultancy to internal customers

3.2 *Delivery of the internal audit service*

The 2017/18 Internal Audit Plan will be delivered by a highly experienced and suitably qualified in-house team of 11 FTE auditors. The level of available internal audit resource is considered sufficient to deliver a robust annual internal audit opinion to the Audit and Risk Management Committee.

As in recent years, where opportunity arises, the internal audit team will also collaborate with internal audit colleagues from other local authorities in regard to the approach and delivery of particular audit assignments.

3.3 *Independence and objectivity*

The internal audit team is managed by the Chief Internal Auditor reporting directly to the Assistant Director: Finance, the Council's statutory Section 151 Officer and with direct unfettered access to the Chief Executive Officer and Chair of the Audit and Risk Management Committee. These arrangements are designed to prevent any potential impairment to independence and objectivity in regard to the provision of an effective internal audit.

3.4 *Approach to placing reliance on other sources of assurance*

When planning specific audit assignments, other sources of assurance may be taken into consideration in order to ensure the best use of the audit resource. Any work that is necessary in order to place reliance on other sources of assurance will be determined as required for each assignment.

3.5 *Assurance services to other organisations*

The only planned assurance service to be provided to an external party is an annual audit provided to Edsential which is the trading company established to provide support services to Schools. Wirral Internal Audit Services have been contracted to provide internal audit services to this organisation during 2017/18.

Section Four

INTERNAL AUDIT REPORTING ARRANGEMENTS

4.1 *Distribution of internal audit reports*

At the conclusion of each audit assignment, a draft report and action plan is discussed with the manager responsible for the area which has been audited. A final report containing management responses to any issues identified is subsequently distributed to:

- The relevant Senior Managers for the area reviewed,
- The Strategic Directors responsible for the area reviewed,
- The Council's external auditor, Strategic Leadership Team and ARMC in summary bi-monthly activity report format.

4.2 *Overall assurance opinion*

In each audit report, an overall opinion on the organisational risk presented is provided for the area audited. The opinion is based on the information obtained in the course of the audit and represents an assessment of the effectiveness of the risk management, control and governance processes in the area audited.

Organisational Risk Rating	Explanation
Major	The likelihood/impact of the risks identified during the review, should they 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

4.3 *Reporting to elected members*

On a regular scheduled basis throughout the year internal audit update/progress reports are presented to the Audit and Risk Management Committee Members summarising the outcomes of internal audit work and any significant matters identified. Such matters may include risk exposures, governance weaknesses, performance improvement opportunities and value for money issues.

4.4 *Annual Audit Opinion*

An annual report is presented to the Audit and Risk Management Committee which includes the Chief Internal Auditor's overall opinion on the Council's risk management, control and governance processes. This opinion forms one of the sources of assurance in support of the Council's Annual Governance Statement. The opinion is based upon the collective findings from the internal audit work completed during the year.

Section Five

INTERNAL AUDIT PLAN - METHODOLOGY

5.1 *Requirements of the Public Sector Internal Audit Standards*

The PSIAS state that the 'chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals'.

5.2 *Development of the Audit Plan*

In developing the Audit Plan, account has been taken of:

- The Council's risk management processes
- Senior management's views on risk in their areas of responsibility
- The results of previous internal audit work
- Other existing sources of assurance, including the work of external audit
- New or emerging risks affecting the Council or local government as a whole
- Known changes to the Council's business, operations, programs, systems, and controls
- The requirement to ensure sufficient and wide ranging coverage in order to provide a robust annual audit opinion
- Any planned work deferred from the 2016/17 Audit Plan that is still considered a priority

5.3 *Alignment of the Audit Plan to the Council's Corporate Priorities*

The Audit Plan has been prepared in a way that aligns each piece of planned work with the key risks presented to the Council whilst also taking account of corporate priorities. Some planned reviews clearly contribute to more than one risk or priority. For presentational purposes the reviews have been listed in a manner that is considered most closely linked to the relevant directorate.

5.4 *Budgeted time allocations*

A budgeted time allocation has been set for each assignment included in the Audit Plan. It is accepted that the exact resource requirement for each assignment cannot be forecast with certainty. The plan therefore represents the best estimate of the way in which the Council's internal audit resources will be deployed.

5.5 *Timing and prioritisation of audit work*

The intention is to complete all planned work within the year. However, the timing and respective prioritisation of work will take account of:

- The need to finalise any work from 2016/17 that remains incomplete at year-end
- The requirement to provide assurance over the Council's key financial systems
- The views of management of the service areas in regard to the timing of work
- Any other factors that may be relevant to the timing of a particular piece of work
- Any urgent unplanned work arising
- Changes in the level of audit resources available

5.6 *Significant interim changes to planned work*

The Audit Plan will be kept under review during the year and it may be necessary to make revisions to planned work in order to respond to changes in priorities or changes in the level of internal audit resources. Minor changes will be agreed with the relevant operational Directors. Any significant interim changes will be reported to the Audit and Risk management Committee.

Section Six

SUMMARY INTERNAL AUDIT PLAN

Audit Area	2017/18 Audit Days
Chief Executive	74
Strategy	108
Delivery	541
Business Services	298
Total Pension Fund	100
Total ICT	269
Total Counter Fraud	263
Total Advisory	100
Total Contingency	110
Total Planned Audit Days	1863

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
CHIEF EXECUTIVE			
Transformational Change Projects	Significant change projects are taking place across the Council that are key to the delivery of service and financial priorities.	Review of risk and governance arrangements for targeted projects such as Leisure and culture transformation project	X
Intensive Families Intervention Programme (IFIP)	Important to financial wellbeing of Council to ensure that all potential income is maximised.	Review of controls in operation to ensure that IFIP grant requirements are achieved.	X
CYPD	Essential that necessary assurances are provided regarding progress against agreed improvements following recent external inspection.	Appraisal of aspects of service including Special Guardianship Orders	X
Ofsted – Data Quality	Effective management of the service requires decisions to be based on up to date and accurate information. Reputational risk if risks identified during the inspection are not addressed.	Review processing and quality assurance arrangements in the CYP department to ensure data accuracy in the Single Inspection Framework	X
TOTAL CHIEF EXECUTIVE			74

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
STRATEGY			
Organisational Change	Important to the achievement of the Council and partners' objectives that efficient and effective transformation in operation.	<p>Targeted assessment and evaluation of the effectiveness of the control environment in key areas to mitigate the risk of potential large scale workforce change.</p> <p>Testing and evaluation of achievement of key targets. Review of controls over the administration of these developing systems to ensure that stated aims and objectives are achieved.</p> <p>Ongoing input into the organisational transformation and reorganisation of the Council.</p>	X
Commercialism	Development of additional avenues of income to Council and partners present risks previously not considered.	Input to ongoing process providing risk advice and evaluation of progress being made towards development and implementation of commercial approach.	X
Regeneration Projects	Major regeneration schemes represent a substantial investment by the Council to encourage economic growth and improve resident's quality of life. Schemes have complex funding arrangements and frequently involve working with partners.	Examination of current strategies, partnerships and actions to deliver investment within the Borough.	X

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
Performance Management	Effective performance management arrangements remain key to ensuring Council activity is geared to achievement of Council objectives.	Annual review of the Council's arrangements for Performance Management, including targeted governance and reporting work.	X
Partnership Delivery	Achievement of Council objectives is increasingly linked to the effectiveness of partnership working.	Review of the delivery and governance of key service partnerships, including aspects of the Wirral Plan and the role of partners.	X
Organisational culture	Securing the right culture and embedding this throughout the organisation will be key to achieving service priorities in a time of considerable change.	Review of progress being made in respect of developing the corporate culture including the commercialism agenda.	X
Social Care Transformation	Key transformational change projects on the health integration agenda are essential to the delivery of service and financial priorities.	Review of DASS progress in transforming social care and moving towards integration including <ul style="list-style-type: none"> - the transfer to the Community Trust and; - the implementation of the Integrated Commissioning hub. 	X
TOTAL STRATEGY			108

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
DELIVERY			
Revenues (Council Tax, Business Rates)	Provision of assurance on the systems that provide material disclosures for the financial statements.	High level reviews evaluating and testing the effectiveness of the key controls within each financial system and focused on any emerging key risks areas.	X
Payroll	As Above	As Above	X
Accounts Payable	As Above	As Above	X
Accounts Receivable	As Above	As Above	X
Income Control	As Above	As Above	X
Benefits (Incl HB, CTSS, DHP, LWAS)	As Above	As Above	X
Customer Services / Transaction centre	Business support systems underpin the delivery of effective customer services.	Assurance on effectiveness of systems for business support within Customer Services.	X
Safeguarding	Essential that the Council complies with legal requirements to ensure the protection of vulnerable individuals.	Appraisal of effectiveness of current procedures.	X
Social Care Integration	Transfer of responsibility for service management and/or delivery of significant services to health bodies. Need for Council focus on strong contract management arrangements.	Appraisal of risks regarding contract management with new partnership working.	X

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
Income generation	Associated with commercialism agenda need to maximise income to the Council wherever practical	Review of fees and charges plus any specific initiatives to increase revenues.	X
Planning Approvals	Increasing applications for approval are expected with local considerations important and implications for protected areas properly considered.	Review of suitability of guidance, compliance with policies and effectiveness of controls.	X
Housing Services	Ensuring commitment to increasing and improving housing stock is achieved is essential to achievement of Council objectives.	Review of a number of housing services to ensure compliance with legislation and policies	X
Court of Protection	Protection of vulnerable adults' finances.	Assessment of policies and record keeping with testing of specific payments	X
Floral Pavilion	This major Council establishment promoting the Borough and generating significant income is required to operate efficiently and effectively.	Review and evaluation of a number of subsystems, eg stock control, casual staff, income aspects	X
Direct Payments - Adults	Increasing take-up of this important and financially significant service requires vfm assurances.	Examination of developing system and testing to evaluate value for money.	X

