



Audit and Risk Management Committee

Date:	Monday, 19 November 2018
Time:	6.00 p.m.
Venue:	Committee Room 1 - Wallasey Town Hall

This meeting will be webcast at
<https://wirral.public-i.tv/core/portal/home>

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AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

2. MINUTES (Pages 1 - 10)

To approve the accuracy of the minutes of the meeting held on 24 September 2018.

3. INTERNAL AUDIT UPDATE (Pages 11 - 18)

4. CODE OF CORPORATE GOVERNANCE (Pages 19 - 32)

5. DEVELOPMENT OF THE REVISED CORPORATE RISK REGISTER (Pages 33 - 36)

6. IMPROVEMENTS TO THE CORPORATE RISK MANAGEMENT FRAMEWORK (Pages 37 - 40)

7. MANAGEMENT OF INSURANCE AND CORPORATE RISK (Pages 41 - 44)

8. EXTERNAL AUDIT PROGRESS REPORT (Pages 45 - 58)

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

10. 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.

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

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AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 24 September 2018

Present:

Councillor	AER Jones (Chair)	
Councillors	RL Abbey	P Gilchrist
	A Davies	JE Green
	P Doughty	EA Grey
	D Elderton	

20 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

Councillor Angela Davies declared a personal and prejudicial interest in agenda item 5, 'Procurement – Use of Procedure Rules Approval Document permitted under the Council Contract Procedure Rules' reference to 'all-age disability services' by virtue of her employment at Cheshire and Wirral NHS Partnership Trust, referred to in the report. Councillor Davies left the meeting whilst the item was considered.

Councillor Phil Gilchrist declared a personal interest by virtue of his role as a Council appointed Governor to the Cheshire and Wirral NHS Partnership Trust.

Councillor Jeff Green also declared a personal and prejudicial interest in agenda item 5, 'Procurement – Use of Procedure Rules Approval Document permitted under the Council Contract Procedure Rules' reference to 'Wirral Ark Redevelopment grant' by virtue of his position as a Non-Exec Director Magenta Living, referred to in the report. Councillor Green left the meeting whilst the item was considered.

21 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Tom Anderson.

22 MINUTES

Subject to a correction to Councillor Elizabeth Grey's record of attendance listing, it was:

Resolved – That the minutes of the meeting held on 23 July, 2018 be approved.

23 INTERNAL AUDIT UPDATE

Mark Niblock, Chief Internal Auditor, introduced his report that identified and evaluated the performance of the Internal Audit Service and included three items of note arising from the actual work undertaken during the period 1 July to 31 August 2018. The items of note were:

- Wirral Growth Company - continuous ongoing involvement of the audit team in the development of the Wirral Growth Company i.e. finance work stream, risks and implementation of mitigating controls, governance and operational controls over planned operational systems, access to all related documentation including minutes of meetings and associated reports including those of a confidential nature, and the provision of opinion and insight into ongoing related governance arrangements.
- Data Centre Security – audit work had been completed to evaluate and test the effectiveness of the physical security arrangements in operation at the Council’s new Data Centre located at Merseytravel’s Georges Dock site to provide assurance that robust controls were in place to prevent unauthorised access and protection from environmental risks.
- Referrals - a number of referrals of a fairly complex nature had required resources to be utilised from elsewhere within the service. Work to date had been accommodated from within the contingency element of the Audit Plan. Continued monitoring and reporting would inform Members of any issues as they materialise, to ensure appropriate actions will be taken.

The Chief Internal Auditor further apprised the Audit and Risk Management Committee on the following key areas:

- Outstanding audit recommendations – only two items, both BRAG rated as Amber;
- Internal audit performance indicators – no significant issues arising; and
- Internal audit developments – a continuous Internal Audit Improvement and Development Plan had been formulated that incorporated new and developing areas of best practice from across the profession, ensuring that the service continued to constantly challenge how efficient and effective it was at delivering its service.

Members sought clarification on the state of play regarding the Floral Pavilion procedure documentation. Mr Niblock informed that follow-up audit work was

planned for the current week, with indications that progress had been made in this area and the BRAG status was expected to upgrade to 'Green'.

Members also sought clarification on the specific nature of the referral items. Mr Niblock advised that the more detail would be provided to Members in his bi-monthly report, but generally referral topics tended to relate to the audit of record keeping and/or financial controls.

A Member requested that assurances regarding transparency of all matters relating to the Wirral Growth Company be given, particularly with regard to risk assessment, and were given that assurance.

The Chief Auditor's report informed that when contracts had been completed and work was scheduled, the activity of the Wirral Growth Company would be reviewed and reported in the customary manner with outcomes being presented to this Committee for note or action as appropriate.

Following a show of hands it was agreed that the Audit and Risk Management Committee endorse its request for transparency and openness in arrangements for the Wirral Growth Company and access arrangements for Internal Audit.

Resolved – That

(1) the report be noted; and

(2) the Audit and Risk Management Committee support transparency and openness in respect of the Wirral Growth Company and future arrangements for Internal Audit access and reporting.

24 **PROCUREMENT - USE OF PROCEDURE RULES APPROVAL DOCUMENT PERMITTED UNDER THE COUNCIL CONTRACT PROCEDURE RULES**

Having provided declarations in respect of this item, Councillors Angela Davies and Jeff Green left the room whilst the matter was discussed and voted upon.

Mark Niblock, Chief Internal Auditor, introduced a report of the Head of Procurement that informed the Audit and Risk Management Committee of the range and number of contracts awarded which had been subject to Contracts Procedure Rules ("CPRs") Rule 12 Extension/Variation; Rule 11 Waiving the Rules, as required under the CPRs.

The Report Appendix detailed the contracts subject to the Extension/Variation or Waiver rules for the period 1 October 2017 to 31 March 2018 which under Contracts Procedure Rule 16 required that all contracts which met the following criteria were reported to Audit and Risk Management Committee, with updates provided to Committee on a six monthly basis, i.e.

- a) A contract awarded where the total value of which exceeds £500,000.
- b) A variation or extension to a contract approved by the Director of Finance and Investment (S151 Officer) and by others as per the Appendix.
- c) A waiver or breach of the Contract Procedure Rules in relation to a contract which exceeds £50,000 in value.

Members questioned the Chief Internal Auditor on a number items listed within the report appendix. A Member expressed concern that the I.T. contract spend of £2.6m (annual spend over two years of £1.3m) for Surface Pro bundles was excessive. The Chief Internal Auditor informed that this particular project also included upgrades to the Council I.T. Servers from windows 8 to 12 and the re-positioning of laptop equipment. The actual spend on Surface Pros amounted to £300k, and agreed that the report appendix narrative for this project could have been clearer.

Members questioned the inclusion of completed project items prior to March 2018, and whether efficiencies could be found by negotiating bigger contracts over longer periods e.g. Housing Associations and other bodies, currently tendering in batches for redesign and restructure.

Members also requested information on the use of temporary Council Tax and Housing Benefit processing agents employed through another agency than that usually employed for the purpose.

Shaer Halewood, Director of Finance and Investment (S151) informed that the retrospective report covered a rolling 6 month period Oct 2017 to Mar 2018 and included both ongoing and closed projects for completeness. In respect of the use of a second agency, the director informed that when the Council's primary agency (a group of agencies, rather than a single company) could not provide sufficiently qualified staff, other agencies would be used. No fees would be paid unless successful appointments were made.

Members expressed a view that the Audit and Risk Management Committee would benefit from oversight of the Council's Transformation Services actions in respect of the current required £40m budget savings, and sought assurance that all project risk assessments should include: what was spent, what cost benefits would be achieved, and lessons learnt.

The Director of Finance and Investment (S151) and the Senior Risk and Insurance Officer were in agreement that this reporting approach would be helpful to Members.

Resolved – That

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

(2) information regarding the Council's Transformation Programme be provided to Members of the Audit and Risk Management Committee.

25 **LEADER DECISION REFERRAL - CODE OF PRACTICE FOR GOVERNANCE OF COUNCIL INTERESTS IN COMPANIES**

Philip McCourt, Director: Governance and Assurance introduced notice of a Cabinet Member Decision in respect of the Draft Council Code of Practice for the Governance of Council Interests in Companies. The decision had also included a recommendation that the Draft Code be referred to the Business Overview and Scrutiny Committee and the Audit and Risk Management Committee to note the role of the Code of Practice, and the principles within it, in relation to the Council's own Code of Corporate Governance.

The Director: Governance and Assurance informed that the matter had recently been considered by the Overview and Scrutiny Committee and it had been recommended that an 'All Member' briefing on Local Authority Companies be provided. He further informed that the documentation attached to the Member Decision set out the blueprint for the Principles of Governance i.e. Controls and Freedoms, Relationship, Integrity and Accountability and Understanding of the Role. Members were apprised that the Draft Code had been modelled on the LLG Guidance Note for England and Wales, February 2018.

