



Audit and Risk Management Committee

Date:	Monday, 11 March 2019
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>

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

AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

2. MINUTES (Pages 1 - 8)

To confirm the minutes of the meeting held on Monday, 28 January 2019 as a correct record.

3. INTERNAL AUDIT REVIEW INTO PAYMENTS MADE TO FORGE HOUSE ASSOCIATES LTD (Pages 9 - 34)

4. MEDIUM TERM FINANCIAL STRATEGY (Pages 35 - 70)

5. INTERNAL AUDIT UPDATE (Pages 71 - 80)

6. INTERNAL AUDIT ANNUAL PLAN 2019/20 (Pages 81 - 110)

7. INTERNAL AUDIT COUNTER FRAUD UPDATE (Pages 111 - 118)

8. DEVELOPMENT OF THE REVISED CORPORATE RISK REGISTER (Pages 119 - 126)

9. **MANAGEMENT OF INSURANCE AND CORPORATE RISK**
(Pages 127 - 130)
10. **RIPA** (Pages 131 - 178)
11. **EXTERNAL AUDIT - WIRRAL COUNCIL AUDIT PLAN 2018/19**
(Pages 179 - 194)
12. **EXTERNAL AUDIT - WIRRAL COUNCIL CERTIFICATION LETTER**
2017/18 (Pages 195 - 196)

Audio/Visual Recording of Meetings

Everyone is welcome to record meetings of the Council and its Committees using non-disruptive methods. For particular meetings we may identify a 'designated area' for you to record from. If you have any questions about this please contact Committee and Civic Services (members of the press please contact the Press Office). Please note that the Chair of the meeting has the discretion to halt any recording for a number of reasons, including disruption caused by the filming or the nature of the business being conducted.

Persons making recordings are requested not to put undue restrictions on the material produced so that it can be reused and edited by all local people and organisations on a non-commercial basis.

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 28 January 2019

Present: Councillor AER Jones (Chair)

Councillors A Davies T Anderson
P Doughty D Elderton
J McManus P Gilchrist
JE Green

Deputies: Councillors G Wood (In place of RL Abbey)

47 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

No declarations were made.

48 APOLOGIES FOR ABSENCE

No apologies for absence were received.

49 MINUTES

Councillor Phil Gilchrist requested an update on progress relating to risk share arrangements and monitoring of the Integrated Commissioning Hub (ICH) project (minute 35 refers). The Chief Internal Auditor re-affirmed that the working arrangements for this project continued to be refined and that the Audit and Risk Management Committee would receive report on the project and work being undertaken in due course.

Resolved – That the minutes of the meeting held on 19 November 2018, be approved.

50 FINANCIAL RESILIENCE PLAN: PROGRESS UPDATE

Director of Finance and Investment (S151) introduced her report that set out progress on the financial resilience plan that, part of the Council's Medium Term Financial Strategy (MTFS) 2019/20 to 2022/23, that had been agreed at Cabinet on the 16 July 2018. The plan set out the approach to improving and managing financial sustainability.

The Director of Finance and Investment informed that the financial position for local councils continued to be challenging and that since 2010 all councils had faced reductions in central government funding and ongoing financial pressures in a number of core services such as social care. She further informed that additional pressures had fallen upon the Council as a result of the impact of business rates retention that included the responsibility for payment of appeals and areas previously under central government control such as Council Tax Benefit.

The Director of Finance and Investment reported that building financial resilience was a key part of the Medium Term Financial Strategy, i.e. planning for the Council's finances. A review had been undertaken in early 2018 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and an assessment of financial management arrangements had identified a number of areas of strength that included:

- The outcomes based focus of the Wirral Plan demonstrated a willingness by Members and the Senior Leadership Team to be open to new ideas on how services might be delivered in future.
- The determination and commitment of the Senior Leadership Team and the Cabinet to instil a culture of financial discipline throughout the organisation.
- A budgeting process for 2018/19 and 2019/20 - 2022/23 was becoming more grounded and rigorous.
- There were pockets of good practice in the Council.
- The Director of Finance had begun to raise the influence and profile of the Finance team on strategic issues.

The review also identified some areas for development, namely:

- There was a pressing need to agree a Medium Term Financial Strategy and associated transformation plan to address the projected spending gap.
- The future delivery of the Medium Term Financial Strategy and transformation plans were dependent on changing the existing culture within the Council.
- Members and senior officials needed to more explicitly set a tone that financial discipline was important.
- Refocus and reprioritise the finance and audit functions.
- Putting in place the enablers that provided effective financial management.

Members noted that developmental areas had already started to be addressed through mandatory training and a restructure of the finance team.

Members questioned the Director of Finance and Investment on a number of points within her report that included actions taken to deal with 'unpredictable events' and extending 'good practice' to all areas of the Council. The Director informed that much of the resilience planning involved how the Council managed risk across the organisation, and how it was vital to build contingency planning into its procedures. She added that an example of an unpredictable event could include issues such as Business Rates Appeals.

A Member questioned the Director on budget overspending, the Council's Senior Management Structure, the matter of the independence of the Internal Auditor function and how the Internal Audit function kept pace with the massive changes currently faced by the Council.

The Chief Internal Auditor responded, and provided reassurance to the Committee on his personal role, reporting lines (which included a direct link to the Chief Executive) and how the Internal Audit function provided unencumbered reporting. He added that the Internal Audit function retained full independence and reacted well to change, addressing risk in conjunction with the full engagement of the Audit and Risk Management Committee. The Committee was also apprised that the Internal Audit function and independence was well established within the Council and was not affected at all by its location in the management structure.

Resolved – That

- (1) That progress to date on Financial Resilience Plan Programme 2018/19 be noted; and**
- (2) Further update reports be presented to the Committee on a regular basis.**

51 **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 November to 31 December 2018. The items of note were:

Commercialism - The Chief Internal Auditor informed that an audit had recently been completed to examine and evaluate the developing processes around Commercialism across the Council, specifically the development, appraisal, acceptance and monitoring of ideas to develop income generation.

Risk Management - Members noted that audit work continued in this area providing best practice guidance and support for officers involved with the implementation of the new arrangements. The outcome of this work is the

production of an updated Risk Assurance Map which, upon completion, will be reported to the Audit and Risk Management Committee.

ICT - The Chief Internal Auditor informed that over the reporting period audit work had focussed on the following areas with ongoing work to evaluate and test the effectiveness of controls in operation for:

- Email Security
- Data Security Standards – Payment Cards
- Software Licensing
- Cyber Security Risk Management - Follow Up

The Chief Internal Auditor further apprised the Audit and Risk Management Committee on outstanding audit recommendations, internal audit performance indicators and internal audit developments. He was pleased to report that, at the time of reporting there were no outstanding items and no significant issues arising. The Chief Internal Auditor also provided examples of work underway to improve the overall efficiency and effectiveness of the Internal Audit Service.

Resolved – That the report be noted.