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
Schools	The Council has over 100 Schools that are responsible for their own budgets and managing their own finances. School audits are undertaken in accordance with a calculated risk assurance rating.	Individual School audits and ongoing support and guidance on effective control environments to be provided on a risk basis.	X
Follow-ups	A failure to address risks identified in previous reviews will have adverse impact on the effectiveness of the Council's governance and control framework.	Follow-up of recommendations made in previous audit reviews.	X
Wirral Evolution	Local Authority Trading Company providing day care services and opportunities, Council the sole shareholder enabling service provision.	Governance, performance and financial aspects of external company.	X
Edsential	Completion of SLA to provide Internal Audit Services to this external body delivering services to Schools on behalf of the Council.	Completion of SLA to provide Internal Audit Services to evaluate and test a range of services for effectiveness and good governance.	X
TOTAL DELIVERY			541

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
BUSINESS SERVICES			
Capital Financing	Provision of assurance on the systems that provide material disclosures for the financial statements.	High level reviews evaluating and testing the effectiveness of the key controls within the Capital Programme and Treasury Management operation focused on any emerging key risks areas.	X
General Ledger	Provision of assurance on the systems that provide material disclosures for the financial statements.	High level reviews evaluating and testing the effectiveness of the key controls within the accounting practices and budgetary control focused on any emerging key risks areas.	X
Financial Management	Provision of assurance to the s151 Officer on the financial resilience of Council.	Reviews evaluating and testing the effectiveness of the key controls within the financial systems that support the Council's business and focused on any emerging key risks areas.	X
AGS	Statutory requirement for the Council to produce an Annual Governance Statement.	Undertake work to support and assist in the preparation of the Annual Governance Statement.	X
Risk Management	A robust risk management framework is essential to ensure the range of risks to service delivery and achievement of Council priorities are effectively managed.	Annual review of the Council's arrangements for Risk Management including the extent to which corporate risk management policy is consistently applied.	X
Commissioning	Important that the organisation focusses properly on ensuring success in agreeing needs and associated outcomes to	To provide ongoing best practice support and guidance into any developments in this area. Providing assurance on corporate procurement	X

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
	provide financial efficiency benefits to the Council.	strategies and policies and their operation across the Council, covering works, services, and supplies.	
Constitution	Essential that the Council's rules and procedures are current, workable and understood by all stakeholders and workforce to demonstrate good governance.	Assurance that procedure rules are effective and are being complied with across the organisation. To provide assurance that corporate decision making processes and procedures in operation are efficient and effective, open and transparent and consistently applied.	X
Asset Management	Important to the financial wellbeing of the Council that it has systems in place to effectively manage its property and highway resources	Reviewing and testing systems against best practice to gain assurance that appropriate 'developed' arrangements are in place to ensure the usage of Council assets is monitored and optimised.	X
Grant Claims	Requirement to enable Council grant income to be received accurately and promptly.	Targeted grant certification work.	X
Financial savings delivery	Failure to deliver agreed financial savings affect the financial resilience of the Council.	Assurance of delivery of agreed savings options.	X
HR Policies and Procedures	Necessity to ensure effective workforce management.	Assurance that core HR policies and procedures are being complied with (includes Whistleblowing, Grievances, Gifts and Hospitality, and Absence Management).	X

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
Case Management	Requirement for effective, accurate and timely information regarding HR matters to assist at all levels of decision-making	Appraisal of integrity and completeness of monitoring and reporting processes.	X
Ethical framework	Robust ethical procedures will help ensure good governance and protect the Council's reputation.	Review of ethical framework arrangements	X
TOTAL BUSINESS SERVICES			298
PENSION FUND			
	The Council as administering authority of the Merseyside Pension Fund (MPF) is required to make arrangements for the proper administration of the financial affairs of the Fund and provide assurance they are managed to secure effective, economic and efficient use of resources and to safeguard its assets.	Reviews undertaken based on the current cyclical MPF internal audit plan arrangements updated to take into account the emerging key risks facing the Fund and delivered in accordance with the service level agreement. The following high risks areas will be included: <ul style="list-style-type: none"> • Investments • Benefits • Member Services 	X
TOTAL PENSION FUND			100

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
ICT			
IT Governance	The departure of the Head of Digital and other related IT staffing issues have increased risks in this area.	To provide assurance that risk management and governance arrangements in Digital are effective through evaluation and testing.	X
Information Assurance	Significant amount of sensitive personal information maintained by the Council, failure to manage this effectively could lead to reputational and financial damage to the Council.	To provide assurance that information is managed to ensure confidentiality, availability and integrity.	X
IT Security	Cyber-attacks against public bodies are becoming increasingly widespread, the consequences of which can be financial penalties, service disruption and reputational loss.	To provide assurance that Wirral Councils systems have adequate security measures in place to manage IT related attacks eg Cyber Security, Denial of Services (DoS) Ransomware etc.	X
IT Standards & Legislation	Failure to meet statutory deadlines could lead to high value fines, loss of trust and damage to the Councils reputation.	To ensure that IT relevant statutory requirements are met and managed accordingly such as General Data Protection Regs (GDPR), Payment Card Industry Data Security Standards (PCIDSS), Information Governance Standards (IGS) and Public Services Network (PSN).	X

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
IT Records Management	Failure to ensure that IT records are maintained effectively could lead to financial penalties and potentially damaging reputational risk to the Council.	IT records are managed in line with Policies and Procedures.	X
Business Continuity / Disaster Recovery Arrangements	Failure to resume key services in a timely manner puts the Council at risk of being unable to provide critical services to vulnerable people resulting in potential reputational and financial damage.	To provide assurance that Disaster Recovery arrangements are available and reliable	X
IT Programmes & Projects	Budget constraints and resource limitations could have a severe impact upon programme/project timescales leading to potential service delivery failures.	To provide assurance that IT Programmes and projects are managed in accordance with good practice guidelines	X
IT Equipment Acquisition & Disposal	Failure to comply with corporate policy and guidance could have serious reputational and financial consequences.	To provide assurance that IT acquisition and disposal is in line with current policy and procedure and income generation is considered.	
TOTAL ICT			269

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
COUNTER FRAUD			
Counter Fraud Strategies, Policies and Awareness Training	Fraud and corruption are ever present risks to all organisations. It is important therefore that the Council's arrangements to counter fraud reflect best practice.	Update of internal fraud policies and evaluation of awareness and compliance across the Council and continued delivery of awareness training for all employees.	X
National Fraud Initiative	NFI matches data across organisations and systems to help public bodies identify anomalies which may signify fraud. The Council is required by law to participate in NFI.	Coordination of the NFI 2016/17 exercise, including the investigation of matches and review of user outcomes. To identify possible cases of fraud from data provided through NFI and ensure that corrective action is taken in respect of any identified under/overpayment.	X
Fraud – Reactive	Fraud referrals deemed of sufficient significance to be referred to and accepted by the CIA are investigated by Internal Audit in line with the Counter-Fraud and Corruption Strategy.	Investigations of allegations/referrals to Internal Audit	X
Fraud – Proactive	Fraud and corruption are ever present risks to all organisations. It is important therefore that a programme of proactive anti-fraud work is undertaken to prevent and	Risk based proactive work to prevent and detect fraud.	X

Area of Audit Work	Risk Context	Overview of Assurance	2017/18 Audit Days
	detect fraud.		
TOTAL COUNTER FRAUD			263
ADVISORY			
Audit Queries		Time allocation for specific queries that arise from directorates that require audit services.	X
Corporate Working Groups		Time allocation to contribute to Audit Working Groups	X
National/Regional Working Groups		Time allocation to contribute to Audit Working Groups	X
TOTAL ADVISORY		Including Control Awareness training.	100
TOTAL CONTINGENCY		Time allocation to allow for new emerging risks and unplanned work for example large investigations.	110
TOTAL AUDIT DAYS			1863



**Audit and Risk Management Committee
Tuesday, 14 March 2017**

REPORT TITLE:	INTERNAL AUDIT CHARTER & STRATEGY
REPORT OF:	CHIEF INTERNAL AUDITOR

REPORT SUMMARY

Following some minor changes to the Public Sector Internal Audit Standards (PSIAS) during 2016 the Internal Audit Charter and Strategy have been reviewed and updated to ensure that the documents continue to comply with the revised standards.

The updated Internal Audit Charter and Strategy are attached at Appendix 1.

RECOMMENDATION

That Members endorse the revised Internal Audit Charter and Strategy.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 To provide the Members with assurance that the Internal Audit service is taking appropriate measures to comply with statutory requirements.
- 1.2 To ensure that the Internal Audit Charter and Strategy is up to date and complies with the PSIAS.
- 1.3 To ensure that the Internal Audit Charter and Strategy are available to all Members, Officers' and Partners by continuing to be included on the Council Intranet site.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND AND AUDIT OUTPUT

- 3.1 The PSIAS were adopted by Relevant Internal Audit Standard Setters (RIASS), which includes representatives from all Governments covering England, Scotland, Ireland and Wales; the Health Sector and the Chartered Institute of Public Finance and Accountancy (CIPFA), in respect of Local Government across the UK.
- 3.2 The standards are based on the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF), and are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
- 3.3 The standards reaffirm the importance of robust, independent and objective internal audit arrangements, to provide senior management with the key assurances they need to support them both in managing the organisation and in producing the Annual Governance Statement.
- 3.4 The Internal Audit Charter and Strategy establishes the purpose, authority and responsibilities for the Internal Audit Service for Wirral Council and establishes internal audits position within the Council, including:
 - Reporting lines and access to records,
 - Personnel and physical property relevant to the performance of audit work,
 - Arrangements for the appointment of the Chief Internal Auditor and internal audit staff,
 - The nature of professionalism, skills and experience required; and,
 - The scope of Internal Audit activities.
- 3.5 The Chief Internal Auditor periodically reviews the Charter and Strategy and presents it to the Audit and Risk Management Committee for approval.