Mr McCourt highlighted that the governance arrangements would seek to ensure that:

- the executive can make investment decisions based upon complete and accurate consideration of business cases and business plans;
- the executive can evaluate social and financial benefits and returns on investment; and
- the Council's overview and scrutiny committees were able to exercise their powers in relation to the executive's decision making

in a manner that ensured the companies would provide full and frank financial and business reporting against their business plans and be open to an appropriate level of scrutiny without fear of commercial confidentiality being breached.

Mr McCourt directed Members' attention to two diagrams which explained the varying conflicts Members may have in being appointed to differing roles, including the relationship between the Council's and the Council Company's audit committees, and the pivotal role of the Shareholder Board as chaired by the relevant Cabinet Member as decision maker and Overview and Scrutiny observer.

Members questioned the Director: Governance and Assurance on a number of areas that included the need for legal involvement and assurances, what stage the process had reached and the role of Elected Members in terms of scrutiny, and how (if any) conflicts of interest would be addressed.

Mr McCourt responded, informing the Committee that the Code addressed the matter of conflict of interests, stating that once appointed, and acting on behalf of the company, Member's duty was to that company. He added that the guidance and subsequent briefings would ensure that the legal duties and associated arrangements in terms of stewardship of assets, etc. were appropriately understood by Members of the Council in their role, by officers of the Council associated with those duties, and by directors of the company, or companies.

Following further questioning on the role of scrutiny and a request from a Member regarding the practicalities of access to the shareholder board and company minutes, Mr McCourt informed that the shareholder board non-decision making and company minutes would remain private, but Members could always request information; however, the requests would need to be assessed and cater for a balance of 'need to know' and 'relevance'. He added that any key decisions, for example relating to Capital Investment of Council monies, or the disposal of Council Assets e.g. Land, would still be the subject of the public decision making process (i.e. Member Decision) and would still be subject to call-in.

Prior to the vote on the report recommendation, an amendment was moved by Councillor Phil Gilchrist and seconded by Councillor Jeff Green that:

'Officers are asked to draw up, and report back on, the establishment of a mechanism, under which the minutes of the shareholder board may be made available for inspection'.

A vote was taken, and the amendment was lost (3:4).

A vote was then taken on the report recommendation, and it was:

Resolved (4:3) - That the Code of Practice, and principles within it, in relation to the Council's own Code of Corporate Governance be noted.

26 **IMPROVEMENTS TO THE CORPORATE RISK MANAGEMENT FRAMEWORK**

Mike Lane, Senior Risk and Insurance Officer introduced a report of the Chief Executive that informed on how the Council was working to improve its arrangements for managing risk as part of a broader programme of enhancements to corporate governance. The report provided a progress update in relation to those actions and indicated others to be taken in the coming months. An earlier report to the Audit and Risk Management (ARM)

Committee on 23 July 2018 (minute 8 refers) set out a number of early actions aimed at supporting improvements.

The Senior Risk and Insurance Officer updated Members on a series of internal discussions that had been held with the Strategic Leadership Team facilitated by Zurich (Insurers) and the establishment of a Task and Finish Group to oversee and drive improvements to the Risk Management Framework. Planned actions included:

- A training session for members of Overview and Scrutiny Committees on risk management principles and practices was scheduled to take place on 2 October 2018.
- Arrangements in progress for a workshop for a sub-group of the ARM Committee to provide Members with an opportunity to contribute directly to improvements to the Council's standards and procedures for managing risk.
- The risk management component of the Leadership Training Programme for senior officers was being developed with the support of the Organisational Development team.
- An initial discussion had taken place in connection with a risk management element of a wider training programme for managers in 2019.

Resolved – That

(1) the report be noted; and

(2) regular progress reports on improvement actions be presented to future meetings of the committee.

27 DEVELOPMENT OF THE REVISED CORPORATE RISK REGISTER

Mike Lane, Senior Risk and Insurance Officer introduced a report of the Director of Finance and Investment that informed of the focus on enhancements to arrangements for managing risk which the Council is working to introduce. The report informed that ensuring that the leadership had a clear shared and current understanding of those risks was fundamental to that aim.

The Senior Risk and Insurance Officer informed that a facilitated discussion with SLT had taken place on 14 August 2018. The session had sought to draw out the Team's views on the current most critical risks facing the Council, and a perspective on key risk areas had been prepared by the Director of Finance and Investment in order to initiate discussion. Members were apprised that a follow up meeting of SLT had taken place the week prior

to this Audit and Risk Management Committee meeting and outputs were being refined and would be brought back to this committee.

A Member questioned why the summary table within the report appeared as a 'list of' as opposed to a 'summary of risk' and would be more effective had it included the cause, effect and mitigation for each risk as identified.

The Senior Risk and Insurance Officer confirmed that best practice was to summarise cause, event and effect, and that these key controls for each risk, and the responsibilities for these, will be determined and documented with support from Internal Audit.

Members were apprised that a workshop was to be arranged for Members so that their views on the most significant risks facing the Council were taken into account in developing the revised baseline Corporate Risk Register. Arrangements for the workshop were currently being finalised.

Resolved – That

(1) the proposed actions be approved; and

(2) details of future corporate risk register workshops be circulated to Members in due course.

28 **MANAGEMENT OF INSURANCE AND CORPORATE RISK**

Mike Lane, Senior Risk and Insurance Officer introduced a report of the Director of Finance and Investment that informed of progress made in relation to key actions planned for 2018/19 as reported to the Audit and Risk Management Committee at its 23 July 2018 meeting (minute 9 refers).

The report provided a regular update on the work around risk management and insurance in support of the Council's Risk Management Framework.

The Senior Risk and Insurance Officer highlighted a key area of work in respect of Procurement of Motor Insurance and Engineering Inspection and Insurance Contracts. He informed that this was a major piece of work, and that the existing Long Term Agreements for these contracts end on 31 March 2019 requiring a competitive procurement exercise to be undertaken. The report informed that the Council's insurance brokers would be providing support to ensure the maximum competition from the insurance market. The Corporate Procurement team had also been engaged and planning for the exercise had begun.

Resolved – that the report be noted.

29 **RIPA**

The Director: Governance and Assurance introduced a report that informed that no covert surveillance had been authorised or undertaken by the Council during the period 1 January 2018 and 31 August 2018.

The report informed that annual training for Applying and Authorising Officers was to be delivered on 19 October 2018 by “Act Now” a well-recognised provider of training on RIPA and that each officer must attend suitable training on RIPA at intervals of not less than two years.

The report further informed of a prosecution arising from authorised covert surveillance whereby on 25 July 2018 a local man had pleaded guilty to the illegal dumping of waste on 23 October 2017 in the turning head area of Naylor Road, Birkenhead. Wirral Magistrates Court imposed a 12 month community service order including 50 hours of unpaid work, ordered the offender to pay the Council £500 as a contribution to its costs, together with a victim surcharge of £85, paid to the Court.

Resolved – That the report be noted.

30 **EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2017/18**

Further to Minute 12 (23 July 2018), Mr Robin Baker of External Auditor, Grant Thornton UK LLP presented the Annual Audit Letter report (the letter) to the Audit and Risk Management (ARM) Committee that summarised key findings arising from the work that the External Auditor had carried out at Wirral Council for the year ended 31 March 2018.

As a public document, Mr Baker explained that the letter provided a commentary on the results of the External Auditor’s examinations to the Council and external stakeholders, and highlighted issues for the attention of the public.

The External Auditor informed that an unqualified opinion had been given on the Council’s financial statements on 31 July 2018 which was in line with new earlier reporting deadline. He added that an unqualified opinion had also been given on the pension fund accounts of the Merseyside Pension Fund on 31 July 2018.

Similarly, work had been completed on the ‘Whole of Government Accounts’ had been completed on the Council’s consolidation return, following guidance issued by the National Audit Office (NAO).

Mr Baker reported that, in terms of value for money arrangements, the External Auditor had been satisfied that the Council had put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March, except for deficiencies in

Children's services identified by Ofsted. As a result a qualified 'except for' value for money conclusion had been reached in their audit report dated 31 July. He added that along with other local authorities, Wirral Council continued to face a challenging financial position, and whilst progress had been made in establishing a new Growth Company, a significant proportion of the £62m budget gap in 2018/19 was being met through one-off use of reserves and expected asset values.

Members thanked the External Auditor, Officers of the Council and Merseyside Pension Fund for completion of the work ahead of schedule, noting the difficult financial circumstances faced by the Council.