52 **DEVELOPMENT OF THE REVISED CORPORATE RISK REGISTER**

Shaer Halewood, Director of Finance and Investment (S151) introduced her report that informed of the improved focus on the Council's most critical risks and enhancements to arrangements for managing risk. The report further informed that the leadership had a clear shared and current understanding of those risks and was fundamental to this aim. The Director of Finance and Investment reminded Members of earlier reports dated 24 September and 19 November 2018, and informed how work had been undertaken with the Strategic Leadership Team to draw out their view of the Council's most significant risks. The Director's report provided a further progress update in relation to that work.

The Audit and Risk Management Committee was apprised of the workshop that had taken place prior to the meeting on 19 November 2018 which had considered 10 of the existing 14 risks. Each had been reviewed in detail with particular reference to how it was defined, the risk owner, and relevance of the stated mitigation (and mitigation that was not currently recognised within the register). All comments made within the workshop were recorded and incorporated into an updated version of the register.

On 15 January 2019 the updated register was presented to the Strategic Leadership Team (SLT). Members were informed that the SLT had accepted Members' comments in relation to the existing risks.

Members expressed the view that the workshop events had been most helpful and time well spent, providing an opportunity for additional discussion on the subject outside of the formal meeting cycle, and requested that the Committee's thanks to Mike Lane, Senior Risk and Insurance Officer be recorded.

Resolved – That the report be noted.

53 **MANAGEMENT OF INSURANCE AND CORPORATE RISK**

Shaer Halewood, Director of Finance and Investment (S151) introduced her report 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 19 November 2018 meeting (minute 39 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 items of note were:

- Corporate Risk Register – subject of a separate report to the Committee, Minute No. 52 (ante) refers;
- Improvements to the Risk Management Framework;
- Traded Services for Schools and Academies;
- Procurement of Replacement Claims Management Information System;
- Procurement of Motor Insurance and Engineering; Inspection and Insurance Contracts;
- Liability Claims Handling;
- Insurance Fund Budget - subject of a separate report to the Committee, Minute No. 54 (post) refers; and
- Renewal of Liability and Computer and Insurance Contracts.

A Member questioned the Director of Finance and Investment on key points relating to the Motor Insurance and Engineering Inspection and Insurance Contracts, namely whether responses had been received and within budget. The Director confirmed that this was so, and the outcome of the procurement would be reported to the next meeting of the Audit and Risk Management Committee.

Resolved – That the report be noted.

54 **INSURANCE FUND BUDGET 2019/20**

Shaer Halewood, Director of Finance and Investment (S151) introduced her report that set out information on the elements which make up the Insurance Fund, the cost of running the Risk & Insurance Section and the Budget for 2019/20.

The Audit and Risk Management Committee was apprised that the 2019/20 Insurance Fund Budget of £2,945,000 was an increase of £10,000 (0.3%) on the Budget for 2018/19. Members also noted that the cost to General Fund and covered from the Insurance Reserve Budget was £194,000, i.e. 10% higher than for 2018/19, being the result of a greater percentage of liability claims from schools compared to recent years, and due to additional property insurance premiums generated by the acquisition of major assets.

The Director of Finance and Investment informed the Committee of the principal risks that the Council currently self-insures, together with the probable maximum sum. She also informed of the premiums (under insurance contract) that had been charged in recent years in respect of the three principal risks covered by the Insurance Fund i.e. Casualty (liability), Material Damage and Business Interruption, and Comprehensive Motor Insurance.

Members noted that by self-insuring the Council avoided paying insurers' administration profit and Insurance Premium Tax on predicted levels of claims.

A Member sought clarification from the Director of Finance and Investment about additional cost to the budget of £194,000 (earmarked for the insurance element of the Council's Highways Contract) and whether this was a one-off occurrence or covered by internal recharge. The Director of Finance and Investment advised that internal accounting recharges would be adjusted and the General Fund would be replenished as a result.

Resolved – That the Insurance Fund Budget 2019/20 be agreed.

55 **EXTERNAL AUDIT - COMMITTEE PROGRESS REPORT**

Mr Stuart Basnett, Assistant Manager Grant Thornton UK LLP presented the Audit Progress Report and Sector Update that summarised key findings arising from the work that the External Auditor had carried out in the delivery of its responsibilities as Wirral Council's external auditors, as at 15 January 2019.

The report contained information about the External Auditor's progress on the Financial Statements Audit 2018/19 detailing the planned dates and status of each stage of the process in relation to the external audit of the Council's budgetary process, value for money risk assessment and delivery of their findings.

Mr Basnett informed Members of other matters covered in the External Audit progress report on the funding of Social Care and work underway to help bring together influencers, academics and investors who were helping to

shape the future of Adult Social Care and the latest trends in local authority trading companies.

A Member questioned reference to the status of an objection contained within the report. Mr Basnett responded, explaining that this was a long standing matter re a complaint lodged by a member of the public in relation to Lender Option Borrower Option (LOBO) Loans. The Director of Finance and investment informed that this matter was hoped to be nearing a conclusion and the issue of LOBO Loans had been the subject of nationwide challenge to Local Authorities. *Note: While the types of debt products that are available to councils have been changed over time, the principles within both professional code and legislation have remained, which is that councils can only ever borrow in the medium to long term for capital investment purposes. Councils are duty bound to constantly monitor their debt portfolios to ensure it meets their requirement to fund capital expenditure.*

A Member sought reassurance on the associated work with the Council's Pension Fund and requested that this be looked at and reported back to the Committee. It was noted that the Merseyside Pension Fund (MPF) was 100% funded at this time.

Another Member highlighted the matter looked-after children and questioned actions taken by the External Auditor on the monitoring of OFSTED reports. Mr Basnett informed that reports were reviewed and actions recorded, with measures put in place to address any points that had been raised.

Resolved – That the report be noted.

This page is intentionally left blank



**Audit and Risk Management Committee
Monday, 11 March 2019**

REPORT TITLE:	INTERNAL AUDIT REVIEW INTO PAYMENTS MADE TO FORGE HOUSE ASSOCIATES LTD
REPORT OF:	CHIEF INTERNAL AUDITOR

REPORT SUMMARY

The purpose of this report is to provide Members of the Committee with the outcome from an Internal Audit review, following a referral made to Internal Audit, regarding concerns that the Council was paying invoices to a company for consultancy services, that is listed on "Companies House" as dissolved and the VAT registration number the company is using is invalid.

RECOMMENDATION

Members note the report.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 To provide the Members with assurance that the Council has taken action to address concerns raised by Council Officers, in line with the Anti-Fraud and Corruption Policy and is subsequently taking appropriate action to enhance the Council's control environment and prevent a reoccurrence, by implementing recommendations made by Internal Audit.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND

- 3.1 An initial review of the concerns relating to the payment of consultancy services to Forge House Associates Limited was undertaken by Officers within the Financial Management Team in January 2019 and as a result of the review it was recommended that Internal Audit undertake further work in relation to concerns raised. This work was completed by Internal Audit in early February 2019.