3.6 The Internal Audit Charter and Strategy have been comprehensively reviewed and updated to ensure that they comply fully with the new PSIAS and a copy is attached at Appendix 1.

4.0 FINANCIAL

4.1 There are none arising from this report.

5.0 LEGAL IMPLICATIONS

5.1 The PSIAS set out the work of the internal auditor and the expectations placed upon them in auditing local government bodies.

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.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising from this report.

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

APPENDICES

Appendix 1: Internal Audit Charter
Internal Audit Strategy

REFERENCE MATERIAL

Public Sector Internal Audit Standards

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Report presented periodically to meetings of this Committee following legislative/best practice changes.

INTERNAL AUDIT CHARTER

MPN
February 2017

The purpose of this Internal Audit Charter is to define internal audit's purpose, authority and responsibility. It establishes internal audit's position within the Council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of internal audit activities.

This Charter also covers the arrangements for the appointment of the Chief Internal Auditor and internal audit staff, and identifies the nature of professionalism, skills and experience required.

Definition

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

The Public Sector Internal Audit Standards require that the internal audit charter defines the terms 'board' and 'senior management' in relation to the work of internal audit. For the purposes of internal audit work, the 'board' refers to the Council's Audit and Risk Management Committee which has delegated responsibility for overseeing the work of internal audit. Senior management is defined as the Chief Executive and members of the Council's Strategic Leadership Team.

Standards

The internal audit function is required to comply with Public Sector Internal Audit Standards (PSIAS). The Relevant Internal Audit Standard Setters, which includes the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) in respect of local government, have adopted the common set of PSIAS from 1 April 2013. The PSIAS encompass all of the mandatory elements of the Chartered Institute of Internal Auditors International Professional Practices Framework (IPPF). Compliance with the Standards is subject to an ongoing quality assurance and improvement programme (QAIP) developed and introduced by Internal Audit to ensure continuous compliance with the Standards.

Responsibilities and Objectives of Internal Audit

Internal audit is responsible for establishing procedures and applying the required resources to ensure that the service conforms with the Definition of Internal Auditing and the Standards. The members of the internal audit team must demonstrate conformance with the Code of Ethics and the Standards.

The Chief Internal Auditor must deliver an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is the 'assurance role' for internal audit.

Internal audit may also provide an independent and objective consultancy service, which is advisory in nature and generally performed at the specific request of the organisation. The aim of the consultancy service is to help line management improve the Council's risk management, governance and internal control. This is the 'Consultancy' role for internal audit and contributes towards the overall opinion.

Responsibilities of the Council

The Council is responsible for ensuring that internal audit is provided with all necessary assistance and support to ensure that it meets the required standards.

The Section 151 Officer will make appropriate arrangements for the provision of an internal audit service. This will include the formal adoption of this Charter by the Audit and Risk Management Committee and the adoption of corresponding elements in the Financial Procedure Rules.

The Council will ensure it has taken all necessary steps to provide internal audit with information on its objectives, risks, and controls to allow the proper execution of the audit strategy and adherence to internal audit standards. This will include notifying internal audit of any significant changes in key control systems which may affect the internal audit plan.

The Council, through the Chief Executive, Section 151 Officer, Monitoring Officer and other relevant managers, will respond promptly to audit plans, reports and recommendations.

Responsibility for monitoring and ensuring the implementation of agreed recommendations rests with the Council.

Independence of Internal Audit

The internal audit activity must be independent and internal auditors must be objective in performing their work. The Chief Internal Auditor must confirm, at least annually, the organisational independence of the internal audit activity. Internal audit shall have no operational responsibilities within the line management structure.

Chief Internal Auditor

The Chief Internal Auditor will be appointed by the Council as a body and will have sufficient skill, experience and competencies to work with the leadership team and the Audit and Risk Management Committee and influence the risk management, governance and internal control of the Council. The Chief Internal Auditor is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS. In addition to internal audit skills, the Chief Internal Auditor will specify any other professional skills that may be needed by the internal audit team. The Chief Internal Auditor will hold a full, professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to professional values and the Code of Ethics.

Relationships

The Chief Internal Auditor reports directly to the Section 151 Officer. The Chief Internal Auditor, or an appropriate representative of the internal audit team, shall attend meetings of the Audit and Risk Management Committee unless, exceptionally, the Committee decides that they should be excluded from either the whole meeting or for particular agenda items.

The Chief Internal Auditor shall have an independent right of access to the Chair of the Audit and Risk Management Committee. In exceptional circumstances, where normal reporting channels may be seen to impinge on the objectivity of the audit, the Chief Internal Auditor may report directly to the Chair of the Audit and Risk Management Committee.

Internal Audit and External Audit will agree a protocol for co-operation which will make optimum use of the available audit resources.

Scope of Internal Audit

The Chief Internal Auditor should develop and maintain a strategy for providing the Chief Executive and the Section 151 Officer economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the Council's risk management, governance and internal control arrangements. The internal audit plan will be risk based, prepared in consultation with Directorate Management Teams and presented to the Audit and Risk Management Committee for approval. The Chief Internal Auditor's opinions are a key element of the framework of assurance the Chief Executive and the Leader of the Council need to inform the completion of the Annual Governance Statement (AGS).

Opinion Work

The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach that is aligned with all of the strategies, objectives and risks to the Council.

Governance

Internal audit must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- promoting appropriate ethics and values within the organisation;
- ensuring effective organisational performance management and accountability;
- communicating risk and control information to appropriate areas of the organisation; and
- co-ordinating the activities of and communicating information among the Audit & Risk Management Committee, external and internal auditors and management.

Risk Management

Internal audit must evaluate the effectiveness and contribute to the improvement of risk management processes by assessing:

- organisational objectives support and align with the organisation's mission;
- significant risks are identified and assessed;
- appropriate risk responses are selected that align risks with the organisation's risk appetite; and
- relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

Internal Control

Internal audit must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

- achievement of the organisation's strategic objectives;
- reliability and integrity of financial and operational information;
- economical, effective and efficient use of resources;
- effectiveness and efficiency of operations and programmes;
- safeguarding of the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity corruption or bribery; and
- compliance with laws, regulations, policies, procedures and contracts.

Internal Audit utilise a dynamic risk based planning system designed to proactively identify audits to address any emerging and developing risks on an ongoing and 'future focussed' basis.

Internal audit will promote and contribute to continuous ongoing improvements in systems across the Council by identifying and recommending best practice actions following audit work completed.

Where key systems are being operated on behalf of the Council or where key partnerships are in place the Chief Internal Auditor must ensure arrangements are in place to form an opinion on their effectiveness.

Where the Council operates systems on behalf of other bodies, the Chief Internal Auditor must be consulted on the audit arrangements proposed or in place.

It is management's responsibility to ensure the provision for relevant audit rights of access in any contract or Service Level Agreement the Council enters into, either as provider or commissioner of the service.

Non - Opinion Work

Internal audit may provide, at the request of management, a consultancy service which evaluates the policies, procedures and operations put in place by management. A specific contingency should be made in the internal audit plan to allow for management requests and consultancy work. The Chief Internal Auditor must consider the effect on the opinion work before accepting consultancy work or management requests over and above the contingency allowed for in the internal audit plan. In the event that the proposed work may jeopardise the delivery of the internal audit opinion, the Chief Internal Auditor must advise the Section 151 Officer before commencing the work. The Chief Internal Auditor must consider how the consultancy work contributes towards the overall opinion.

Fraud

Managing the risk of fraud is the responsibility of line management; however the Section 151 Officer retains specific responsibilities in relation to the detection and investigation of fraud. The Internal Audit Service provides a counter fraud function that includes undertaking work of a proactive nature, conducting substantive audits in key risk areas as well undertaking some reactive work of an investigatory nature involving suspected fraud. In addition, the service is responsible for maintaining effective counter fraud policies and procedures for the Council including the Counter Fraud and Corruption, Money Laundering and Bribery and Corruption policies. Internal audit should be notified of all suspected or detected fraud, corruption or impropriety, to inform their opinion on the control environment and their audit plan.

Reporting

The Chief Internal Auditor will agree reporting arrangements with the Chief Executive and the Section 151 Officer which will include procedures for the:

- distribution and timing of draft audit reports;
- Council's responsibilities in respect of responding to draft audit reports;
- distribution of finalised audit reports;
- follow up by internal audit of agreed recommendations; and
- escalation of recommendations where management responses are judged inadequate in relation to the identified risks.

The Chief Internal Auditor will present a formal report annually to the Chief Executive, Section 151 Officer and the Audit and Risk Management Committee giving an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management, and internal control. This report will conform to the PSIAS for the Head of Internal Audit Opinion statement, and will be timed to support the production of the Council's Annual Governance Statement. Reports of progress against the planned work will be presented to the Audit and Risk Management Committee on a regular basis during the year.