Members discussed the role of the ARM Committee and timings for the monitoring of the Council's Annual Governance Statement, Medium Term Financial Strategy and assurance of process, including ensuring that identified actions were followed up. Mr Baker confirmed that the External Auditor also considered, and reported on sustainability of process and would highlight any areas where delivery was not being achieved.

Members gave a vote of thanks to the External Auditor, and welcomed the actions taken to date. A Member expressed his support, further welcoming the ARM Committee's involvement in monitoring actions highlighted by the Auditor and the Council's 4 year Medium Term Financial Strategy, as highlighted in the recommendations contained in the report at Appendix B.

Resolved – That the report be noted.

31 **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**

There was no urgent business.



**Audit and Risk Management Committee
Monday, 19 November 2018**

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 September to 31 October 2018. There are seven items of note concerning audit work undertaken that are brought to the attention of the Members for this period and these are identified at Section 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 Sept to 31st Oct 2018.

3.2. Items of Note

3.2.a Integrated Commissioning Hub

An audit was completed to examine and evaluate the control environment in operation over this key corporate initiative. The findings from the review indicate that Council officers have worked closely with CCG leads throughout the ICH project to identify and resolve issues and ensure that the strategic partnership is successfully implemented.

Ongoing funding pressures and planned risk share arrangements remain significant risks for the project. A key risk mitigation for 2018/19 is that the total expenditure included in the pooled funding will be limited. It is proposed that, with one service exception, all of the Social Care and Wirral CCG expenditure will be included in the pooled fund for 2019/20. This planned extension of the pooled fund arrangement will bring added financial risks and

a key mitigation will be the risk / gain share agreement proposed. Agreeing this more sophisticated risk share agreement will be a key challenge over the next six months and will require a greater transparency and mutual understanding of underlying financial pressures from all officers involved.

Detailed working arrangements continue to be further developed and refined and further Internal Audit review work is scheduled for 2018/19 including a joint piece of targeted work with officers from the Mersey Internal Audit Agency who provide internal audit services to the NHS. The outcomes including any agreed actions will be notified to this Committee in due course.

3.2.b Risk Management

Audit work scheduled in this area for the remainder of the year includes a consultancy assignment aimed at providing best practice guidance and support for officers involved with the implementation of the new arrangements. This is planned to include assistance with mapping the controls in operation including identification of sources of assurance for the corporate risks and the critical corporate operational risks. The outcome of this work will be an updated Risk Assurance Map for the organisation which will be reported to this Committee upon completion.

3.2.c Code of Corporate Governance

Work has been undertaken this period in conjunction with colleagues from Legal Services to produce the draft Code of Corporate Governance which is a separate item on the agenda.

3.2.d Windows 10 Project

Following discussion at the previous meeting of this Committee a targeted piece of audit work has been started this period to evaluate the controls in place to manage and monitor the capital spend during the windows 10 roll out project. Additionally we will be reviewing the controls to record deployment of the Microsoft Surface Pros to ensure that they are purchased in accordance with the contract and are sufficiently recorded in an asset record. The findings from this review will be reported to this Committee upon completion of the work including any actions arising.

3.2.e Transaction Management – Personal Finance Unit

An audit has been conducted to review the key risks for the Personal Finance Unit (PFU). The focus of the audit was to assess whether the progress made and impact of actions agreed at a previous audit had effectively reduced the risks to the Authority. The following operational areas were also included within the scope of the review at the request of senior management:

- Complaints;
- Debt Panel;
- Service Level Agreement;
- Systems Administration; and,

- Telephone Resources.

The conclusion from this review is that the findings identified in our previous report have been considered and progress has been made in implementing agreed recommendations. However, an embedded Service Level Agreement remains an outstanding key issue and a significant barrier to the effectiveness of the PFU operation. The audit resulted in six recommendations agreed with senior management to address the issues identified and improve operations, including two of a high priority status that related to the operation of the Debt Panel and the Service Level Agreement. A follow-up review will be undertaken by Internal Audit in February 2019 to assess the progress made with implementing the recommendations.

3.2.f Business Management – Insurance

A routine audit has been undertaken of the Insurance Function within Business Management as part of the Internal Audit Plan. The scope of the audit was to evaluate the adequacy of the controls in mitigating the identified risks associated with: Policies and Procedures; Contract Tendering; Documentation; Claims Administration incorporating imprest accounts; Monitoring and Reporting; and Business Continuity.

The audit identified that the Insurance operations are effective in achieving their objectives although some areas were identified where the arrangements could be strengthened. These include the production of:

- A comprehensive Insurance Strategy to demonstrate that the established insurance system complies with legislation, professional best practice and the Council's requirements, standards and objectives.
- A Business Continuity Plan to demonstrate that there is planning and preparation in place to ensure that the Insurance Function can overcome serious incidents or disasters and resume its normal operations within a reasonable time frame.
- Performance standards and targets which are subject to regular monitoring and review.

This audit findings and recommendations have been discussed and agreed with the Senior Risk & Insurance Officer and a follow-up review will be undertaken by Internal Audit in February 2019 to assess the progress made with implementing the recommendations.

3.2.g Counter Fraud Publicity Campaign

Internal Audit will be coordinating a week long **Fraud Awareness Campaign** aimed at both members of the public and staff members which will commence on the 12 November 2018. The campaign is a collaboration between the IA Counter Fraud Team, Benefit Investigation Team, Insurance and Risk, Publicity and Human Resources. The campaign is scheduled to coincide with the International Fraud Awareness week and has also involved collaboration with other Mersey Region Authorities.

The aim of the week is to heighten members of the public and employees awareness of the scale, nature and impact of fraud in the public sector and the signs to look out for, as well as directing individuals to reporting procedures and processes. In addition, staff members are encouraged to complete the fraud awareness e-learning course which provides additional information including how to identify and report potential fraud. Members are requested to support this initiative in the usual manner.

3.3 Outstanding Audit Recommendations

3.3.a Members will recall that Internal Audit maintains a record of all agreed actions identified in audit reports including progress made by officers to address issues and implement recommendations. A regular 'Tracker Table' is prepared each period as an attachment to this report identifying any actions that remain outstanding beyond the agreed timescale and including a BRAG rated evaluation of progress being made.

3.3.b For this reporting period there are currently no recommended actions from audit reports that have not been implemented within agreed timescales therefore the 'Tracker' table has not been included on this occasion.

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 & (No)	Actual
Percentage delivery of Internal Audit Plan 2018/19.	42	40
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 (10)	100
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	100

3.4.b There are currently no significant issues arising.

3.5 Internal Audit Developments

3.5.a Continuous Improvement

This is important to the overall efficiency and effectiveness of the Internal Audit Service and as such a Continuous Internal Audit Improvement and Development Plan has been formulated that incorporates new and developing areas of best practice from across the profession, ensuring that the service continues to constantly challenge how efficient and effective it is at delivering its service to all of its stakeholders and making any relevant changes and improvements as required. Some of the actions currently ongoing include:

- Successful integration of risk management function into the service;
- Ongoing improvement of corporate counter fraud awareness across the Council as evidenced in Counter Fraud Update reports presented to this Committee and forthcoming publicity campaign;
- Continuing development of more automated working papers and reports to evidence and support audit findings;
- Continued ongoing development of the Mersey Region Counter Fraud group led by Wirral Internal Audit to include more joint fraud exercises and training across the local region and the North West of England;
- Continuing development of the Wirral Assurance Map identifying areas of assurance for the Council for utilisation in audit planning and risk management process;
- Ongoing improvements to the audit reporting format;
- Improvements to Schools assessment questionnaire incorporating more emphasis on information governance following GDPR;

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising from this report.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS

6.1 There is none arising from this report.

7.0 RELEVANT RISKS

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

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising from this report.

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APPENDICES

None

REFERENCE MATERIAL

Internal Audit Plan 2018/19

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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Audit and Risk Management Committee

19th November 2018

REPORT TITLE:	Revised Code of Corporate Governance 2018
REPORT OF:	Director of Governance & Assurance (Monitoring Officer)

REPORT SUMMARY

The report seeks the Committee's approval of the Council's revised Code of Corporate Governance.

The Council's current Code of Corporate Governance was last reviewed in 2016.

RECOMMENDATION/S

That the Audit and Risk Management Committee:

- (1) Approves the revised Code of Corporate Governance at Appendix 1; and
- (2) That the new framework be included in the Council's Constitution.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1** To ensure that the Council's Code of Corporate Governance is compliant with the CIPFA / SOLACE Guidance / Framework for Delivering Good Governance in Local Government and follows best practice.

2.0 OTHER OPTIONS CONSIDERED

- 2.1** No other options were considered. There is no alternative Code of Corporate Governance available.

3.0 BACKGROUND INFORMATION

- 3.1** Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a council relates to the communities that it serves.

- 3.2** The Council's current Code of Corporate Governance was last revised in 2016.