INTERNAL AUDIT REVIEW – PAYMENTS TO FORGE HOUSE ASSOCIATES LIMITED

- 3.2 The findings from the review identified that despite the Council's procedures being followed correctly in relation to the validation of the change in bank details, ensuring the supplier invoices were arithmetically correct and that the VAT registration number was quoted on the supplier invoices, the Council has paid invoices to a company in good faith that no longer legally exists and whose VAT number has been declared invalid by the tax authorities.
- 3.3 It was found that just prior to and during the Internal Audit review; Officers within the Council had already taken positive steps to address some of the issues raised. However, a number of additional actions are required to correct the current VAT position, strengthen internal control and prevent a reoccurrence. See attached Internal Audit Report – Payments to Forge House Associates Limited, Appendix A for details.
- 3.4 One recommendation in particular which was made and implemented during the review was to commission Internal Audit to undertake detailed reviews, to provide management with assurances regarding the efficiency and effectiveness of the systems in operation in the following areas:
- (i) Verification of the Validity of Supplier VAT Registration Numbers.
 - (ii) Appointment and Employment Status of Interims/Contractors.

INTERNAL AUDIT REVIEW – VERIFICATION OF THE VALIDITY OF SUPPLIER VAT REGISTRATION NUMBERS

- 3.5 The review relating to the Verification of the Validity of Supplier VAT Registration Numbers is currently being undertaken and the outcome will be reported to Members in due course.

INTERNAL AUDIT REVIEW – APPOINTMENT AND EMPLOYMENT STATUS OF INTERIMS/CONTRACTORS

- 3.6 The review relating to the appointment and employment status of Interims/Contractors is currently being undertaken and the outcome will be reported to Members in due course.

4.0 FINANCIAL

- 4.1 There are none arising from this report.

5.0 LEGAL IMPLICATIONS

- 5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS

- 6.1 It is envisaged that the implementation of the recommendations will be carried out with existing resources.

7.0 RELEVANT RISKS

- 7.1 Failure by Officers of the Council to implement the recommendations detailed within the Internal Audit reports, which could result in a reoccurrence.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Internal Audit consulted with relevant Officers within the Council and has sought guidance from HMRC.

9.0 EQUALITY IMPLICATIONS

- 9.1 There are no specific equality implications arising from this report.

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

APPENDICES

Appendix A: Audit Report – Payments to Forge House Associates Limited.
Appendix A1: Payments to Forge House Associates
Appendix A2: Timeline of Events
Appendix A3: Bank Account Change Request
Appendix A4: Cost Code B8466

Appendix A5: Cost Code F2009

BACKGROUND PAPERS

None

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

Confidential
Internal Audit Report

Payments to Forge House Associates
Limited

Business Management

February 2019

Distribution List:	
For Action	
1.	Director of Finance and Investment
2.	Corporate Director for Business Management

Report produced by:	Report authorised by:
Lead Auditor	Chief Internal Auditor

Wirral Internal Audit Service

Contents

1	Introduction	Page 2
2	Methodology	Page 2
3	Purpose	Page 2
4	Findings	Pages 2 -5
5	Conclusion	Page 5
6	Recommendation/Actions Required Summary Plan	Page 6
7	Appendices	Page 7

1. Introduction

- 1.1 An audit review has been undertaken following a referral made to Internal Audit, in accordance with the Council's Anti-Fraud and Corruption Policy and Fraud Response Plan, regarding concerns that the Council is paying invoices to a company for consultancy services, that is listed on "Companies House" as dissolved and the VAT registration number the company is using is invalid.
- 1.2 The aim of this audit review has been to assess the current position regarding the payment for the consultancy services.

2. Methodology

- 2.1 The Senior Manager for Financial Planning and Policy contacted the Internal Audit Manager on Wednesday 16 January 2019, in relation to the payment of consultancy services.
- 2.2. An initial review of the concerns was undertaken by Officers within the Financial Management Team and as a result of the review it was recommended that Internal Audit undertake further work in relation to the concerns.
- 2.3 Internal Audit has held discussions with relevant officers and reviewed appropriate documentation relating to the concerns.

3. Purpose of report

- 3.1 The purpose of the report is to provide the Director of Finance and Investment with the findings and recommendations resulting from the audit review of the documentation, assessment of existing processes and the discussions held with relevant officers.

4. Findings

4.1 Payments made by Wirral Council for Consultancy Services

- 4.1.1 Prior to 2018, the consultancy services provided to the Council, were procured through Matrix Recruitment Agency. However, from February 2018 to date the Council has been paying Forge House Associates Limited for these services. See Appendix 1, for details of all payments made to Forge House Associates Limited and accompanying notes of correspondence with the company in relation to the supplier account and payments. See also Appendix 2 for a timeline of events document.
- 4.1.2 Liz Stead (LS) and Stewart Halliday (SH) are both listed on Companies House as Directors of Forge Associates Limited (Dissolved 25 Sep 2018) and as "persons with significant financial control" in relation to Forge House Associates LYNCS Limited (Incorporated 3 October 2018). However, Forge House Associates Limited has been quoted on all invoices received by the Council prior to and after the 25 September 2018, which would make the later invoices "false" as the company is dissolved.

- 4.1.3 On the original October 2018 invoice sent by Forge House Associates Limited to the Council, a VAT registration number was not quoted. Following receipt of the invoice a Payments Officer contacted LS, who is the sole director and company secretary, to advise her that the VAT number had been omitted. This was in accordance with the Council's policy and procedure, which requires all invoices that have VAT included on the invoice to have the VAT registration number quoted on the supplier invoice.
- 4.1.4 LS subsequently submitted an amended invoice quoting the VAT registration number 249 570 771, which is associated with the dissolved company and is invalid. However, this invoice included two charges for VAT and was therefore rejected by the Payments Team, who requested a revised invoice, which was subsequently received and paid.
- 4.1.5 As there is no requirement for Payment Officers' to check the validity of VAT numbers on supplier invoices, it was not identified that the VAT registration number was invalid at this stage.
- 4.1.6 On 1 October 2018 LS sent an email to the Payments Team to advise them of a change of bank account. See Appendix 3 for details. The Payments Team contacted SH on 3 October 2018 to verify that the change in bank details was legitimate and SH answered all required questions correctly, in accordance with the agreed procedure.
- 4.1.7 There is no evidence on Accounts Payable or CIVICA that the company informed the Council that Forge House Associated Limited was dissolved.
- 4.1.8 As the new company, Forge House Associates LINCS Limited was set up after Forge House Associated Limited dissolved, it is our belief that SH and LS are now using the new company to provide consultancy services, but are continuing to quote the previous company name on correspondence to the Council, so as not to declare that the Forge House Associates Limited is dissolved.
- 4.1.9 The Senior Manager for Financial Planning and Policy confirmed via the VAT information Exchange System (VIES) website that VAT registration number 249 570 771 is invalid. This was following information they received from a Senior Accountant and Principal Accountant that during budget monitoring of Economic and Housing Growth, the Senior Accountant had been informed by the budget holder that Forge House Associates Limited was showing on Companies House as dissolved.
- 4.1.10 As there is no requirement to verify the validity of the supplier VAT registration number, there is no way of knowing at this stage, when the VAT registration number 249 570 771 became invalid. This can only be confirmed through contact with HM Revenue and Customs (HMRC).
- 4.1.11 The Principal Tax Manager emailed the VAT Officer on 16 January 2019 and asked them to contact the Operations & Development Team Leader (Payments), for more information on the payments made to Forge House Associates Limited and to ask about the VAT implications for Wirral Council. See Appendix 2 - timeline of events document.
- 4.1.12 The VAT Officer confirmed to Internal Audit that VAT registration numbers cannot be reused and there should be a different VAT registration number for the "new" company, Forge House Associates LINCS LTD.
- 4.1.13 The Council has reclaimed the VAT from HMRC in relation to the four invoices paid after the dissolution of the company, when the Council may not be legally entitled to.