Internal Audit Access Rights

Designated auditors are entitled, without necessarily giving prior notice, to require and receive from the Council and any associated or contracted bodies including any shared service providers or trading companies:

- access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- access at all reasonable times to any land, premises, officer and member of the Council;
- the production of any cash, stores or other property of the Council under an officer's and member's control; and
- explanations concerning any matter under investigation.

Internal Audit Resources

If the Chief Internal Auditor or the Audit and Risk Management Committee consider that the level of audit resources or the terms of reference in any way limit the scope of internal audit, or prejudice the ability of internal audit to deliver a service consistent with the Definition of Internal Auditing and the Standards, they should advise the Chief Executive and the Section 151 Officer accordingly.

INTERNAL AUDIT STRATEGY

MPN
February 2017

The Public Sector Internal Auditing Standards requires the Head of Internal Audit to produce a high level audit strategy showing how the Internal Audit service will be delivered and developed.

The principal aims of this strategy are to communicate the contribution that Internal Audit makes to the Council including:

- Internal Audit objectives and outcomes
- How the Head of Internal Audit will form and evidence his/her opinion on the control environment.
- How Internal Audit's work will identify and address local and national issues of risk.
- How the service will be provided
- The resources and skills required to deliver the Internal Audit Service.

Internal Audit Objectives and Outcomes

The purpose of Internal Audit is to provide the Council, through the Audit and Risk Management Committee, and the Section 151 Officer with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the organisation's agreed objectives. This opinion forms part of the framework of assurances that the Council receives and informs the Annual Governance Statement.

Internal Audit, through a process of evaluation and testing is able to help ensure the proper, economic, efficient and effective use of resources.

Internal Audit acts as an independent consultancy which can help line managers improve risk management, governance and control within the areas they have responsibility for.

Internal Audit does not relieve management of their responsibility for establishing and maintaining adequate controls but assists in the effective discharge of this responsibility.

Head of Internal Audit Annual Opinion

The Head of Internal Audit (Chief Internal Auditor) provides an annual written audit report to those responsible for corporate governance to support the Annual Governance Statement. This report is based on an assessment of the results of audit work undertaken throughout the year. Whilst providing this opinion of the control environment the Chief Internal Auditor will reflect on the variance between work undertaken and that planned, and will consider the performance of the Internal Audit Section against its indicators and targets and also the results of the annual quality assessment of the service.

Internal Audit Risk Identification

An Audit Plan is produced each year before the start of the financial year, this is authorised by the Strategic Leadership Team, the Section 151 Officer and the Audit and Risk Management Committee. The Audit Plan identifies all of the key issues and risks known to the organisation at the time of writing and yet also has built in flexibility which allows Senior Management to direct Internal Audit resources to newly forming areas of local and national risk. Local and National areas of risk are identified throughout the financial year via Cabinet and Committee reports, discussions with the Chief Executive, Chief Officers, the Section 151 Officer and the External Auditors, at Area Forums, professional seminars and conferences and through reviewing relevant professional publications.

Internal Audit Service Provision

Internal Audit operates in accordance with the Public Sector Internal Auditing Standards which define the way in which internal audit services should be delivered across the sector.

Internal Audit is able to provide its service due to its unique position within the Authority, which allows for comprehensive coverage of the Authority's activities and unrestricted access to all records and assets deemed necessary in the course of their assurance and consultancy work, including unrestricted access to:-

- The Chief Executive
- Members
- Individual Chief Officers
- All authority employees

Internal Audit develops an Audit Plan which sets out the work that will be completed by the service; the plan is risk based and takes into account the following factors:

- Materiality, that is the level of significance attributed to the system including factors such as the number and value of transactions, the need to demonstrate high standards of probity and reputational risk;
- Business Risk, this is the impact on objectives the system has the potential to create;
- Audit Experience, this includes previous Internal Audit, External Audit and Inspection reports, and the date of the previous audit coverage;
- The potential for the system to be subject to fraud or corruption.

The plan is determined from the priorities identified by the risk assessment and the productive audit days available and aligns with all of the strategies, objectives and risks of the Council. It is designed in an insightful fashion so as to allow it to remain flexible and dynamic, accommodating work required to be undertaken on an ongoing proactive basis to address any developing or emerging risks as they materialise during the life cycle of the plan, and consequently ensuring that it always remains 'future focussed'.

By its very nature Internal Audit work completed will ensure that continuous ongoing improvements in risk management and the overall control and governance environment are undertaken by senior management across a wide range of systems and service delivery areas in operation within the Council.

The Chief Internal Auditor monitors the actual work against the plan on a monthly basis and takes appropriate action to address any issues arising, including informing Chief Officers and Members of any changes on a timely and regular basis. Consequently, the plan is designed to be very flexible and dynamic allowing it to continually adapt to any changing circumstances and priorities during the year.

All audit assignments will be the subject of formal reports. The reports will identify any risks associated with the internal control environment and recommend actions to address any weaknesses. Reports will contain recommendations that are considered to be high, medium or low priority for attention. Following a meeting to discuss the report and its recommendations an action plan will be prepared and included in the final report. This will be issued to the line manager and where necessary the senior management team member(s) responsible. Each audit assignment is subject to a quality check by a Programme Auditor/Audit Manager to ensure that the objectives have been achieved and that recommendations made are consistent with the findings and

evidence recorded. In addition the Chief Internal Auditor undertakes further quality checks for a number of completed audits during the year.

The Chief Internal Auditor will submit regular reports to the Audit and Risk Management Committee identifying progress against the plan, any significant control issues found and the potential for improving the risk management and control processes and will also inform the committee of any changes made to the annual plan.

It is important that good working relationships are developed and maintained with those staff subject to audit, in order to help foster this type of relationship the audit report will acknowledge areas of good practice. The Team's commitment to the process of developing good working relationships is further demonstrated by its attempts to be constructive and helpful and to provide protection and security for the Authority and individual members of staff, particularly those who have financial responsibilities through the audit process. To aid the development of the service and to help make it more customer focused feedback questionnaires are distributed with each audit report asking managers to assess the overall usefulness of the audit, the auditor's conduct and the quality of the report.

Each audit assignment is subject to Post Audit Assessment/Review to ensure that the objectives have been achieved and that recommendations made are consistent with the findings and evidence recorded. The findings from these reviews are used to inform future audit assignments and individual Auditor Development Programmes.

Resources and Skills Required to Deliver the Service

The main resource required to deliver the service is its staff, these are recruited based on the skills and experience needed to provide a high quality service.

All staff within the section are professionally qualified and provided with the opportunity for continuing professional development. Training needs of all staff are identified through the Post Audit Assessment Process and annual Performance Appraisal system which is linked to core competencies for internal audit professionals.

In this way, we ensure that staff members are suitably skilled to deliver the specialist services provided by Internal Audit.



**Audit and Risk Management Committee
Tuesday, 14 March 2017**

REPORT TITLE:	ANNUAL GOVERNANCE STATEMENT 2016/17
REPORT OF:	ASSISTANT DIRECTOR OF FINANCE (S151)

REPORT SUMMARY

This report explains the planned approach for the production of the Council's Annual Governance Statement (AGS) 2016/17. It provides an outline of the work required to prepare the Statement, and sets out indicative timescales.

RECOMMENDATIONS

It is recommended that this Committee endorses and supports the approach outlined in this report with regards to producing the Annual Governance Statement 2016/17.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 The support and endorsement of this Committee is vital in ensuring that the AGS 2016/17 is a robust, accurate document, produced in a timely manner.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND AND KEY ISSUES

- 3.1 The preparation and publication of an AGS is necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2011, Regulation 4(3).
- 3.2 It is essential for the Authority to have approved and adopted its own Code Of Corporate Governance that complies with the principles of the CIPFA/SOLACE guidance *Delivering Good Governance in Local Government* (2012 and 2016); and to report in the AGS the extent to which the governance processes outlined in the Code are operating effectively in practice.
- 3.3 The Framework identifies seven core principles of good governance:
1. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
 2. Ensuring openness and comprehensive stakeholder engagement.
 3. Defining outcomes in terms of sustainable economic, social and environmental benefits.
 4. Determining the interventions necessary to optimize the achievement of the intended outcomes.
 5. Developing the entity's capacity including the capability of it's leadership and the individuals within it.
 6. Managing risk and performance through robust internal control and strong public financial management.
 7. Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 3.4 As a public statement of the Council's governance arrangements, it is vital that the AGS is a robust and accurate reflection of the Council's approach to governance during 2016/17. Therefore, it is important that the members of this Committee, Council's Cabinet and Strategic Leadership Team (SLT) provide the support and engagement required to produce such a document.

4.0 PRODUCTION OF ANNUAL GOVERNANCE STATEMENT 2016/17

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

The preparation of the statement will therefore be led by the Law and Governance Team and will be approved by the Leader and Chief Executive.

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

- A review of the adequacy and effectiveness of the key corporate governance controls (as prescribed by CIPFA/SOLACE), focusing on such areas as Performance, Risk Management, Legal and Human Resources/Organisational Development.
- Obtaining evidence of the implementation of the “Significant Governance Issues” included within the Annual Governance Statement 2015/16.
- Collation and review of Governance Assurance Statements.

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

4.4 The AGS will be reported to this Committee in June 2017. Members of this Committee will have the opportunity to debate the Statement and contribute to the final version at that time.