- 3.3** The CIPFA / SOLACE framework applies to annual governance statements prepared for the financial year 2016/17 onwards.

- 3.4** The concept underpinning the framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way.

- 3.5** By applying the principles in the Code, the Council commits itself to discharging its functions and delivering its services to Wirral residents in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity.

- 3.6** There are two main changes to the Code that have been made:

- i.** The new Code of Corporate Governance is a streamlined / more accessible framework, which communicates that the Council's decision making process is based upon sound / clear principles.
- ii.** The evidence base for compliance with the Code has been updated to reflect the Council's current operating model.

4.0 FINANCIAL IMPLICATIONS

- 4.1** There are no such implications arising.

5.0 LEGAL IMPLICATIONS

- 5.1** The Council is required to ensure it has strong corporate governance arrangements in place so as to be able to effectively meet and discharge its

obligations, responsibilities and duties. Inadequate governance arrangements could lead to significant governance issues arising leaving the Council open to challenge.

5.2 Reviewing and amending the Code in accordance with the CIPFA / SOLACE Framework will ensure that the Council's governance arrangements are both fit for purpose and take into account best practice guidance.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are no such implications arising.

7.0 RELEVANT RISKS

7.1 The Council is open to challenge should it not have effective corporate governance arrangements in place.

8.0 ENGAGEMENT/CONSULTATION

8.1 The Code of Corporate Governance review has been undertaken in consultation with senior officers and Internal Audit.

9.0 EQUALITY IMPLICATIONS

9.1 There are no such direct implications arising.

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APPENDICES

Appendix 1 Revised Code of Corporate Governance

REFERENCE MATERIAL

CIPFA / SOLACE Guidance / Framework for Delivering Good Governance in Local Government (2016)

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Code of Corporate Governance review	November 2016

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WIRRAL CODE OF CORPORATE GOVERNANCE

WHAT IS CORPORATE GOVERNANCE

Corporate Governance is the system by which Wirral Council direct / control our functions and relate to our community.

Good Corporate Governance is required to ensure that the public services provided by the Council are delivered with both confidence and credibility.

The Council is committed to the principles of effective corporate governance and has therefore adopted a Code of Corporate Governance which follows the latest guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), entitled 'Delivering Good Governance in Local Government (2016)'.

The guidance defines the seven core principles, each supported by sub-principles that should underpin the governance framework of a local authority.

7 core principles at the heart of the CIPFA/SOLACE governance framework are:

- A)** Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- B)** Ensuring openness and comprehensive stakeholder engagement.
- C)** Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D)** Determining the interventions necessary to optimize the achievement of the intended outcomes.
- E)** Developing the entity's capacity including the capability of its leadership and the individuals within it.
- F)** Managing risk and performance through robust internal control and strong public financial management.
- G)** Implementing good practices in transparency, reporting and audit to deliver effective accountability.

CIPFA's *Statement on the Role of the Chief Financial Officer in Public Service Organisations* seeks to strengthen governance and financial management across the public services. CIPFA's Statement sets out five principles that define the core activities and behaviours that belong to the role of the Chief Finance Officer ('CFO') and the governance requirements needed to support them.

The CFO in a public services organisation:

1. is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
2. must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risk are fully considered, and alignment with the organisation's financial strategy; and
3. must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO :

1. Must lead and direct a finance function that is resourced to be fit for purpose
2. Must be professionally qualified and suitably experienced.

THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE – IN PRACTICE

These core principles and the additional governance requirements from the CFO underpin the Council's Code of Corporate Governance.

Wirral Council's Code of Corporate Governance sets out how the Council will comply with the requirements of the CIPFA / SOLACE Corporate Governance Framework. The Code will additionally guide the Council during its governance reviews and inform the Annual Governance Statement.

ANNUAL REVIEW AND REPORTING

Elected Members are collectively responsible for the governance of the Council. The Council by adopting this local code commits itself to continuously improving corporate governance in all of its activities. To ensure it keeps to this on-going commitment, the Corporate Governance Group oversees the Council's systems and processes for their effectiveness in practice, keeps them under review to ensure that they are up-to-date and ensures appropriate reporting.

Performance monitoring will take the form of the production of an Annual Governance Statement, as part of the financial reports, which will summarise:

1. Compliance with the Local Code;
2. How compliance has been monitored;
3. If changes are required;
4. How changes are to be implemented.

A copy of this Code of Corporate Governance will be made available to the public on the Council's website. A copy of the Annual Governance Statement will also be made available.

REGULAR REVIEW OF POLICIES AND PROCEDURES

The Council recognises that Corporate Governance needs to be embedded in all the services it delivers. Therefore, it has identified all those strategies, policies and procedures which staff and Members need to be aware of and comply with to meet the required standards of corporate governance.

The Annual Governance Statement will consider compliance of the Council with the principles of good governance as set out by CIPFA/SOLACE and direct improvements to governance arrangements as necessary.

FORWARD

The Wirral Council is required to operate within a governance framework, which is focussed around legislative requirements, governance principles and management processes.

It is of paramount importance therefore, that the Council clearly demonstrates to its constituents what governance arrangements are in place and how they impact upon the manner in which the Council operates.

The Code of Corporate Governance is an accessible framework, which communicates that the Council's decision making process is based upon sound / clear principles.

Good governance is the platform from which the Council can engage with and be held accountable by their constituents and stakeholder partners.

The Council is committed to delivering for its communities in a manner that is open, timely and transparent.

- Councillor Phil Davies
Leader of the Wirral Council

Signed.....

Dated.....

- Eric Robinson
Chief Executive

Signed.....

Dated.....

Draft Wirral Council Code of Corporate Governance

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

Sub-principle	Wirral Council is committed to achieving good governance and will	The Council's commitment to achieving good governance in practice is demonstrated by the following :
Behaving with integrity	<ul style="list-style-type: none"> • Ensure members and officers behave with integrity and promote a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation • Ensure members take the lead in establishing specific standard operating principles or values for the organisation and its staff (building on the Seven Principles of Public Life - The Nolan Principles) and that they are communicated and understood • Lead by example and use the above standard operating principles or values as a framework for decision making and other actions • Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively. 	<ul style="list-style-type: none"> • Member's Code of Conduct / Protocol • Employee's Code of Conduct • Performance appraisal process • Policy and procedure for declaration of Conflict of Interest by Officers and Members • Policy and procedure for declaration of Gifts and Hospitality • Customer Access Strategy • ICT Security Policy • Elected Members – Information & ICT Security Acceptable Use Policy • Equalities Impact Assessment Toolkit • The Council's Constitution • Public access to meetings and minutes • Role of Standards and Constitutional Oversight Committee • Government guidelines for politically restricted posts. • Financial Regulations • Contract Procedure Rules • Freedom of Information • Fraud response plan • Dignity at work policy • Values and Behaviours statement • Whistleblowing policy / procedure • Anti-bribery policy • Anti-money laundering policy • Anti-fraud and corruption policy • Counter fraud and corruption strategy • Fraud response plan • Complaints policy • Grievance policy • Media Guidelines • Recommended code of practice for local authority publicity
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> • Seek to establish, monitor and maintain the organisation's ethical standards and performance • Underpin personal behaviour with ethical values and ensure they permeate all aspects of the organisation's culture and operation • Develop and maintain robust policies and procedures which place emphasis on agreed ethical values • Ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation 	<ul style="list-style-type: none"> • The Wirral Plan • Members Code of Conduct / Protocol • Officer's Code of Conduct • Standards and Constitutional Oversight Committee • Constitution • Scheme of Delegation • Wirral Partnership Framework • Dignity at work policy • Member training framework • Appraisal policy • Statement of business ethics communicates commitment to ethical values to external suppliers • Ethical values feature in contracts with external service providers
Respecting the rule of Law	<ul style="list-style-type: none"> • Ensure members and staff demonstrate a strong commitment to the rule of the law as well as 	<ul style="list-style-type: none"> • Constitution • Legal advice

	<p>adhering to relevant laws and regulations</p> <ul style="list-style-type: none"> • Create the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements • Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders • Deal with breaches of legal and regulatory provisions effectively • Ensure corruption and misuse of power are dealt with effectively. 	<ul style="list-style-type: none"> • Recruitment / selection / job evaluation procedures • Appraisal processes • ULearn training system • Monitoring officer provisions, review of reports by Legal and record of legal advice provided by officers • Review of reports by Finance and Compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government • Member's code of conduct and protocol • Officer's code of conduct • Anti-fraud policies. • Role of Standards and Constitutional Oversight Committee • Processes for Gifts and Hospitality and Conflicts of Interest
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Principle B: Ensuring openness and comprehensive stakeholder engagement.