4.2 Actions taken/proposed since the referral to Internal Audit

- 4.2.1 The Operations & Development Team Leader (Payments) made the decision to put the supplier account on hold on 16 January 2019, after the issue had been brought to the attention of the Payments Team by the Senior Accountant on 16 January 2019.
- 4.2.2 The VAT Officer made the decision to raise a journal on 21 January 2019 to credit the input tax account (00000 / 105Z / Z0062) by £9,440.00 to correct the Council's VAT with HMRC. The VAT Officer notified the Senior Manager for Financial Planning and Policy of the actions they had taken relating to the VAT on 21 January 2019.
- 4.2.3 On 24 January 2019 the Chief Internal Auditor contacted the Director of Finance and Investment to advise them of the emerging findings in relation to this issue and at the conclusion of the Internal Audit review on 24 January 2019, provided the Director of Finance and Investment with a copy of the initial draft report of the findings from the review, who subsequently informed the Corporate Director for Business Management of the findings.
- 4.2.4 Councillor Ian Lewis sent an email to the Director of Governance and Assurance and Monitoring Officer on 24 January 2019, stating that he had contacted the Chief Executive that day to enquire about payments made to Forge House Associates Limited, from September 2018 (the month in which the company dissolved). Councillor Lewis explained in the email that since his earlier correspondence with the Chief Executive, he had identified all payments made to the company after the company dissolved date, from the Council's published list of payments to suppliers and as a result, required further information relating to this matter.
- 4.2.5 The Corporate Director for Business Management called a meeting on 25 January 2019 to discuss the findings from the Internal Audit review and to decide upon what actions would be taken next. The meeting was attended by the Corporate Director for Business Management (Chair), Director of Finance and Investment, Director of Governance and Assurance and Monitoring Officer (via conference call), Group Solicitor, Head of Human Resources, Chief Internal Auditor, Lead Auditor and the Head of Communications.
- 4.2.6 On the advice of the Director of Governance and Assurance, the Director of Finance and Investment contacted HMRC, who confirmed that they were the appropriate body for reporting such matters to and the Director of Finance and Investment subsequently sent the details of the Payments made to Forge House Associates to HMRC, on 25 January 2019. It was also confirmed that HMRC are responsible for notifying all other agencies, including the Police, in relation to any further investigation/actions, if deemed appropriate.
- 4.2.7 Following a request from the Director of Finance and Investment on 29 January 2019, Internal Audit reviewed all expenditure relating to the Growth Company after 25 September 2018, the date that Forge House Associates Limited dissolved, to establish if SH had approved or agreed any of the expenditure.
- 4.2.8 It was found that SH does not have responsibility for a budget or has access to the i-Procurement system and therefore does not have the authority/responsibility for raising purchase orders or authorising invoices for payment.

4.2.9 It was identified that SH signed a number of invoices to evidence that the goods/services had been provided, which would have led an officer to receipt the goods/services on the i-procurement system, allowing payment to be made to the supplier. See Appendix 4 and 5 for details of the payments made after 25 September 2018.

4.2.10 The process for authorising and making payments is well established at Wirral Council and from the examination of the payments made after 25 September 2018, it was found that SH did not authorise any of the invoices for payment and an adequate separation of duties was evident in relation to the payment of all of the invoices.

5. Conclusion

5.1. It would appear that payments to the company are genuine in the sense that this was the route the consultant was being paid. However, despite that fact the Council's procedures were followed correctly in relation to the validation of the change in bank details, ensuring the supplier invoices were arithmetically correct and that the VAT registration number was quoted on the supplier invoices, the Council has paid invoices to a company in good faith that no longer legally exists and whose VAT number has been declared invalid by the tax authorities.

5.2 Management should implement the recommendations/actions required in the attached schedule to correct the current position, strengthen internal control and prevent a reoccurrence.

6. Recommendation/Actions Required Summary

	Recommendation/Action required	Person to Action	Implementation Target Date
1.	<p>(i) The Officers responsible for commissioning the services of Forge House Associates Limited should be made aware that the company is now dissolved and that no further consultancy services should be procured from them.</p> <p>(ii) It should be established why the Directors of the company did not inform the Council that Forge House Associates Limited was dissolved in September 2018 and why they continued to quote the dissolved company name and invalid VAT registration number on correspondence with the Council. Appropriate action should be taken, following the conclusion of any further work.</p>	Corporate Director for Business Management	Immediate
2.	The Council's VAT Officer should inform HMRC at the earliest opportunity about the details relating to the invalid VAT registration number, quoted by "Forge House Associates Limited".	Director of Finance and Investment	Implemented by the Director of Finance and Investment on 25/1/19.
3.	No further payments should be made to Forge House Associates Limited.	Director of Finance and Investment	Immediate
4.	Advice should be sought from HMRC, to establish if Wirral Council should seek to recover any monies from SH to cover the cost of the VAT paid by Wirral Council, from the day that Forge House Associates Limited dissolved.	Director of Finance and Investment	Immediate
5.	<p>Internal Audit should be commissioned to undertake detailed reviews, to provide management with assurances regarding the efficiency and effectiveness of the systems in operation in the following areas:</p> <p>(i) Verification of the validity of supplier VAT registration numbers.</p> <p>(ii) Appointment and employment status of Interims/Contractors.</p> <p>At the conclusion of each review the outcomes should be reported to Senior Management and Members.</p>	Director of Governance and Assurance and Monitoring Officer.	Implemented by the Director of Governance and Assurance and Monitoring Officer on 7/2/19.
6.	A review of the payments made to those suppliers identified in Appendix 4 and 5, where SH has signed the invoices, should be undertaken to obtain assurance that the goods/services have been provided.	Corporate Director for Business Management	Immediate

7. Appendices

1	Payments made to Forge House Associates Limited.
2	Timeline of events relating to Forge House Associates Limited.
3	Bank account change request relating to Forge House Associates Limited.
4	Payments made using cost code B8466 – Growth Company (Ongoing costs).
5	Payments made using cost code F2009 – Growth Company (Set up costs)

Appendix 1 - Payments made to Forge House Associates Limited

WIRRAL MBC

Supplier Payment History Report

Report Date: 25-JAN

Page:

Supplier Type: All
Payment Start Date:
Payment End Date:

Supplier: FORGE HOUSE ASSOCIATES LIMITED
Number: 140099

Site: DN15 0AA
Address: THE OLD FORGE HOUSE, APPLEBY, NORTH LINCOLNSHIRE, DN15 0AA

Account Name	Payment		Currency	Payment Amount
	Payment Number	Payment Date		
WIRRAL BC AP	1788284	07-Feb-18	GBP	15,600.00
WIRRAL BC AP	1794998	06-Mar-18	GBP	14,820.00
WIRRAL BC AP	1802402	04-Apr-18	GBP	10,920.00
WIRRAL BC AP	1812235	16-May-18	GBP	20,880.00
WIRRAL BC AP	1820834	20-Jun-18	GBP	16,200.00
WIRRAL BC AP	1833726	10-Aug-18	GBP	19,320.00
WIRRAL BC AP	1836595	29-Aug-18	GBP	12,000.00
WIRRAL BC AP	1843713	27-Sep-18	GBP	15,964.00
WIRRAL BC AP	1847377	11-Oct-18	GBP	15,964.00
WIRRAL BC AP	1851990	31-Oct-18	GBP	16,189.50
WIRRAL BC AP	1857188	20-Nov-18	GBP	15,152.63
WIRRAL BC AP	1864244	17-Dec-18	GBP	16,333.30
WIRRAL BC AP	1869832	15-Jan-19	GBP	9,600.00

Site Total: 182,979.43

Supplier Total: 182,979.43

=====
Report Total: 182,979.43

*** End of Report ***

Functional Amount	Void Date
15,600.00	
14,820.00	
10,920.00	
20,880.00	
16,200.00	
19,320.00	
12,000.00	
0	11-Oct-18
15,964.00	
16,189.50	
15,152.63	
16,333.30	
9,600.00	

Appendix 2 - Timeline of events relating to Forge House Associates LTD to the referral to Internal Audit on 16 January 2019

Date	Comments
02-Jan-18	New supplier form received from Forge House Associates Limited.
25-Jan-18	Order number 354598 raised for £72,000.
07-Feb-18	Payment of £15,600 made to Forge House Associates Limited.
06-Mar-18	Payment of £14,820 made to Forge House Associates Limited.
04-Apr-18	Payment of £10,920 made to Forge House Associates Limited.
16-May-18	Payment of £20,880 made to Forge House Associates Limited.
20-Jun-18	Payment of £16,200 made to Forge House Associates Limited.
08-Aug-18	<p>Dummy order number 363623 raised for £16,100.</p> <p>As per Operations & Development Team Leader (Payments), in this case dummy order means a retrospective order raised because we were in receipt of an invoice from the company and there was no order to match the invoice against.</p>
10-Aug-18	<p>Payment of £19,320 made to Forge House Associates Limited Description on accounts Payable states: "SPI URGENT PROCESSED FREESTANDING AS PER DEPT".</p> <p>SPI = Status problem invoice</p> <p>As per Operations & Development Team Leader (Payments), the company had sent in the invoice with a purchase order number quoted. It has been indexed and when the invoice was matched to the order quoted on the invoice, there was only £6,650 left on that purchase other and not enough to match and pay the invoice against. Therefore, SPI has been noted on the system by the Payments Team.</p> <p>There was some communication between the Payment Team and the Council's requisitioner, the Organisational Design Support Officer re: the order not matching the invoice fully. Then the Change & Organisation Design - Personal Assistant, has asked for the invoice to be processed urgently as freestanding and the payment was made.</p>
28-Aug-18	Order number 364286 raised for £3,350 .

29-Aug-18	<p>Payment of £12,000 made to Forge House Associates Limited. Description on accounts Payable states "DISPUTED SPI".</p> <p>As above - Status Problem Invoice</p> <p>The Operations & Development Team Leader (Payments) confirmed that the company sent in an invoice with an order number quoted which had an insufficient amount on the order - as with the payment for £19,320 above. Therefore, the note was put on the system by the Payments Team.</p> <p>A dummy order was raised for £3,350 (o/n 364286) and the rest of the invoice amount was matched to o/n 354598.</p>
25-Sep-18	Companies House listing "Forge House Associates Limited" as dissolved.
27-Sep-18	<p>Payment of £15,964 made to Forge House Associates Limited</p> <p>Description on accounts Payable states "DISPUTED - SPI".</p>
01-Oct-18	Email from Liz Stead, Director and Secretary of Forge House Associates Limited, to the payment Team to advise of a change in bank account details.
03-Oct-18	Companies House has "Forge House Associates Lincs Limited" registered as incorporated.
11-Oct-18	<p>Payment of £15,964 voided and new payment issued for same amount to the new bank account.</p> <p>As per Operations & Development Team Leader (Payments), the bacs payment was returned to our drawings Account. Usually when the bank account is closed the Unapplied Automated Credit report will show as such. However, it didn't in this case, the report showed it as "Reason for return - invalid details".</p> <p>The reason the payment was returned can only be established by speaking to the company involved</p>
16-Oct-18	Order number 366610 raised for £75,000.
26-Oct-18	<p>Email from Payments Officer to Liz Stead to ask for a revised invoice with the VAT number on it.</p> <p>Invoice date 21/10/18, Invoice number 04/02/9 for £18,829.50 in total - No VAT number quoted. See attached copy invoice - 21/10/18 version 1</p>
27-Oct-18	<p>Email received from Liz Stead with revised invoice with VAT for £18,829.50 and VAT registration number 249570771 quoted.</p> <p>This invoice (Invoice dated 21/10/18, Invoice number 04/02/09) was queried by the Payments Team because the company had included the VAT amount twice within the invoice. See attached copy invoice - 21/10/18 version 2.</p>

31-Oct-18	<p>Email from Liz Stead to the Payments Officer, attaching revised invoice for £16,189.50 with VAT registration number quoted - 249570771 and correct amount detailed.</p> <p>Invoice date 21/10/18, Invoice number 04/02/9 for £16,189.50 in total - replaces the previous invoice that did not have the VAT number quoted and also the invoice that had VAT included twice. See attached copy invoice - 21/10/18 version 3 which was paid</p>
31-Oct-18	Payment of £16,189.50 made to Forge House Associates Limited.
20-Nov-18	Payment of £15,152.63 made to Forge House Associates Limited.
17-Dec-18	Payment of £16,333.30 made to Forge House Associates Limited.
15-Jan-19	Last payment of £9,600 made to Forge House Associates Limited.
15-Jan-19	<p>As part of monitoring and forecasting, the Senior Accountant meets with the Assistant Director - Regeneration & Inward Investment, Lead Commissioner - Place and Investment and the Economic Development Lead to look at transactions relating to the Economic and Housing Growth budget.</p> <p>The Senior Accountant confirmed that as the spend relates to the Growth Company, the Transformation Team is currently responsible for getting it up and running and when it becomes an actual functioning entity, the responsibility for spend will be transferred to Economic and Housing Growth. Although Economic and Housing Growth are accountable for the spend, they do not have control or any real knowledge of what is being processed and paid against the code.</p> <p>The Senior Accountant confirmed that in preparation for the budget monitoring meeting, the transactions report was examined relating to the Economic and Housing Growth budget, for any errors/miscodes etc...</p> <p>One large spend related to DWF LLP (Legal Services) who the Senior Accountant knew of. However, the other large spend was for Forge House Associates Limited and the Senior Accountant did not know who this company was and what services they actually provide. Therefore, the Senior Accountant tried to obtain this information from the company website, using google as the search engine. The Senior Accountant could not find a website for the company.</p> <p>During the meeting the Senior Accountant, Assistant Director - Regeneration & Inward Investment, Lead Commissioner - Place and Investment and the Economic Development Lead discussed the fact that they do not know who the company is and what they do and they agreed to look into the matter further.</p>