5.0 FINANCIAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 LEGAL IMPLICATIONS

6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS

7.1 There are none arising from this report.

8.0 RELEVANT RISKS

8.1 Failure to produce an accurate and robust AGS in a timely manner would breach the Accounts and Audit Regulations, attract external criticism and

potentially hinder the Council's continued development of robust governance arrangements.

9.0 ENGAGEMENT/CONSULTATION

9.1 The preparation of the Annual Governance Statement is led by the Council's SLT and is based on evidence provided by Internal Audit. The AGS will be considered by the Portfolio Holder responsible for Governance, external audit and Audit and Risk Management Committee in June 2017. The AGS will be signed off by the Leader and Chief Executive.

10.0 EQUALITY IMPLICATIONS

10.1 There are none arising from this report.

REPORT AUTHOR: Mark Niblock
Chief Internal Auditor
Telephone: (0151) 666 3432
Email: markniblock@wirral.gov.uk

REFERENCE MATERIAL

"Delivering Good Governance in Local Government" CIPFA, 2012 and 2016.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Annual report



**Audit and Risk Management Committee
Tuesday, 14 March 2017**

REPORT TITLE:	AGS SIGIFICANT GOVERNANCE ISSUES UPDATE
REPORT OF:	ASSISTANT DIRECTOR OF FINANCE

REPORT SUMMARY

This report provides Members with a progress update on actions taken by officers to address items of concern identified in the Annual Governance Statement for 2015/16.

RECOMMENDATION

Members should note the report and if appropriate escalate any matters deemed relevant to Cabinet.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 The Annual Governance Statement for 2015/16 was presented to this Committee in September 2016. Following discussion by Members it was agreed that a standard agenda item be included for future meetings to allow for regular updates on matters of concern identified in the AGS to be presented.
- 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

- 3.1 At the meeting of this Committee in September 2016 the Annual Governance Statement for 2015/16 was presented. Following discussion by Members it was agreed that a standard Agenda item be added to future meetings of this Committee to provide a regular update on progress being made by officers to address key governance issues faced by the Council and to allow Members to escalate areas of concern to the Cabinet where required.
- 3.2 The body responsible for overseeing work in this area is the Council's Corporate Governance Group. This group agreed the formulation of a detailed plan of action that included the designation of responsible officers and timescales for action to address outstanding governance issues. This action plan is attached at Appendix 1.
- 3.3 The governance issues identified in the action plan comprise:
 - The one significant issue identified in the Annual Governance Statement (AGS) for 2015/16,
 - Follow up of the Ofsted improvement Plan,
 - Other Governance Issues including those reported in the AGS and any additional emerging issues.

PROGRESS

- 3.4 Progress is currently being made to address all issues identified in the action plan with clear targets, timescales and responsible officers having been identified and tasks allocated and work underway. Regular updates on actions being taken to address identified issues are scheduled to be reported to the Corporate Governance Group on bi-monthly basis by responsible officers and

an escalation process has been implemented for reporting issues arising including failure to achieve targets to the Strategic Leadership Team for appropriate action.

- 3.5 All actions identified are currently BRAG rated as 'Amber' or 'Green' indicating that work is in progress to achieve 'systems' and 'outcome' targets within agreed timescales.

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 preparing the AGS.

9.0 EQUALITY IMPLICATIONS

- 9.1 There are none arising from this report.

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

APPENDICES

Governance Issues Action Plan 2015/16

REFERENCE MATERIAL

CIPFA/SOLACE Delivering Good Governance in Local Government

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	March/June/Sept/Nov 2016 and Jan 2017

2015/16 GOVERNANCE ISSUES ACTION PLAN

Significant Governance Issues

Appendix 1

Governance Issue	Outcome required Target Date Actions to achieve outcome How this will be monitored	Responsible officer	Progress Update	BRAG Rating - 'Outcome'	BRAG Rating - 'Arrangements'
<p>2015/16 AGS 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 essential training.</p>	<p>Performance Appraisals</p> <p><u>Outcome required</u> Compliance with Council processes and procedures. Target 100% PA by 31 March 2017 including CYP</p> <p><u>16/17 Actions Planned</u> Ongoing awareness-raising communications Ongoing monthly monitoring reports to SLT and regular reports available for SMs</p> <p><u>Performance measures to monitor compliance</u> % of performance appraisals completed and registered in reporting year – managers / employees. Additional analysis of problem areas as needed.</p>	<p>SLT</p> <p>Head of Human Resources and Organisational Development</p>	<p><u>Latest Performance measures – 31/1/17</u></p> <p><u>Managers</u> Business Services – 97.8% Children’s Services – 87.3% Delivery Services - 99.0% Strategic Hub – 100% Transformation – 75% (3/4) Total – 96.7%</p> <p><u>All Staff</u> Business Services – 95.3% Children’s Services – 68.7% Delivery Services – 95.4% Strategic Hub – 94.3% Transformation – 81.35% (13/16) Total – 90.9%</p> <p>Awareness-raising ongoing. Monthly monitoring by SLT currently taking place.</p>	Amber	Green
	<p>Absence Management</p> <p><u>Outcome required</u> Compliance with Council processes and procedures.</p>	<p>SLT</p>	<p>Working days lost per FTE 1/4/16- 31/12/16 (as at 22/2/17) (compared to same period last year) Business services - 5.21 (5.4) Children’s services - 8.11 (10.1) Delivery services - 9.22 (9.44)</p>	Amber	Green

Governance Issue	Outcome required Target Date Actions to achieve outcome How this will be monitored	Responsible officer	Progress Update	BRAG Rating - 'Outcome'	BRAG Rating - 'Arrangements'
	<p><u>16/17 Actions Planned</u> Ongoing support for DMTs – including training, serious case reviews Development of Health and Well-being strategy</p> <p><u>Performance measures to monitor compliance:</u> Number of working days / shifts lost due to sickness absence compared to profiled target, and comparative figures for similar authorities.</p>	HoHR/OD	<p>Strategic - 5.47 (6.57) Transformation - 13.03 (2.29) Total 8.15 (8.82) Target for 9 months 16/17 = 8.04</p> <p>Forecast full year 10.96, compared to full year 15/16 of 11.85 and target for 16/17 of 10.75. (Operational Health report)</p>		
	<p>Contract Procedure Rules</p> <p><u>Outcome required</u> Compliance with Council processes and procedures</p> <p><u>16/17 Actions planned</u> New e/learning module 'Understanding Procurement Process' mandatory for all managers complete by 31/3/17 Revised structure to be in place by 31 March 17</p> <p><u>Performance measures to monitor compliance:</u> % of managers completed mandatory training (Target 100% by 31/3/17)</p>	SLT Head of Procurement	Completion of mandatory training – see section below.	Amber	Green

Governance Issue	Outcome required Target Date Actions to achieve outcome How this will be monitored	Responsible officer	Progress Update	BRAG Rating - 'Outcome'	BRAG Rating - 'Arrangements'
	<p>Consent given by Procurement to waiver the application of Contract Procedure Rules in respect of contracts with value in excess £50k (PRAD 1 – CPR Exception)</p> <ul style="list-style-type: none"> - total applications received by Procurement - % approved by Procurement <p>Approval by Assistant Director of Finance (ADF) to Contract extension (PRAD 2)</p> <ul style="list-style-type: none"> - total applications received by ADF - % approved by ADF <p>Approval by ADF to Contract Variation / overspend (PRAD 3)</p> <ul style="list-style-type: none"> - total applications received by ADF - % approved by ADF <p>Notice to proceed with Contract award – total value in excess £500k (PRAD 4)</p> <ul style="list-style-type: none"> - total submitted by Commissioning officer - total approved by appropriate Director (as per Procurement system) 		<p>As at 17/2/17</p> <p>PRAD 1 - Received 86. Approved 62%</p> <p>PRAD 2 - Received 23. Approved 100%</p> <p>PRAD 3 - Received 8. Approved 100%</p> <p>PRAD 4 - Received 12. Notification sent to Procurement – no Procurement approval required.</p>		
	<p>Essential Training</p> <p>Outcome required</p>	HoHR/OD	<p><u>Latest Performance - as at 1/2/17</u> <u>Managers</u> Responsibility for Information – 96%</p>	Amber	Green

Governance Issue	Outcome required Target Date Actions to achieve outcome How this will be monitored	Responsible officer	Progress Update	BRAG Rating - 'Outcome'	BRAG Rating - 'Arrangements'
	<p>Compliance with Council processes and procedures. Target 100% of managers completed mandatory training by 31/3/17</p> <p><u>16/17 Actions Planned</u> Ongoing awareness-raising communications Ongoing monthly monitoring reports to SLT</p> <p><u>Performance measures to monitor compliance</u> % of management and employees completing 2016/17 corporate mandatory training by 31 March 2017</p>		<p>Risk Management – 34% Attendance Management – 20% Managing Reasonable Adjustments 15% Understanding Procurement Processes 15% Managing Performance & Capability – available from 1/17</p> <p><u>Employees - as at 1/2/17</u> Responsibility for Information – 80% Risk Management – 24% Equality & Diversity – 27%</p> <p>Actions:- Mandatory modules outlined in Performance Appraisal and Intranet Training page. Email reminder to managers 8/11/16, for cascading to employees. Reminders in monthly Managers Brief since May 16 Regular news story on Intranet. SLT monthly monitoring. Change of approach to be recommended for 17/18 with mandatory training targets per module per month which experience (see responsibility for information) achieves results.</p>		
Improvement Notice issued by the Secretary of State for Education (30 th September 2016) to address areas for improvement identified in the report of the inspection of services for children in need of help and protection,	<p><u>Outcome required</u> To address all the areas for improvement identified in the report of the inspection of services for children in need of help and protection, children looked after and care leavers and the review of the effectiveness of the local safeguarding children board published by Ofsted on 20</p>	Director of Children's Services	<p>The first Ofsted Monitoring Visit took place on the 25th & 26th January 2017. The focus of this monitoring visit was the 'Front Door' including arrangements for Contacts, Referrals and Assessments in addition to reviewing action taken to address workforce, capacity and performance issues identified in the July 2016 Inspection.</p> <p>The outcome letter provided to the authority,</p>	Amber	Amber