Sub-principle	Wirral Council is committed to achieving good governance and will:	The Council's commitment to achieving good governance in practice is demonstrated by the following :
Openness	<ul style="list-style-type: none"> • Ensure an open culture through demonstrating, documenting and communicating the organisation's commitment to openness • Make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided • Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders, being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear • Use formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action 	<ul style="list-style-type: none"> • Engagement & Stakeholder Relations Strategy • Wirral plan; 20 pledges and underpinning strategies • Wirral Partnership Delivery Group and Partnership Framework • Wirral plan quarterly performance and update report • Minutes and reports of Council committees available on website • Constituency Committees • Records of decision making and supporting materials • Standard format for Committee reports • Options appraisal reports • Business case reports • Annual Report • Agreed programmes for scrutiny committees • Corporate Equality and Cohesion Strategy • Public Budget consultation • Statement of Accounts • FOI Act compliance publication • Environmental Impact Assessments as part of committee reports • Whistle Blowing policy / procedure • Annual Governance Statement • Arrangements to ensure compliance with Transparency Code • Neighbourhood working
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> • Effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably • Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively • Ensure that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit 	<ul style="list-style-type: none"> • Engagement & Stakeholder Relations Strategy • Wirral plan; 20 pledges and underpinning strategies • Wirral Partnership Delivery Group, Partnership Summit and Partnership Framework • Wirral plan quarterly performance and update report
Engaging with individual citizens and service	<ul style="list-style-type: none"> • Establish a clear policy on the type of issues that the organisation will meaningfully consult with or involve 	<ul style="list-style-type: none"> • Health and Wellbeing Board • Wirral plan; 20 pledges and underpinning strategies

users effectively	<p>communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes</p> <ul style="list-style-type: none"> • Ensure that communication methods are effective and that members and officers are clear about their roles with regard to community engagement • Encourage, collect and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs • Implement effective feedback mechanisms in order to demonstrate how views have been taken into account • Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity • Take account of the impact of decisions on future generations of tax payers and service users. 	<ul style="list-style-type: none"> • Wirral Partnership Delivery Group, Partnership Summit and Partnership Framework • Updates reports on Scrutiny work programmes • Engagement & Stakeholder Relations Strategy • Work of Constituency Committees • Residents' surveys • Equality impact assessments • Constitution • Committee reporting template • Joint Strategic Needs Assessment
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Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits.

Sub-principle	Wirral Council is committed to achieving good governance and will	The Council's commitment to achieving good governance in practice is demonstrated by the following :
Defining outcomes	<ul style="list-style-type: none"> • Have a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions • Specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer • Deliver defined outcomes on a sustainable basis within the resources that will be available • Identify and manage risks to the achievement of outcomes • Manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available. 	<ul style="list-style-type: none"> • Engagement & Stakeholder Relations Strategy • Wirral plan; 20 pledges and underpinning strategies • Wirral Partnership Delivery Group and Partnership Framework • Performance Management framework • Corporate risk management policy and strategy
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision • Take a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints • Determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental 	<ul style="list-style-type: none"> • Revenue Monitor report • Capital Monitor report • Annual Governance Statement • Public Health prioritisation process • Wirral plan; 20 pledges and underpinning strategies • Council Reports to support major decisions outline key implications (economic, social, environmental) as applicable • Communication and engagement strategy • Record of public consultations • Reports and minutes available on the website • Social Value Policy

benefits, through consultation where possible, in order to ensure appropriate trade-offs

- Ensure fair access to services.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

Sub-principle	Wirral Council is committed to achieving good governance and will	The Council's commitment to achieving good governance in practice is demonstrated by the following :
Determining interventions	<ul style="list-style-type: none"> • Ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided • Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts. 	<ul style="list-style-type: none"> • Options appraisals • Council Reports, and underlying Business Case where appropriate, required to outline options considered and inherent risks • Medium Term Financial Strategy • Engagement & Stakeholder Relations Strategy
Planning interventions	<ul style="list-style-type: none"> • Establish and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets • Engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered • Consider and monitor risks facing each partner when working collaboratively, including shared risks • Ensure arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances • Establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured • Ensure capacity exists to generate the information required to review service quality regularly • Prepare budgets in accordance with objectives, strategies and the medium term financial plan • Inform medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy. 	<ul style="list-style-type: none"> • Wirral Plan, 20 pledges and strategies, and Partnership Framework • Forward Plan • Engagement & Stakeholder Relations Strategy • Corporate risk management policy and strategy • Corporate Operational Health Report • Performance appraisals • Performance management framework • Medium Term Financial Strategy • Budget and Policy Framework Procedure Rules (Constitution) • Financial Regulations (Constitution).
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> • Ensure the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints • Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term • Ensure the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be 	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Wirral Plan • Budget and Policy Framework Procedure Rules (Constitution) • Financial Regulations (Constitution) • Council Budget and Medium Term Financial Strategy reports • Corporate Operational Health Report

- achieved while optimising resource usage
- Ensure the achievement of 'social value' through service planning and commissioning.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Sub-principle	Wirral Council is committed to achieving good governance and will	The Council's commitment to achieving good governance in practice is demonstrated by the following :
<p>Developing the entity's capacity</p>	<ul style="list-style-type: none"> • Review operations, performance and use of assets on a regular basis to ensure their continuing effectiveness • Improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently • Recognise the benefits of partnerships and collaborative working where added value can be achieved • Develop and maintain an effective workforce plan to enhance the strategic allocation of resources. 	<ul style="list-style-type: none"> • Wirral Plan quarterly performance and update report • Wirral Plan Performance Management Framework • Wirral Plan; 20 pledges and underpinning strategies • Wirral Partnership Framework • People Strategy / Organisational development plan
<p>Developing the capability of the entity's leadership and other individuals</p>	<ul style="list-style-type: none"> • Develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained • Publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body • Ensure the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority • Develop the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged • Ensure members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensure that they are able to update their knowledge on a continuing basis • Ensure personal, organisational and system-wide development through shared learning, including 	<ul style="list-style-type: none"> • Elected Member Training & Development Programme • Wirral plan and Strategic Partnership frameworks • Standards and Constitutional Oversight Committee • Constitution - including Financial Regulations, Schemes of Delegation, Protocol on Members and Officers relations • Induction programme • Performance appraisal procedure and linked development plans • Senior Manager meetings • Corporate Governance Group • Engagement & Stakeholder Relations Strategy • Webcasting • Residents survey • External audit reports • Voluntary Information Commissioner Office review • Employee assistance programme • Work Life Balance policy • Occupational Health policy / procedure • Attendance management policy / procedure • Employee benefits programme • Health and Well-Being Strategy • People strategy

	<p>lessons learnt from governance weaknesses both internal and external</p> <ul style="list-style-type: none"> • Ensure that there are structures in place to encourage public participation • Take steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspection. • Hold staff to account through regular performance reviews which take account of training or development needs • Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. 	
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Principle F: Managing risk and performance through robust internal control and strong public financial management

Sub-principle	Wirral Council is committed to achieving good governance and will	The Council's commitment to achieving good governance in practice is demonstrated by the following :
Managing Risk	<ul style="list-style-type: none"> • Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making • Implement robust and integrated risk management arrangements and ensure that they are working effectively • Ensure that responsibilities for managing individual risks are clearly allocated. 	<ul style="list-style-type: none"> • Modgov system • Members' code of conduct Officers' code of conduct • Conflict of interest annual declaration. • Audit & Risk Management Committee Terms of Reference. • Corporate risk management policy (refreshed annually) • Risk management guidance on Wirral Intranet • E-Learning modules for management and staff
Managing performance	<ul style="list-style-type: none"> • Monitor service delivery effectively including planning, specification, execution and independent post implementation review • Make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook • Ensure an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible • Provide members and senior management with regular reports on service delivery plans and on progress towards outcome achievement • Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements). 	<ul style="list-style-type: none"> • Complaints Procedure. • Scrutiny Committees and reports • Public access to meetings and minutes • Publication of agenda and minutes of scrutiny meetings (including calendar of dates for submitting, publishing and distributing reports) • Committee reports and Member briefings • ARMC Annual Self-Assessment against "A toolkit for Local Authority Audit Committees" • Monthly Capital and Revenue Monitoring • Performance Management Framework • Constitution • Corporate Risk Management Policy • Corporate, Directorate and Programme / Project Risk Registers • Whistle-blowing Policy & Procedure • Medium Term Financial Strategy • Budget and Policy Framework Procedure Rules (Constitution) • Financial Regulations (Constitution)
Robust internal control	<ul style="list-style-type: none"> • Align the risk management strategy and policies on internal control with achieving objectives • Evaluate and monitor risk management and internal control on a regular basis • Ensure effective counter fraud and anti-corruption 	<ul style="list-style-type: none"> • Annual governance statement • Corporate risk management policy • Annual internal audit review of the risk management framework • Internal Audit Reports • Internal Audit Plan