16-Jan-19	<p>The Economic Development Lead telephoned the Senior Accountant and informed them that following a google search, which showed Companies House as the first entry, it was discovered that Forge House Associates was dissolved.</p> <p>See detail above re: attendees at the budget monitoring meeting of 15/1/19, added as a result of further information obtained from the Senior Accountant.</p> <p>The Senior Accountant confirmed that The Economic Development Lead "drills" into the detail of the Assistant Director - Regeneration & Inward Investment figures for them, where previously this was done by the Lead Commissioner - Place and Investment, prior to them taking on a new role. That is why the Economic Development Lead would have been at the budget monitoring meeting and would have been involved with trying to find out about the company.</p>
16-Jan-19	<p>The Senior Accountant informed the Principal Accountant of the issue and they subsequently informed the Senior Manager - Financial Planning and Policy.</p>
16-Jan-19	<p>The Senior Accountant spoke to the Principal Tax Manager about the issue, in case there were any implications relating to IR35 and the employment status.</p> <p>The Senior Accountant explained that when they were told that the company was dissolved their first thought was that they needed to cover all bases and that is when they thought about IR35 and also that we needed to inform the Payments Team Re: payment of invoices. The Senior Accountant confirmed that it did not cross their mind about the VAT implications.</p> <p>The Senior Accountant confirmed that when they were informed by the Economic Development Lead on 16/1/19 that the company was dissolved, the Economic Development Lead also mentioned that it is Stewart Halliday's company.</p>
16-Jan-19	<p>The Senior Accountant emailed a Payments Officer to ask if the Council should be paying invoices to the company and the Payments Officer reported the matter to the Operations & Development Team Leader (Payments), who put a hold on the supplier account.</p>
16-Jan-19	<p>The Principal Tax Manager emailed the VAT Officer and copied in the Senior Accountant, the Operations & Development Team Leader (Payments) and the Senior Manager for Financial Planning and Policy. The Principal Tax Manager stated that the Senior Accountant checked the company details on Companies House and they were "Struck Off" in September 2018 (NB: it was actually the Economic Development Lead who first confirmed that the company was dissolved) and that the Senior Manager for Financial Planning and Policy has performed a check on the VAT number and it appears to be invalid.</p> <p>The Principal Tax Manager asks the VAT Manager to speak to the Operations & Development Team Leader (Payments) for further details and asks what the VAT implications are for Wirral Council.</p>

16-Jan-19	Referral made by Senior Manager for Financial Planning and Policy to the Internal Audit Manager. The referral was made to Internal Audit to undertake some fact finding to establish if further investigations were required.
-----------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

This page is intentionally left blank

Appendix 3

From: E A STEAD <lizstead@btinternet.com>
Sent: 01 October 2018 08:23
To: xxxxxxxxxxxxxxxxxxxxxxxxx
Subject: Re: change of bank details for Stewart Halliday Forge House Associates

Dear xxxx,

Thanks very much for processing September's invoice.

We had overlooked that we were changing our bank accounts from 1st October and as the September payment took a little time to get authorised, I suspect the BACS payment will not have arrived before the end of September. Therefore, it is likely to be sent back to the council by Santander. Apologies for this. Our new bank account details are;

Sort Code - xxxxxx (xxxxxx)

Account - xxxxxxxx

Apologies once again for the inconvenience. I shall give you a call later today to check whether there is anything else that I need to do.

Kind Regards

Liz Stead
Company secretary
Forge House Associates Ltd

This page is intentionally left blank

Appendix 4

Cost Code B8466 – Growth Company – Ongoing costs

- 1) Payment to Company A for £11,520.00. Paid on 23/10/18.
Processed as a free standing invoice, which has been scanned and placed on the CIVICA system. The invoice was accompanied by an email from the Economic and Housing Growth – Personal Assistant, in which they ask for the invoice to be processed. The invoice is signed by the Assistant Director - Regeneration & Inward Investment.

Conclusion – Not approved by SH.

- 2) Payment to Company B for £4200.00. Paid on 12/10/18
Order raised through i-Procurement by the Organisation Design - Personal Assistant and approved by the former Head of Transformation. Receipted on system by the Organisation Design - Personal Assistant. The invoice has been scanned and placed on CIVICA but it has not been signed and there is no copy email on CIVICA to confirm who it has come from. However, it is saved as “scan_PA to Corporate Payments name_2018-1—1—13-40.PDF”, which could indicate that it has been sent by the Organisation Design - Personal Assistant to Corporate Payments.

Conclusion – Not approved by SH. However, it is not possible to say whether or not SH confirmed with the Organisation Design - Personal Assistant that the work/services have been received i.e. agreed the invoice.

This page is intentionally left blank

Cost Code F2009– Growth Company – Set up costs

- 1) Two payments to Company C for £2,088.00 and £21,254.00. Paid on 19/12/18 and 8/11/18.
Both orders raised through I-Procurement by the Organisation Design - Personal Assistant and approved by the Change and Organisational Design – Programme Manager. Receipted on system by the Organisation Design - Personal Assistant. The invoices have been scanned and placed on CIVICA and have both been signed by SH

Conclusion – Not approved by SH as he is not part of the i-procurement approval process, but it looks like he has agreed that the work/services have been provided, by signing the invoices.

NB: A PRAD 3 was raised by SH for this company but this was prior to 25 September 2018 and as stated on the PRAD 3 it was approved by Head of Service - Corporate Director for Business Management and then approved by the Senior Manager – Corporate Finance.

- 2) Three payments to Company D for £38,629.32, £9,749.04 and £46,328.40. All paid on 17/12/18.
Orders raised through i-Procurement by Organisation Design - Personal Assistant and approved by the Head of Business Change & Programme Management. Receipted on system by the Organisation Design - Personal Assistant. The invoices have been scanned and placed on CIVICA and they have all been signed by SH.

Conclusion – As above, not approved by SH as he is not part of the i-procurement approval process, but it looks like he has agreed that the work/services have been provided by signing the invoices.