Governance Issue	Outcome required Target Date Actions to achieve outcome How this will be monitored	Responsible officer	Progress Update	BRAG Rating - 'Outcome'	BRAG Rating - 'Arrangements'
<p>children looked after and care leavers and the review of the effectiveness of the local safeguarding children board published by Ofsted on 20 September 2016</p>	<p>September 2016 <u>Actions to achieve outcomes</u> Create an Improvement Board with Independent Chair to oversee:</p> <ul style="list-style-type: none"> • The development of an Improvement Plan to deliver appropriate and sustainable improvement • The implementation of the improvement plan with monthly progress reports • Data, analysis and recommendations supported by evidence of impact of improvements on the quality of practice and experience of children and families <p><u>How will this be monitored</u> Advisers from the Department for Education will undertake reviews of progress against the improvement agenda at least every six months.</p> <p>Ofsted will undertake quarterly monitoring visits to review progress against the recommendations</p>		<p>but which will not be published by Ofsted confirms progress in these areas which includes:-</p> <ul style="list-style-type: none"> • There is a clear and coherent process for contacts and referrals which has been developed in partnership with all key stakeholders. This has led to improvements at the 'front door'. • Decision making in the MASH on contacts is timely, with none seen that were awaiting a decision for longer than one day. Decisions taken in relation to thresholds for intervention were more robust than at the time of the inspection. • Inspectors did not find any missed opportunities to intervene in the lives of vulnerable children in the cases that they considered. • Clear and largely successful efforts are made to ensure that strategy discussions between partners are timely, and police partners now contribute effectively to discussions. • Increased resources have enabled senior leaders to introduce clearer arrangements for setting and maintaining high standards of social work practice. • Improvements in the use of performance information. • Most cases of children at risk of harm are dealt with promptly and effectively. This is an improvement since the last inspection. 		

Governance Issue	Outcome required Target Date Actions to achieve outcome How this will be monitored	Responsible officer	Progress Update	BRAG Rating - 'Outcome'	BRAG Rating - 'Arrangements'
			<p>Ofsted also confirmed areas for further development which form a part of the Improvement Plan which include:</p> <ul style="list-style-type: none"> • The quality of assessments • Management oversight <p>Significant actions completed since January 2017:-</p> <ul style="list-style-type: none"> • Recruitment completed for the post of Deputy Director, the successful candidate commences in post on 1st May • Recruitment to Senior Management posts underway with appointments made to 3 posts. • Managers Practice Standards issued. • Right Service, Right Time Conferences delivered during January and February, with more planned, focusing on Thresholds, assessment tools and revised arrangements at the MASH. • Strengthening Families, Enhancing Futures identified as a model to support practice delivery 		

Other Governance Issues

Governance Issue	Outcome required Actions to achieve outcome How this will be monitored	Responsible officer Expected Delivery Date	Progress Update	BRAG Rating 'Outcome'	BRAG Rating 'Arrangements'
<p>ICT Business Continuity and Resilience Plans</p> <p>The Council has identified weaknesses in its business continuity arrangements, which may be susceptible due to the Council not having in place robust ICT business continuity plans. The Council must ensure that these plans are in place for its identified critical services to ensure these services can function effectively in the event of an incident.</p>	<p><u>Outcome required</u> Robust ICT business continuity plans in place for all business critical systems.</p> <p><u>16/17 Actions Planned</u> See progress update.</p> <p><u>Performance measures to monitor compliance</u> % of desk top review of business plans completed by business continuity and IT leads.</p>	<p>Chief Information Officer / Head of Corporate and Community Safety (HCCS)</p>	<p>HCCS has received business plans for all 30 identified critical services. Plan owners are responsible for contacting Business Continuity and Environment Officer (BCEO) to arrange for desk-top review by BCEO and IT lead.</p> <p>Update 20/2/17. 2 IT officers now identified to support reviews. 8 desk top reviews completed – 5 by BCEO and 3 by BCEO & IT. Dates arranged for 2 further reviews. Desk top reviews yet to be scheduled for 20 critical services. (CIO looking to bring in additional consultancy support to train managers in Business Impact Assessments. It is the opinion of the HCCS that council has already completed business impact analyses for all systems and that there is no requirement for external assistance to train managers).</p> <p>Key outstanding actions –</p> <ul style="list-style-type: none"> - Business plan owners for outstanding 20 critical services to agree dates with BCEO / IT for desk-top reviews. 	Amber	Amber
<p>ICT Business Continuity and Resilience Plans -</p>	<p><u>Outcome required</u> Robust plans in place for ICT Resilience, including data centres.</p>	<p>Chief Information Officer</p>	<p>The findings of the scrutiny review panel set up to review the Council's IT disaster recovery arrangements were reported to</p>	Amber	Amber

<p>continued</p> <p>The Council has identified the need to strengthen its ICT resilience and respond to risks related to the current location of its data centres</p>	<p><u>16/17 Actions Planned</u> See progress update</p> <p><u>Performance measures to monitor compliance</u> Success will be monitored and measured against the project plans to be developed by the partners who win the contract to deliver the work. Reported to Cabinet that expected alternative data centre location will be set up by April 2017.</p>		<p>Cabinet on 7/11/16. The report noted that at present Wirral does not have a current fit for purpose IT disaster recovery plan. A 'number of projects in progress are expected to greatly increase the IT resilience of the Council and mitigate risks associated with a catastrophic failure'. Cabinet approved the recommendations, including IT Services to develop and document a comprehensive IT Disaster Recovery Plan. CIO to report on progress to future Cabinet. Planned implementation of the recommendations by Sept 2017.</p> <p>Contract has been signed with Merseytravel to house one of the Council's two data centres (primary and back-up) currently located in Treasury Building. ITS Currently developing the specification for the refurbishment and improvement of the TB data hall and procuring specialist datacentre building company. Next steps include developing specification for the move and re-commissioning of the data centre equipment and procuring specialists to project manage.</p> <p>The fibre-optic work to connect the Council's network and the Merseytravel data centre has been completed. The Digital team has received all the supporting design documents needed to allow it to develop the procurement specification needed to identify a partner to manage the movement of equipment from the Treasury Building to the Merseytravel data centre, including the reinstallation and commissioning of the</p>		
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			equipment at its destination.		
2016/17 Inspections Information Commissioner's Office	<p><u>Outcome required</u> Improved assurance over information governance areas reviewed by ICO</p> <p><u>16/17 Actions planned</u> Action Plan in place to implement agreed recommendations</p> <p><u>Performance measures to monitor compliance</u> All agreed high and medium priority recommendations implemented within agreed timescale</p>	Senior Information Risk Owner	<p>ICO audit reviewed 2 areas - Subject Access requests and Records Management. Both assessed as limited assurance. Draft Action Plan included recommendations for Records Management and for subject access request. Target date for implementation of actions primarily 31 March or 30 April 2017 and work currently underway. Recommendations to be presented in excel (for ease of viewing/reporting), RAG rated and prioritised. Discussed as single agenda item at the IGD Group on 6/12/16. Council to report progress, including evidence, to ICO in May 2017. SIRO confirmed progress is on track (20/2/17).</p>	Amber	Amber

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**Audit and Risk Management Committee
Tuesday, 14 March 2017**

REPORT TITLE:	Management of Insurance and Corporate Risk
REPORT OF:	Assistant Director: Finance

REPORT SUMMARY

This report sets out the key actions to be taken in relation to corporate risk and insurance management during 2017/18 and highlights any key decisions which will need to be made. Recent progress made in relation to key actions planned for the current year is also included.

RECOMMENDATION/S

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 programme.

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 The table below summarises key actions planned between now and the end of 2017/18. It highlights those areas in which Members will have an involvement and what form that will take. Future reports will focus on these issues.

Category	Action	Date	Member Involvement	Comments
Risk financing	Annual renewal of Engineering, Motor and Foster Care policies	Apr 2017	No	Outcome will be reported to Members
Risk financing	Annual renewal of Property, Museums All Risks, Crime and Personal Accident / Business Travel policies	Jun 2017	No	Outcome will be reported to Members
Risk financing	Insurance Fund Annual Report	Jun 2017	Yes	Members to Consider recommendations on provisions and reserves.

Category	Action	Date	Member Involvement	Comments
Risk financing	Insurance Fund Budget 2017/18	Jan 2018	Yes	Members to agree Insurance Fund Budget and apportionment between schools and the General Fund
Risk financing	Procurement of Property, Terrorism and Museums All Risks insurance	Jun 2018	No	My decision on the contract award will be shared with Members
Risk management	Revised Corporate Risk Management Policy	Jun 2016	Yes	Policy will be provided for consideration of Members

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

3.3.1 **Alignment of Risk Management and Performance Management**

The Risk and Insurance Manager has facilitated risk workshops for the functions in the New Operating Model. These are informing the development of risk registers in respect of service plans for 2017/18. Further work has also been undertaken in relation to the development of risk registers for programmes within the revised Transformation Programme.