	<p>arrangements are in place</p> <ul style="list-style-type: none"> • Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor • Ensure an audit committee which is independent of the executive and accountable to the governing body provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment and that its recommendations are listened to and acted upon. 	<ul style="list-style-type: none"> • Internal Audit Progress Reports to Audit and Risk Management Committee • Chief internal auditor's annual report / annual audit opinion • Anti-Fraud and Anti-Corruption policy • Fraud awareness campaigns and proactive work • Annual programme of proactive and reactive internal audit work in respect of counter fraud & corruption • Audit and Risk Management Committee's annual self-assessment against the "Internal Audit Toolkit for Local Authority Audit Committees" • Training for ARMC Members.
Managing data	<ul style="list-style-type: none"> • Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data • Ensure effective arrangements are in place and operating effectively when sharing data with other bodies • Review and audit regularly the quality and accuracy of data used in decision making and performance monitoring. 	<ul style="list-style-type: none"> • Information Governance policies • General Data Protection Regulations project plan and training • Action plan to address issues raised in Voluntary Information Commissioner review. • Performance Management Framework guidance
Strong public financial management	<ul style="list-style-type: none"> • Ensure financial management supports both long term achievement of outcomes and short-term financial and operational performance • Ensure well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls. 	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Budget and Policy Framework Procedure Rules (Constitution) • Financial Regulations (Constitution) • Risk assessment within the medium term financial strategy.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

Sub-principle	Wirral Council is committed to achieving good governance and will	The Council's commitment to achieving good governance in practice is demonstrated by the following :
Implementing good practice in transparency	<ul style="list-style-type: none"> • Write and communicate reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate • Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand. 	<ul style="list-style-type: none"> • Conflict of interest annual declaration. • Complaints Procedure. • Overview & Scrutiny Committees • Public access to meetings and minutes • Webcasting of Council meetings
Implementing good practices in reporting	<ul style="list-style-type: none"> • Report at least annually on performance, value for money and the stewardship of resources to stakeholders in a timely and understandable way • Ensure members and senior management own the results reported • Ensure robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publish the results on this 	<ul style="list-style-type: none"> • Wirral Plan • Statement of Accounts • Annual Governance Statement and review process including review of Code of Corporate Governance. • Modgov system • Delegated portfolio holder decision template.

	<p>assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)</p> <ul style="list-style-type: none"> • Ensure that this Framework is applied to jointly managed or shared service organisations as appropriate • Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations. 	
<p>Assurance and effective accountability</p>	<ul style="list-style-type: none"> • Ensure that recommendations for corrective action made by external audit are acted upon • Ensure an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon • Welcome peer challenge, reviews and inspections from regulatory bodies and implement recommendations • Gain assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement • Ensure that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met. 	<ul style="list-style-type: none"> • Internal Audit Annual Plan • Internal Audit Reports • Internal Audit Annual Report • Chief Internal Auditor's (CIA's) Progress update reports to ARMC • CIA's Bi-monthly reporting to ARMC Members • Compliance with Public Sector Internal Audit Standards • External audit reports to ARMC • Voluntary ICO review (2016) • Annual Governance Statement • Communications & engagement strategy • Wirral Plan • The Wirral Partnership Delivery Group and partnership framework



**Audit and Risk Management Committee
Monday, 19 November 2018**

REPORT TITLE:	DEVELOPMENT OF THE REVISED CORPORATE RISK REGISTER
REPORT OF:	Director of Finance and Investment

REPORT SUMMARY

An improved focus on its most critical risks is a key component of the enhancements to arrangements for managing risk which the Council is working to introduce. Ensuring that the leadership has a clear shared and current understanding of those risks is fundamental to that aim. My report of 24 September 2018 indicated that work had been undertaken with the Strategic Leadership Team to draw out their view of the Council's most significant risks. This report provides a progress update in relation to that work.

RECOMMENDATION

1. Members consider the proposed set of corporate risks.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 The committee needs to understand the authority's most significant risks in order to fulfil its role of providing independent assurance of the Council's Risk Management Framework.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 None.

3.0 BACKGROUND INFORMATION

- 3.1 My report of 24 September 2018 provided a summary of the areas of risk which had been considered in the second SLT session that had taken place the previous month. It confirmed that the output from that session had been subject to further consideration and comments by the Team to refine the definitions and advised that work would be undertaken to develop a revised Corporate Risk Register.
- 3.2 The draft risk definitions which are shown in the appendix comprise mostly strategic and tactical risks but also 4 risks which are operational in nature but which are considered to be of such criticality that they require regular direct oversight by SLT.
- 3.3 The definitions were placed into a risk register template and an owner for each risk was agreed. An early draft of the register was then shared with the Risk Management Support Officers who were tasked with obtaining from each risk owner an opinion as to the key controls and of the risk's significance.
- 3.4 It is recognised that the Council faces major operational risks that are not included in the draft Corporate Risk Register. Work has been undertaken by the Internal Audit team and the Senior Risk and Insurance officer to identify those which are of potential corporate significance. It is proposed that these are subject to regular monitoring by the Corporate Governance Group and escalated to SLT where there are concerns as to the effectiveness of the mitigation.

Further action planned

- 3.5 On 19 November a sub-group of this committee will consider the draft set of corporate risks in detail and put forward their views on those risks and any of corporate significance not reflected in the draft register.
- 3.6 The output from that session will be considered by SLT and a final baseline Corporate Risk Register agreed.

- 3.7 With input from the Internal Audit team the key controls for each risk will be mapped onto a three lines of defence assurance model and an exercise undertaken to identify any gaps in the control environment. The output from that exercise will be shared with SLT and this Committee.
- 3.8 An exercise will also be undertaken to draw out the appetite of political and executive leaders for each of the revised corporate risks.
- 3.9 Through the new monthly corporate risk review process emerging or developing risks to programmes and business plans that have potential corporate significance will be escalated to SLT. The Team will consider each such risk and decide whether it warrants addition to the Corporate Risk Register or should continue to be managed within the directorate or programme.

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are no immediate financial implications arising directly from this report.

5.0 LEGAL IMPLICATIONS

- 5.1 There are no immediate legal implications arising directly from this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 Risk management support officers have been identified from the Council's existing establishment.

7.0 RELEVANT RISKS

- 7.1 The work mentioned in section 3.0 is leading to the creation of a revised corporate level risk register.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

- 9.1 There are none arising directly from this report.

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APPENDICES

Draft Corporate Risks

BACKGROUND PAPERS

None

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee Improvements to the Corporate Risk Management Framework	23 July 2018
Development of the Revised Corporate Risk Register	24 September 2018



**Audit and Risk Management Committee
Monday, 19 November 2018**

REPORT TITLE:	IMPROVEMENTS TO THE CORPORATE RISK MANAGEMENT FRAMEWORK
REPORT OF:	Director of Finance and Investment

REPORT SUMMARY

The Council is working to improve its arrangements for managing risk as part of a broader programme of enhancements to corporate governance. This report is the latest in a series which deal with the progress of existing improvement actions and others to be taken in the coming months.

RECOMMENDATION

1. That Members note the actions taken to date.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 The committee needs to understand the authority's arrangements for managing risk in order to fulfil its role of providing independent assurance of the Council's governance regime.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 None. The need to deliver improvements to the Council's risk management arrangements has been recognised by both SLT and this committee.

3.0 BACKGROUND INFORMATION

- 3.1 In my report to this committee on 12 March 2018 I indicated that improvements to the Council's risk management framework needed to be made.
- 3.2 My subsequent reports of 23 July and 24 September 2018 described actions that had subsequently been taken to understand and begin to implement the changes which were needed. Those actions included the establishment of a Task and Finish group whose role was to identify and oversee the implementation of improvements and a network of officers across the organisation charged with supporting the embedding of the Council's revised risk management arrangements.

Further Developments

- 3.3 The Risk Management Support Officers Group met on 16 October 2018. The criteria for escalating risks to SLT and a model for governing risk information within directorates were discussed. New Directorate risk registers were reviewed for the first time and the risk component of a new monthly Directorate Report Pack and arrangements for its production were agreed. Training in risk management principles and good practice for group members and their deputies has been arranged for 4 December 2018.
- 3.4 The Risk Management Task and Finish Group met on 24 September 2018. It was agreed that the revised corporate risk register would be reported to both Audit and Risk Management Committee and to Portfolio Boards. The need for risk to inform reports on the delivery of the Councils current priorities was also recognised and arrangements for this are being developed. A paper on risk maturity and a proposal to revisit the output from a previous CIPFA benchmarking exercise as a means of identifying further improvement was considered.
- 3.5 The most recent meeting of the Risk Management Task and Finish Group took place on 29 October 2018. Progress with the population of the revised corporate risk register and the position as regards directorate and programme risk registers was reviewed. The training provided to members of Overview and

Scrutiny Committees was noted. A summary of priorities identified from an initial review of the CIPFA risk management benchmarking questions was also considered. These included work to define the Council's current appetite and capacity for key risks, developing training options for Members, managers and staff, developing key risk indicators for significant risks, greater scrutiny by SLT and Members of the management of key risks and ensuring that Portfolio Holders have a good consistent understanding of the key risks in their areas.