NB: Two PRAD 3s have been raised, the first relating to the £38,629.32 invoice, which was raised by the former Head of Transformation and the second PRAD 3 was raised by SH on 28/11/18 re; the other 2 invoices and it stated on the PRAD 3 that it was approved by Head of Service, Corporate Director for Business Management and then approved by the Senior Manager for Financial Planning and Policy.

This page is intentionally left blank



**Audit and Risk Management Committee
Monday 11 March 2019**

REPORT TITLE:	Medium Term Financial Strategy (MTFS) - Looking Back, Looking Forward
REPORT OF:	Director of Finance & Investment

REPORT SUMMARY

The purpose of this report is to provide Members of the Committee with a position statement on the 2017 – 2021 MTFS agreed in February 2017 and progress on proposals and to provide an updated 2019 – 2023 MTFS to be presented to Council for approval on 4 March 2019.

RECOMMENDATION

Members note the report.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 To provide the Members with assurance that the Council continually monitors its medium term financial position to ensure it is robust and its finances are resilient. The MTFS is a dynamic document that is updated as and when changes occur.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND

- 3.1 In December 2016 the Delivering Differently programme was established to help meet a cumulative budget gap of £132m over the following four years. The programme included proposals totalling £40.2m that would be developed over the next four years to help meet that gap. The basis of the proposals are included in the table below:

Delivering Differently	17/18 £m	18/19 £m	19/20 £m	20/21 £m	Total £m
Leisure and Cultural Services	0.80	-	-	10.30	11.10
Access Wirral	0.30	-	-	4.30	4.60
Community Safety (Safer Wirral)	-	-	-	0.10	0.10
Adult Social Care Integration	2.90	4.00	3.50	4.00	14.40
Children's Services Managing Demand	1.40	3.70	3.70	1.20	10.00
Total	5.40	7.70	7.20	19.90	40.20

- 3.2 As these proposals covered the four year span, not all of them were fully formed and in some cases, would also need to come back individually to the Cabinet for approval.

Progress to date

3.3 *Leisure and Cultural Services*

The initial proposals for Leisure and Cultural Services were based on the completion of transfer of Beechwood Community Centre, additional income being generated following investment into the facilities at the Oval and Leasowe Sports Centres and a review of the operating arrangements at Woodchurch Leisure Centre. The wider proposals were the basis of a detailed review of the Leisure, Libraries, Parks and Culture Portfolio that would see these proposals implemented in 2020/21.

Position

The transfer of Beechwood Community Centre has not yet gone ahead as planned. The negotiations regarding the transfer have been ongoing for some time however a new model is now proposed and instead of a straight transfer, there will be a market exercise for operating the facility. This will be resolved during 2019/20.

Investment into facilities in the Oval has in part taken place in the form of new gym equipment and is generating income. The investment in soft play has not taken place due to ongoing discussions with legal and procurement but this will be resolved in 2019/20.

Investment in Leasowe was related to a new 3G pitch. This was significantly delayed due to a drainage issue although this has now been resolved and income is expected from this proposal during this calendar year.

Woodchurch new operating arrangements was progressing and had been due to be implemented during 2018/19. However, following an in-year review of the use of the centre and the importance of the centre remaining open as originally planned to support the community, this proposal is now not progressing.

In order to meet the budget reductions from the proposals, temporary funding was found in 2017/18 and 2018/19.

The longer term proposals for the Leisure, Libraries, Culture and Parks programme is still ongoing with some proposals being brought forward to 2019/20. The saving that was due to be realised in 2020/21 has been removed from the current MTFs as the project is not progressing as originally anticipated. Some further savings may be realised during 2020/21 but these will be the subject of a future Cabinet report.

3.4 Access Wirral

Under Access Wirral initial options were for identified service efficiencies as a result of removal of vacant posts. Longer term proposals were for the redesign of access to council services.

Position

The saving from removal of vacant posts was achieved in 2017/18. The longer term programme is still progressing due to several changes with the programme e.g. new digital solutions, replacement of critical business systems, advanced technology and the potential use of AI. As a result, the programme was revised during 2018/19 and the savings for 2020/21 taken out of the MTFs. Savings will be achievable as a result of the ongoing programme for Customer Services and digitalisation and these will be subject of a separate future report to Cabinet.

3.5 Community Safety (Safer Wirral)

The initiative was to deliver the co-location, transfer and integration of Community Safety with the Police in 2020/21

Position

This is still on target and will be delivered in 2020/21

3.6 Adult Social Care Integration

The aim of these proposals were to manage demand and cost of specialist, substantial services through progressing major integration projects with health sector partners. That

was due to see initial work around Adult Social Care Commissioning and Older People’s Services being integrated with the Wirral Clinical Commissioning Group and the Wirral Community Trust.

Position

This is an ongoing programme that has been and continues to be delivered and all the anticipated savings made.

3.7 Children’s Services Managing Demand

The Council’s response to the Ofsted report into Children’s Services issued in September 2016 required investment to transform the service. The investment was to be evaluated through the Council’s Transformation Programme and monitored via the Children’s Services Improvement Board. This would release future savings from working in a more efficient and effective way.

Position

In the 2018/19 budget an additional £25m investment was provided for Children’s Services. This was to support the transformation of the service and to stabilise the budget for significant demand pressures that the service was experiencing, in line with the rest of the County. As a result, the savings from the investment programme have revised and have increased by £2.5m and are now anticipated as below:

	2017/18 £m	2018/19 £m	2019/10 £m	2020/21 £m	Total £m
Children’s Service Improvement Programme	1.40	5.20	3.90	2.00	12.50

2019 – 2023 MTFS

3.8 In February 2019, the Cabinet approved the 2019 – 2023 MTFS to be recommended to Full Council for approval on 4th March 2019. The MTFS is a dynamic document and throughout the period of the MTFS will be subject to change, these changes may include:

- Notification of additional external funding
- Notification of external funding ceasing
- Changes to service delivery
- Changes to legislation
- Demographic changes
- Market conditions
- New technology
- Capacity and resources
- Supplier failure

3.9 The list is not exhaustive and as a result can impact on the delivery of existing plans and can change the feasibility of proposed plans at business case stage.

3.10 The MTFS is monitored closely during its period and adjusted each time a material change happens. From 2019/20 adjustments to the MTFS will be reported by Cabinet alongside the quarterly budget monitoring and as a result, open to Overview and Scrutiny challenge at their quarterly meetings.

3.11 The 2019 – 2023 MTFS is included as Appendix 1

4.0 FINANCIAL

4.1 There are none arising from this report.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS

6.1 It is envisaged that the implementation of the recommendations will be carried out with existing resources.

7.0 RELEVANT RISKS

7.1 Failure by Officers of the Council to implement the recommendations detailed within the Internal Audit reports, which could result in a reoccurrence.

8.0 ENGAGEMENT/CONSULTATION

8.1 Internal Audit consulted with relevant Officers within the Council, has held discussions with colleagues within neighbouring Authorities and has sought guidance from HMRC.