3.3.2 **Corporate Risk Register**

The Strategic Leadership Team will shortly undertake the quarter 3 review of the Corporate Risk Register. The results will be reported to the next meeting of this committee.

3.3.3 **Traded Service for Schools and Academies**

The traded service for risk and Insurance remains popular with schools and existing school clients will be continuing with the service for 2017/18. Five primary schools which are converting to Academy status on 1 April have agreed to take up the service offer for Academies.

3.3.4 Policy Renewals – April 2017

As reported previously I have exercised options within the contracts for Motor insurance and Engineering inspection and insurance to extend them for a further two years from 1 April 2017. Information required for the annual renewal has been collated and insurers required renewal premiums will be received shortly. Costs are expected to be within budget.

3.3.5 Tender for Casualty and Computer Insurance

Four submissions were received in respect of the Casualty contract. Prospective insurers had been asked to provide prices based on alternative limits of indemnity of £35m and £50m and alternative deductibles of £250,000 and £350,000. Their responses were evaluated on a 'Most Economically Advantageous Tender' model in which quality and price both had a weighting of 50%. Quality was considered in relation to policy cover claims service and added value.

Two submissions were received in respect of the Computer contract. Prospective insurers had been asked to provide prices based on alternative deductibles of £1,000 and £10,000 per incident. The deductible on the current contract is £150 per incident. The responses were evaluated on a 'Most Economically Advantageous Tender' model in which price carried a weighting of 60% and quality carried a weighting of 40%.

The evaluation is complete and letters notifying the Council's intention to award the contracts have been issued. Once the standstill period has ended the awards will be formalised and contract mobilisation will be put into effect. Full details will be provided in my next report to this committee.

3.3.6 Claims Handling Changes

New Liability claims continue to be reported at a historically low level. This should have a beneficial impact on the cost of external claims handling under the new Casualty insurance contract referred to in paragraph 3.3.5. The current vacancy within the Risk and Insurance team is having a particular impact in this area of work. However the knowledge and experience of other officers and support provided by suppliers is helping to limit that impact.

3.3.7 Staffing Changes

The process to recruit a replacement for the post formerly held by Simon Hutchinson has begun.

4.0 FINANCIAL IMPLICATIONS

There are none arising directly from this report.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising directly from this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 As indicated above there is currently a vacancy within 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. However 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.
- 7.3 The vacant senior post within the Risk and Insurance team creates a capacity and skills gap within the service. Although suppliers are providing support wherever possible this will present a risk to the delivery of corporate insurance and risk management activity until the position is filled.
- 7.4 As indicated in paragraph 3.3.5 the contract for Casualty insurance is to be awarded to a new supplier. The mobilisation of the contract will place further demands on the reduced capacity of the Risk and Insurance team.

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.

REPORT AUTHOR: *Mike Lane*
Manager: Risk and Insurance
telephone: (0151) 666 3413
email: mikelane@wirral.gov.uk

APPENDICES

None

REFERENCE MATERIAL

Correspondence with insurers, brokers and legal services providers

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	30 January 2017
Corporate Risk & Insurance Management	22 November 2016
Corporate Risk & Insurance Management	26 September 2016
Corporate Risk & Insurance Management	13 June 2016
Corporate Risk & Insurance Management	15 March 2016



Grant Thornton

Mr Tom Sault
Assistant Director of Finance
Wirral Metropolitan Borough Council
2nd Floor
Old Market House
Hamilton Street
Birkenhead
Wirral
CH41 5AL

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS
T +44 (0151) 224 7200

22 February 2017

Dear Tom

Certification work for Wirral Metropolitan Borough Council for year ended 31 March 2016

We are required to certify certain claims and returns submitted by Wirral Metropolitan Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim under PSAA arrangements for the financial year 2015/16 relating to expenditure of £137.1 million. The claim is both significant in value and technically complex and we again wish to acknowledge the excellent support that the Council's Benefits Team provided throughout our audit, in both the completion of the initial and additional 40+ testing workbooks. We note that the extent of the issues we identified from our certification work compares favourably with other similar sized authorities. Further details of the claim and our findings are set out in Appendix A.

As in previous years, the 2015/16 claim was subject to qualification as our review identified errors that had arisen during the year, and resulted in a minor amendment to the claim. We identified further errors affecting two areas, however, these errors did not impact on the amount of subsidy claimed. We reported our findings to the Department of Work and Pensions (DWP) as 'Observations' in the qualification letter, in line with the requirements of HB COUNT methodology. DWP may require the Council to undertake further work in the future or provide assurances on the errors we have identified.

The fee for 2015/16 for the Council is based on the final 2012/13 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit Subsidy Claim in that year. The scale fee set by PSAA for the Council for 2015/16 was £24,920 and that is the amount we have billed the Council.

Yours sincerely

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2015/16

Claim or return	Value (£)	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim (BEN01)	137,101,012	Yes	1,413	Yes	Amendments to the claim agreed to correct errors within rent rebates cases. These amendments increased the subsidy payable to the Council by DWP.

Key findings from certification of housing benefit subsidy

Manual adjustments

The total number of rent rebates cases was 87 for the year and it was agreed that the Council's Benefits Team would check all 87 cases to allow an amendment to be agreed should errors be identified. Under the HB COUNT methodology, we were required to review all errors identified by the Council and a sample of the remaining cases. We discussed the results of our work with officers and agreed a number of manual adjustments to the claim, resulting in an overall increase to the amount of subsidy claimed by the Council of £1,413.

In-year reconciliation

Within the subsidy claim form, cell 130 should agree to the entry in cell 094. We noted that there was a difference of £318 between these two cells, which we reported in the qualification letter to the DWP.

Claimant income

We identified one error where assessors had incorrectly calculated a claimant had earned income for rent allowance. The extrapolated overpayment calculated over 60 cases tested was £3,128, which we reported in the qualification letter.

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The Audit Plan for Merseyside Pension Fund

Year ended 31 March 2017

28 February 2017

Grant Patterson
Engagement Lead
T 0121 232 5296
E grant.b.patterson@uk.gt.com

Heather Green
Engagement Manager
T 0161 234 6381
E heather.green@uk.gt.com

Chris Blakemore
In Charge Auditor
T 0161 214 6397
E chris.blakemore@uk.gt.com



Agenda Item 10

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

28 February 2017

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB
T 0161 953 6900
www.grant-thornton.co.uk

Dear Members

Audit Plan for Merseyside Pension Fund for the year ending 31 March 2017

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

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to give an opinion on the Fund's financial statements.

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 which give a true and fair view.

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 planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We look forward to working with you during the course of the audit.

Yours sincerely

Grant Patterson

Engagement Lead

Chartered Accountants

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Understanding your business and key developments

Developments

Investment Regulations

The new investment regulations came into force on 1 November 2016 and require administering authorities to publish new Investment Strategy Statements by 1st April 2017. The statement must be in accordance with guidance issued by the Secretary of State and include a variety of information. This will include the authority's assessment of the suitability of particular investments and types of investments, the authority's approach to risk, including the ways in which risks are to be measured and managed and the authority's approach to pooling investments, including the use of collective investment vehicles and shared services. These regulations also provide the Secretary of State with the power to intervene in the investment function of a fund if he/she is satisfied that the authority is failing to act in accordance with the regulations.

Triennial actuarial valuation of the fund

The results of the triennial review have now been reported. Overall the funding level has improved from the date of the last valuation. Members will need to consider the outcome of this review and the impact this will have on the fund in future investment decisions.

Infrastructure Pooling

Merseyside Pension Fund has now formally joined the GLIL Infrastructure Fund. Due diligence was undertaken prior to joining the fund and officers now need to continue to monitor resource and governance arrangements to ensure investments are suitable for Merseyside Pension Fund.

Key challenges

Pooling Governance

Arrangements for pooling of investments continue to develop, with DCLG expecting administering authorities to be transferring liquid assets from April 2018. The structure and governance of these arrangements will need to be implemented before this date. These arrangements are likely to have a significant impact on how the investments are managed, who makes decisions and how investment activities are actioned and monitored. Although much of this operational responsibility will move to the investment pool operator, it is key that administering authorities (through Pension Committees and Pension Boards) continue to operate strong governance arrangements, particularly during the transition phase where funds are likely to have a mix of investment management arrangements.

Northern Pool

Final proposals for the creation of the Northern Pool have been presented to and reviewed by DCLG. A formal response has now been received and governance and decision making arrangements will now be developed.

Key performance indicators (at 31 March 2016)

Measure	Value
Net assets under management	£6,849,756k
Total membership	131,081
Number of employers	170

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

The main change to the Code for Pension Funds is the extension of the fair value disclosures required under the Code from 2016/17.

The greatest impact is expected to be for those Funds holding directly owned property and/or shares and Level 3 investments. These are reflected in CIPFA's pension fund example accounts alongside further changes including an analysis of Investment Management expenses in line with CIPFA's Local Government Pension Scheme Management Costs guidance, a realignment of investment classifications, and an additional disclosure note covering remuneration of key management personnel which has been included in related party transactions.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year. This will impact not only upon the production of the Fund accounts but also on earlier requests for information from employers within the Fund.

The fund made significant progress in preparing accounts to an earlier timetable in 2016, in anticipation of earlier audit and reporting deadlines in future years. For 2016/17 the Fund is planning to prepare draft accounts by the end of May 2017. We have agreed a revised audit timetable to complete our field work during June and will report to Pensions Committee on 17 July 2017.