- 3.6 Members of Overview and Scrutiny committees had previously indicated a wish to incorporate scrutiny of risk into their work programmes. To ensure that those members have a good basic understanding of risk and the principles and practice of managing risk a training session was delivered on 2 October 2018. The session also covered the role of scrutiny and the particular responsibility of Audit and Risk Management Committee in relation to the effectiveness of the Councils risk management framework.

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are no immediate financial implications arising directly from this report.

5.0 LEGAL IMPLICATIONS

- 5.1 The improvements will help to support compliance with the Council's obligations under Part 2 of the Accounts and Audit Regulations 2015.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 Risk management support officers have been identified from the Council's existing establishment.

7.0 RELEVANT RISKS

- 7.1 The actions referred to in section 3.0 are intended to improve the Councils overall ability to manage risk effectively.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

- 9.1 There are none arising directly from this report.

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APPENDICES

None

BACKGROUND PAPERS

None

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee Improvements to the Corporate Risk Management Framework	23 July 2018
Improvements to the Corporate Risk Management Framework	24 September 2018



**Audit and Risk Management Committee
Monday, 19 November 2018**

REPORT TITLE:	MANAGEMENT OF INSURANCE AND CORPORATE RISK
REPORT OF:	Director of Finance and Investment

REPORT SUMMARY

This report sets out progress made since my previous report in relation to key actions planned for 2018/19.

RECOMMENDATION

1. That the content of this report be noted.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 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 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 2018/19 were included in the report to this Committee on 12 March 2018. Progress since my last report in respect of those actions is summarised in the paragraphs below.

3.2.1 Corporate Risk Register

This is the subject of a separate report to the committee.

3.2.2 Improvements to the Risk Management Framework

This is the subject of a separate report to this committee.

3.2.3 Traded Services for Schools and Academies

The Council's offer to schools in relation to risk and insurance services in 2019/20 has been developed as part of broader Traded Service arrangements. The costs of the service for individual schools in the forthcoming financial year are currently being produced as part of work on the corporate insurance budget.

3.2.4 Procurement of Replacement Claims Management Information System

Research has been undertaken into the functionality of the different systems through site visits to local authorities which use those systems. This has helped to inform the specification for the forthcoming procurement exercise which is being supported by the Procurement Team.

3.2.5 Procurement of Motor Insurance and Engineering Inspection and Insurance Contracts

Work on this exercise has continued with the support of the Council's insurance brokers and the Procurement Team. A timetable has been agreed and the Invitation to Tender document is under development. This will be published before the end of November 2018 with a deadline for responses of mid-January 2019.

3.2.6 Liability Claims Handling

The insourcing of Highways Maintenance operations with effect from 1 October 2018 means that the Council is now exposed to Public and Employers Liability claims which were previously the responsibility of BAM Nuttall. The first claims arising from the insourced service have been received.

3.2.7 Insurance Fund Budget

Work has continued on the production of the Insurance Fund Budget for 2019/20. Whilst costs for some classes of insurance will be lower than in 2018/19 rises in other premiums may mean an overall increase in the Budget for the forthcoming financial year. The budget including the allocation between schools and the General Fund will be presented to the meeting of this Committee scheduled for 28 January 2019.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The procurement exercise mentioned in paragraph 3.2.5 creates uncertainty over the cost of these contracts from 2019/20 onwards.

5.0 LEGAL IMPLICATIONS

- 5.1 There are none arising directly from this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

- 7.1 Changes to the Council's risk management framework indicated in paragraph 3.2.2 should help to improve the organisation's ability to handle risk.

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.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report.

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APPENDICES

None

BACKGROUND PAPERS

Correspondence with insurers, brokers and legal services providers

SUBJECT HISTORY (last 3 years)

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

Audit Progress Report and Sector Update

Wirral Council
Audit & Risk Management Committee

Year ending 31 March 2019

19 November 2018



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Introduction



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

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit & Risk Management Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

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

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Progress at November 2018

Financial Statements Audit

Our audit planning process is underway and we are developing a detailed Audit Plan setting out our proposed approach to the audit of the Council's 2018/19 financial statements

We will discuss and agree the Audit Plan with officers before presenting it to the Audit & Risk Management Committee at its January 2019 meeting.

We will complete our audit work in two phases

- Interim audit work
- Financial statements audit work

Our interim audit work will include:

- gaining an understanding of financial systems
- reviewing Internal Audit work and reports on core financial systems
- early work on emerging accounting issues
- controls testing and early substantive testing where possible

Our interim work will be reported to the March 2019 meeting of the Committee.

We will work with your finance team to ensure we can make a prompt start to the financial statements audit from 1 June 2019 and deliver an audit opinion in advance of the deadline of 31 July 2019.

Value for Money

The scope of our work is set out in guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The overall criterion is: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We will shortly be finalising our initial risk assessment to determine our approach and will report this to you in our Audit Plan in January 2019. As part of that process we have met with senior officers and considered the matters arising from your predecessor auditor's Value for money assessments.

We will report the results of our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

Other areas

Meetings

The Engagement Leader has had meetings with a number of senior officers, and we are continuing with regular meetings with your Chief Financial Officer to ensure our work recognises your strategic priorities, plans and risks.

Grant Certification

We are currently in the process of finalising our work on the certification of the Housing Benefits Claim form and we are also currently completing the certification work in relation to Teachers Pensions. Both of these claims should be completed before the 30th November deadline.

CFO Insights

During 2017/18 the Council subscribed to CFO Insights, our online analysis tool that provides instant access to insight on the financial performance, socio-economic context and service outcomes of every council in England, Scotland and Wales. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.

Events

We provide a range of workshops, including 'update events' on financial reporting issues and invite the Council's finance staff to attend. The next event will be held early in the new year.

We also attended, and presented at, the Council's recent "Making commercialism work in the public sector" event.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit & Risk Management Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	January 2019	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit & Risk Management Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract	December 2019	Not yet due

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

CIPFA consultation – Financial Resilience Index

The Chartered Institute of Public Finance and Accountancy (CIPFA) has consulted on its plans to provide an authoritative measure of local authority financial resilience via a new index. The index, based on publically available information, will provide an assessment of the relative financial health of each English council.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector's views, CIPFA invited all interested parties to respond to questions it has put forward in the consultation by the 24 August.

The decision to develop an index is driven by CIPFA's desire to support the local government sector as it faces a continued financial challenge. The index will not be a predictive model but a diagnostic tool – designed to identify those councils displaying consistent and comparable features that will highlight good practice, but crucially, also point to areas which are associated with financial failure. The information for each council will show their relative position to other councils of the same type. Use of the index will support councils in identifying areas of weakness and enable them to take action to reduce the risk of financial failure. The index will also provide a transparent and independent analysis based on a sound evidence base.

The proposed approach draws on CIPFA's evidence of the factors associated with financial stress, including:

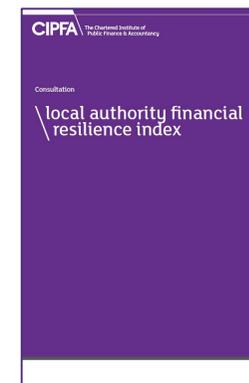
- running down reserves
- failure to plan and deliver savings in service provision
- shortening medium-term financial planning horizons.
- gaps in saving plans
- departments having unplanned overspends and/or undelivered savings.

Conversations with senior practitioners and sector experts have elicited a number of additional potential factors, including:

- the dependency on external central financing
- the proportion of non-discretionary spending – e.g. social care and capital financing - as a proportion of total expenditure
- an adverse (inadequate) judgement by Ofsted on Children's services
- changes in accounting policies (including a change by the council of their minimum revenue provision)
- poor returns on investments
- low level of confidence in financial management.

The consultation document proposes scoring six key indicators:

1. The level of total reserves excluding schools and public health as a proportion of net revenue expenditure.
2. The percentage change in reserves, excluding schools and public health, over the past three years.
3. The ratio of government grants to net revenue expenditure.
4. Proportion of net revenue expenditure accounted for by children's social care, adult social care and debt interest payments.
5. Ofsted overall rating for children's social care.
6. Auditor's VFM judgement.



MHCLG – Social Housing Green Paper

The Ministry of Housing, Communities and Local Government (MHCLG) published the Social Housing Green Paper, which seeks views on government's new vision for social housing providing safe, secure homes that help people get on with their lives.

With 4 million households living in social housing and projections for this to rise annually, it is crucial that MHCLG tackle the issues facing both residents and landlords in social housing.

The Green Paper aims to rebalance the relationship between residents and landlords, tackle stigma and ensure that social housing can be both a stable base that supports people when they need it and also support social mobility. The paper proposes fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need it.

To shape this Green Paper, residents across the country were asked for their views on social housing. Almost 1,000 tenants shared their views with ministers at 14 events across the country, and over 7,000 people contributed their opinions, issues and concerns online; sharing their thoughts and ideas about social housing,

The Green Paper outlines five principles which will underpin a new, fairer deal for social housing residents:

- Tackling stigma and celebrating thriving communities
- Expanding supply and supporting home ownership
- Effective resolution of complaints
- Empowering residents and strengthening the regulator
- Ensuring homes are safe and decent

Consultation on the Green Paper is now underway, which seeks to provide everyone with an opportunity to submit views on proposals for the future of social housing and will run until 6 November 2018.

The Green Paper presents the opportunity to look afresh at the regulatory framework (which was last reviewed nearly eight years ago). Alongside this, MHCLG have published a Call for Evidence which seeks views on how the current regulatory framework is operating and will inform what regulatory changes are required to deliver regulation that is fit for purpose.

The Green Paper acknowledges that to deliver the social homes required, local authorities will need support to build by:

- allowing them to borrow
- exploring new flexibilities over how to spend Right to Buy receipts
- not requiring them to make a payment in respect of their vacant higher value council homes

As a result of concerns raised by residents, MHCLG has decided not to implement at this time the provisions in the Housing and Planning Act to make fixed term tenancies mandatory for local authority tenants.

The Green Paper is available on the MHCLG's website at:

<https://www.gov.uk/government/consultations/a-new-deal-for-social-housing>



Institute of Fiscal Studies: Impact of ‘Fair Funding Review’

The IFS has published a paper that focuses on the issues arising in assessing the spending needs of different councils. The government’s ‘Fair Funding Review’ is aimed at designing a new system for allocating funding between councils. It will update and improve methods for estimating councils’ differing abilities to raise revenues and their differing spending needs. The government is looking for the new system to be simple and transparent, but at the same time robust and evidence based.

Accounting for councils’ spending needs

The IFS note that the Review is seeking a less subjective and more transparent approach which is focused on the relationship between spending and needs indicators. However, like any funding system, there will be limitations, for example, any attempt to assess needs will be affected by the MHCLG’s funding policies adopted in the year of data used to estimate the spending needs formula. A key consideration will be the inherently subjective nature of ‘spending needs’ and ‘needs indicators’, and how this will be dealt with under any new funding approach. Whilst no assessment of spending needs can be truly objective, the IFS state it can and should be evidence based.

The IFS also note that transparency will be critical, particularly in relation to the impact that different choices will have for different councils, such as the year of data used and the needs indicators selected. These differentiating factors and their consequences will need to be understood and debated.

Accounting for councils’ revenues

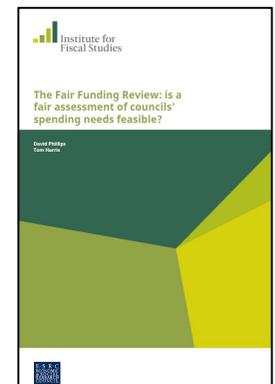
The biggest source of locally-raised revenue for councils is and will continue to be council tax. However, there is significant variation between councils in the amount of council tax raised per person. The IFS identify that a key decision for the Fair Funding Review is the extent to which tax bases or actual revenues should be used for determining funding levels going forward.

Councils also raise significant sums of money from levying fees and charges, although this varies dramatically across the country. The IFS note that it is difficult to take account of these differences in a new funding system as there is no well-defined measure of revenue raising capacity from sales, fees and charges, unlike council tax where the tax base can be used.

The overall system: redistribution, incentives and transparency

The IFS also identify that an important policy decision for the new system is the extent to which it prioritises redistribution between councils, compared to financial incentives for councils to improve their own socio-economic lot. A system that fully and immediately equalises for differences in assessed spending needs and revenue-raising capacity will help ensure different councils can provide similar standards of public services. However, it would provide little financial incentive for councils to tackle the drivers of spending needs and boost local economics and tax bases.

Further detail on the impact of the fair funding review can be found in the full report <https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>.



National Audit Office – The health and social care interface

The NAO has published its latest ‘think piece on the barriers that prevent health and social care services working together effectively, examples of joint working in a ‘whole system’ sense and the move towards services centred on the needs of the individual. The report aims to inform the ongoing debate about the future of health and social care in England. It anticipates the upcoming green paper on the future funding of adult social care, and the planned 2019 Spending Review, which will set out the funding needs of both local government and the NHS.

The report discusses 16 challenges to improved joint working. It also highlights some of the work being carried out nationally and locally to overcome these challenges and the progress that has been made. The NAO draw out the risks presented by inherent differences between the health and social care systems and how national and local bodies are managing these.

Financial challenges – include financial pressures, future funding uncertainties, focus on short-term funding issues in the acute sector, the accountability of individual organisations to balance the books, and differing eligibility criteria for access to health and social care services.

Culture and structure – include organisational boundaries impacting on service management and regulation, poor understanding between the NHS and local government of their respective decision-making frameworks, complex governance arrangements hindering decision-making, problems with local leadership holding back improvements or de-stabilising joint working, a lack of co-terminus geographic areas over which health and local government services are planned and delivered, problems with sharing data across health and social care, and difficulties developing person-centred care.

Strategic issues – include differences in national influence and status contributing to social care not being as well represented as the NHS, strategic misalignment of organisations across local systems inhibiting joint local planning, and central government’s unrealistic expectations of the pace at which the required change in working practices can progress..

This ‘think piece’ draws on the NAO’s past work and draws on recent research and reviews by other organisations, most notably the Care Quality Commission’s review of health and social care systems in 20 local authority areas, which it carried out between August 2017 and May 2018. The NAO note that there is a lot of good work being done nationally and locally to overcome the barriers to joint working, but often this is not happening at the scale and pace needed.

The report is available to download from the NAO’s website at:
<https://www.nao.org.uk/report/the-health-and-social-care-interface/>



Care Homes for the Elderly – Where are we now?

It is a pivotal moment for the UK care homes market. In the next few months the government is to reveal the contents of its much-vaunted plans for the long-term funding of care for older people.

Our latest Grant Thornton report draws together the most recent and relevant research, including our own sizeable market knowledge and expertise, to determine where the sector is now and understand where it is heading in the future. We have spoken to investors, providers and market consultants to showcase the diversity and innovation that care homes can offer.

Flourishing communities are not a 'nice to have' but an essential part of our purpose of shaping a vibrant economy. Growth simply cannot happen sustainably if business is disconnected from society. That is why social care needs a positive growth framing. Far from being a burden, the sector employs more people than the NHS, is a crucible for technological innovation, and is a vital connector in community life. We need to think about social care as an asset and invest and nurture it accordingly.

There are opportunities to further invest to create innovative solutions that deliver improved tailored care packages to meet the needs of our ageing population.

The report considers a number of aspects in the social care agenda

- market structure, sustainability, quality and evolution
- future funding changes and the political agenda
- the investment, capital and financing landscape
- new funds and methods of finance
- future outlook.

The decline in the number of public-sector focused care home beds is a trend that looks set to continue in the medium-term. However, it cannot continue indefinitely as Grant Thornton's research points to a significant rise in demand for elderly care beds over the coming decade and beyond.

A strategic approach will also be needed to recruit and retain the large number of workers needed to care for the ageing population in the future. Efforts have already begun through education programmes such as Skills for Care's 'Care Ambassadors' to promote social care as an attractive profession. But with the number of nurses falling across the NHS as well, the Government will need to address the current crisis.

But the most important conversation that needs to be had is with the public around what kind of care services they would like to have and, crucially, how much they would be prepared to pay for them. Most solutions for sustainable funding for social care point towards increased taxation, which will generate significant political and public debate. With Brexit dominating the political agenda, and the government holding a precarious position in Parliament, shorter-term funding interventions by government over the medium-term look more likely than a root-and-branch reform of the current system. The sector, however, needs to know what choices politicians, and society as a whole, are prepared to make in order to plan for the future.

Copies of our report can be requested on our website



Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<https://www.grantthornton.co.uk/en/insights/care-homes-where-are-we-now/>

National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

Ministry of Housing, Communities and Local Government links

<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

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