Our response

- We will discuss with you your progress in implementing the requirements of the new investment regulations, highlighting any areas of good practice or concern which we have identified.
- We will discuss your progress in implementing revised governance structures, and share our experiences gained nationally.
- We aim to complete all our substantive audit work of your financial statements by 30/6/17.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the changes in the 2016/17 Code

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 concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Fund. In line with previous years, we have calculated financial statements materiality based on a proportion of net assets for the Fund. For purposes of planning the audit we have determined overall materiality to be £78,000k (being 1% of net assets at 31 December 2016). In the previous year, we determined materiality to be £66,000k (being 1% of net assets at 31 December 2015). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £3,550k.

ISA 450 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 separate materiality levels are appropriate:

Balance/transaction/disclosure	Materiality	Explanation
Management expenses	We will consider the completeness of disclosures to within 15% of the reported amounts	Due to public and political interest in these disclosures.
Related party transactions	We will consider the completeness and accuracy of disclosures, taking account of materiality from the perspective of the fund and the related party	Due to public interest in these disclosures and the statutory requirement for them to be made.
Key Management Personnel	We will consider the completeness and accuracy of disclosures to within 15% of the reported amounts or £15,000 (whichever is lower)	Due to public interest in these disclosures and the statutory requirement for them to be made.

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

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

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

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

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Other risks identified (continued)

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

Other risks identified (continued)

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

Fair Value Measurement Disclosures

The 2016-17 Code of Practice removes the scope exclusion on the disclosures for investments measured at fair value. These disclosure requirements are likely to require additional disclosures for direct property investments. We will review the instructions to the property valuer to determine how the fund is planning to obtain the information required, and the disclosures in the financial statements.

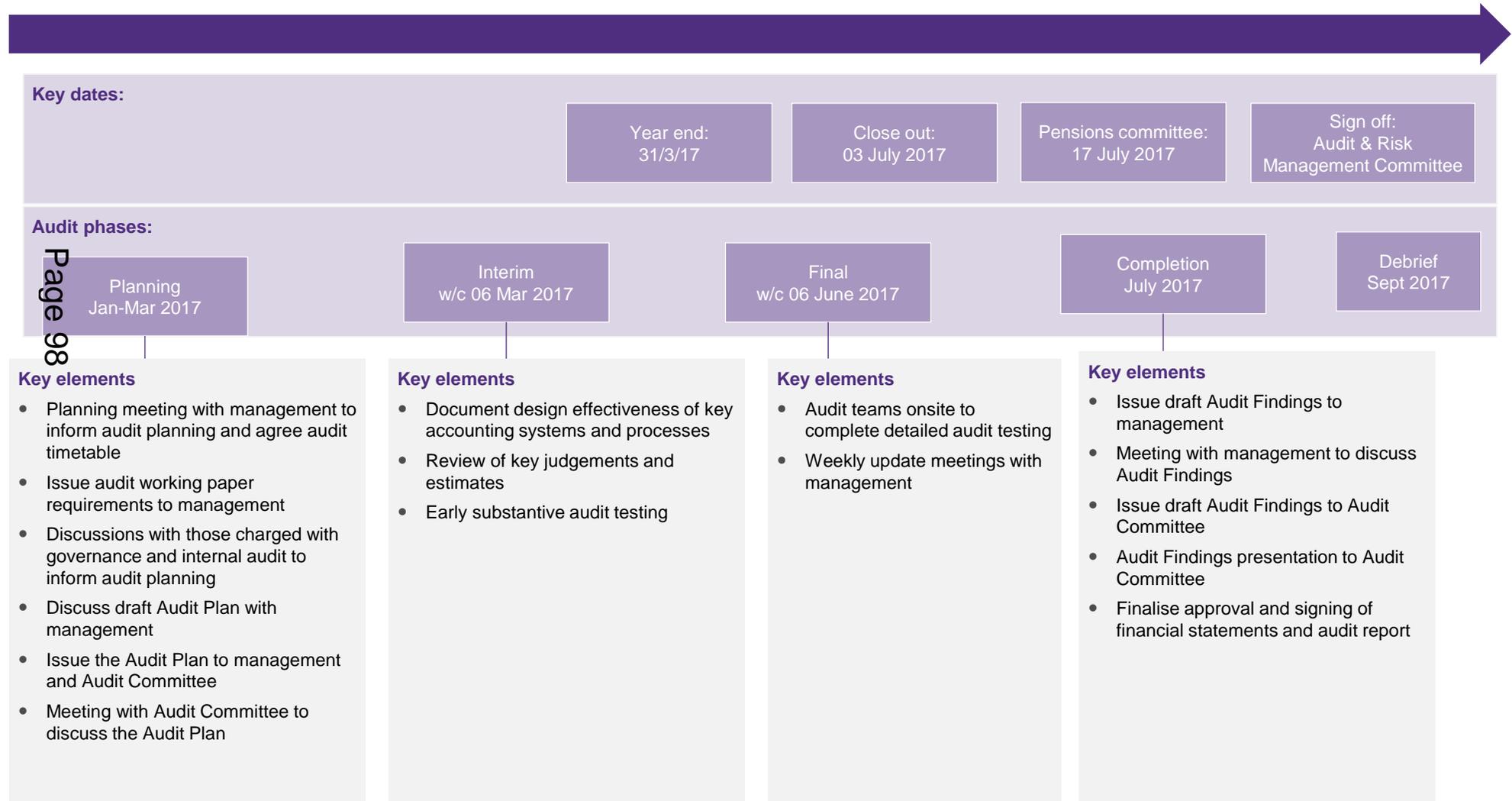
Other material balances and transactions

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 sections but will include:

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

The audit cycle

The audit timeline



Audit Fees

Fees

	£
Pension fund audit	36,882
IAS 19 fee variation (Subject to PSAA approval)	2,180
Total audit fees (excluding VAT)	39,062

Our fee assumptions include:

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

Fees for other services

Fees for other services are detailed on the following page, 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.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Feed back on your systems and processes
- Invitations to events hosted by Grant Thornton, as well as the wider finance community
- Sector updates
- Constructive feedback on your people and your processes
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team

Independence and non-audit services

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 we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

As an auditor we are responsible for performing the audit in accordance with ISAs (UK and 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.

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 Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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

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



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AUDIT AND RISK MANAGEMENT COMMITTEE

14 MARCH 2017

REPORT TITLE	<i>REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)</i>
REPORT OF	<i>ASSISTANT DIRECTOR: LAW AND GOVERNANCE</i>

REPORT SUMMARY

This report summarises the use of covert surveillance by the Council between 1 November 2016 and 28 February 2017.

This report was requested in the work plan for the Committee.

It affects all Wards within the Borough.

The decision is not a key decision.

RECOMMENDATIONS

The Committee notes the report.

SUPPORTING INFORMATION

1.0 REASONS FOR THE RECOMMENDATIONS.

The Committee receives quarterly reports on the Council's use of covert surveillance.

2.0 OTHER OPTIONS

None

3.0 BACKGROUND INFORMATION

- 3.1 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.
- 3.2 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).
- 3.3 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 where the legislation applies.
- 3.4 The Office of Surveillance Commissioners (OSC) is responsible for overseeing the operation of RIPA. The OSC inspected the Council on 13 May 2015. The outcome of that inspection was reported to the Committee on 22 September 2015. The Committee approved amendments to the Council's Policy and Guidance Document made in response to the Report.
- 3.5 Further amendments to the Policy and Guidance Document were approved by the Committee at its meeting on 22 November 2016

4.0 THE USE OF RIPA BY THE COUNCIL

- 4.1 Since the meeting on 22 November 2016 the Council has obtained on 6 January 2017 approval from a magistrate to use covert surveillance to detect suspected illegal flytipping at a site in Wirral.

5.0 CHANGES IN LEGISLATION

- 5.1 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.

6.0 PROSECUTIONS ARISING FROM AUTHORISED COVERT SURVEILLANCE

- 6.1 On 31 January 2017 a 71 year old man was sentenced to 6 months imprisonment suspended for 2 years for 6 offences of flytipping in Kelvinside Industrial Estate Seacombe.
- 6.2 The Court also ordered him to pay £1380 in compensation to the Council for the cost of clearing up the site and £1540 as a contribution to prosecution costs together with a victim surcharge of £80 (a total penalty £3000).

7.0 FINANCIAL IMPLICATIONS

None.

8.0 LEGAL IMPLICATIONS

- 8.1 The Protection of Freedoms Act 2012, which requires local authorities(where RIPA applies) to obtain the approval of a magistrate for the use of covert surveillance, came into force on 1 November 2012.
- 8.2 In suitable cases where the RIPA legislation does not apply, covert surveillance could be authorised under the Data Protection Act 1998 and Article 8 of the European Convention on Human Rights(which balance the value of the surveillance against intrusions into people's private lives).This is explained in the previous report to the Committee on 22 November 2016.

9.0 RESOURCE IMPLICATIONS: ICT,STAFFING AND ASSETS

- 9.1. There are none at present.

10.0 RELEVANT RISKS

- 10.1 These have been discussed in previous reports.
- 10.2 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.
- 10.3 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).

10.4 Where RIPA does not apply but covert surveillance would be legitimate necessary and proportionate then it would have to be authorised by the Authorising Officers in accordance with the Data Protection Act 1998 eg to supply evidence in disciplinary or care proceedings as explained in paragraph 10 of the amended Policy and Procedures Guidance Document and the report to the Committee on 22 November 2016.

11.0 ENGAGEMENT/CONSULTATION

11.1 Not applicable.

12.0 EQUALITY 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.

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

REFERENCE MATERIAL

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

SUBJECT HISTORY (last 3 years)

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