9.0 EQUALITY IMPLICATIONS

9.1 There are no specific equality implications arising from this report.

REPORT AUTHOR: Shaer Halewood
Director of Finance & Investment
telephone: 0151 691 8688
email: shaerhalewood@wirral.gov.uk

This page is intentionally left blank

APPENDIX 1

**MEDIUM TERM FINANCIAL AND RESILIENCE
STRATEGY
2019/20-2022/23**

Wirral Together for a fair and sustainable budget

MEDIUM TERM FINANCIAL AND RESILIENCE STRATEGY

Summary

The Wirral Plan sets a clear direction for the Council: investment should be allocated to the agreed priority areas and budget proposals that meet the themes of the Wirral Plan:

- | | |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| PEOPLE | Wirral is a place where the vulnerable are safe and protected, every child gets a good start in life and older residents are respected and valued. |
| BUSINESS | Wirral is a place where employers want to invest and businesses thrive. |
| ENVIRONMENT | Wirral has an attractive and sustainable environment, where good health and an excellent quality of life are enjoyed by everyone who lives here. |

The financial proposals in this Medium Term Financial Strategy aims to keep Wirral balancing its budget across the next four years and successfully planning for a financial resilience future. Its strategy is to focus the available funds on priority areas and balance budgets by 2022/23.

The strategy focuses on the improvement of Wirral residents' lives by investing in key public services. It also recognises the need to do three things across the period:

- Boosting economic growth and diversification, essential for creating the jobs and income we need to pay for services.
- Creating Wealth for the many
- Being More Efficient

Since austerity started in 2010, through the Medium Term Financial Strategy, successive budgets and service reform and reconfiguration - millions has been taken out of directorate budgets.

We have developed a budget which is balanced, sustainable and legal:

- ✓ We are making no compulsory redundancies
- ✓ We have absorbed huge cuts to our funding without closing services
- ✓ We have secured major investment in services for vulnerable children and families
- ✓ We challenge every pound which we spend, to make sure it's delivering the best value.

Introduction

Wirral Council like other Councils across the country continue to face challenges in providing good quality services whilst under significant financial constraints. To meet these financial challenges to continue to maintain and deliver improvements in services, the Council must have a strategy, the Medium Term Financial Strategy (MTFS). The challenges and plans for delivery will stretch over several years, or over what is known as 'the medium term'.

The MTFS has two main elements:

- The Medium Term Financial Strategy providing an overview of the approach to the period 2019/20-2022/23.
- The Medium Term Financial Plan contains a Financial Resilience Plan setting out how council finances will be managed over the period.

The MTFS covers a 4 year period detailing anticipated funding and assumptions on spending. Our challenge for 2019/20 and beyond is to deliver our 20 pledges by generating income to replace our lost government funding.

The Council's budget also includes ring-fenced spending on education and housing benefits. These are funded by specific government grant which are ring-fenced in that they can only be used for these purposes and planning for these is undertaken separately from the revenue budget but there maybe consequential impacts which are covered by the MTFS.

Over the next 4 years we anticipate rising costs (inflation) and demand for services alongside reduced central government funding that will result in a budget gap of £45m in 2019/20 rising to £67m by 2022/23.

From 2020 there is an expectation that we will be self-funding, as a result of our final grant reductions of £9m in 2019/20 and £18m in 2020/21. We have already saved over £100m since 2010 so finding further efficiencies and savings without a significant impact on services is impossible.

To enable financial sustainability from 2020 requires a shift in the way services are funded and this will be achieved via a medium to long term programme of income, investment and growth.

Over the period the Council will achieve the following through income, investment and growth.

Short Term

Growth in income sources will make a limited contribution with the amount of council tax growing through new homes being built. Business rates are also expected to expand as new businesses are established along with fees and charges increasing too. Saving proposals will need to make up a significant part of the resolving of the funding gap and this will mean that not all services can continue to be provided in the same way.

Medium to Long Term

In the long term the Councils plan is to change approaches so that it can raise or generate more income itself and be less reliant on central government. This will be through:

- **Income and investments.** Aiding local economic development so that the area becomes more self-sufficient through economic growth, community involvement and social action.
- **Transform** how the Council works and operates to improve service and deliver pledge outcomes and reduce costs.
- **Working with partners and residents** to provide the tools to get people into employment and improve health. Through this route there will be better life outcomes and a reduced need for social care.

Alongside the MTFs, the Council sets an annual budget for the next financial year. This is an iterative process with proposals being submitted as and when they are identified to enable consultation and scrutiny to take place so that the impacts of the proposals are known in advance; it is important that the Council aligns resources available to the highest priority areas in the plan and is on-message to meet its corporate objectives. It is also essential to demonstrate good financial management, control and financial planning to ensure we can demonstrate value for money. This document provides an overview of the Council's financial position and how it will, through the Wirral Plan, make the most of the financial resources available.

The Council has responded to a changing and challenging local government financial environment. This needs to continue. It will impact on the shape and direction the Council takes, including the services it provides. The MTFs provide the financial foundations for the Wirral Plan.

HOW WE'VE DONE IT

Income

Ethical Investing

- We invest in projects to create economic growth and housing, which make us a surplus and extra Business Rates and Council Tax, to reinvest into services

Services

Better Services

- We find new ways of delivering services, which protect our workforce, to make them better at meeting modern needs and cheaper to provide

Efficiency

Better Value

- We challenge every pound which we spend, to make sure it's delivering the best value.
-

ETHICAL INVESTING

 WHY IT'S IMPORTANT	 PROOF IT WORKS
We've got two choices: cut services, and staff, or make the money to pay for them	WGC is bringing £5m+ to the Council next year, before a brick has even been laid, and £50m+ over the next decade
We're replacing the money we've lost with money we can make ourselves – we're doing it with a social conscience	We are selling old sites which we do not need any more to make money to fund services (£5m+ in two years)
We're investing in projects which bring us a surplus, and also put money into the pockets of local businesses and people	Over the next year, we'll add more than £10m to the local economy through Community Wealth Building

To enable us to continue to provide vital services to the most vulnerable, we need to find a way to replace the funding that has been cut and to do that we can generate income. We are confident in our commercial approach to generating income and have a robust and ambitious plan to regenerate the borough to deliver jobs, economic growth and income. Over the next decade the Wirral Growth Company will generate over £50m in income, with over £5m being received in 2019/20. This will enable us to continue to provide services, including non-statutory services to our communities for the future.

2019/20 will be a key year for our Community Wealth Building Strategy. Working with our anchor institutions we will be able to map our local spend and increase our local targets to ensure more of the wealth is kept within the borough. The strategy encompasses many stages and an important part of the strategy will be the opportunity to keep skills and jobs within the borough. Working with our partners we can determine whether we have adequate policies and procedures in place to ensure there is opportunity for our workers to progress within organisations to enable them to remain in work in the borough. This stems right from early opportunities within schools and latterly Wirral Met College to enable the right subjects and courses to be available for our young people to become trained in a skill where jobs are available.

Assets will feature heavily within the strategy as the Council can provide opportunities for communities in the use of its assets. Many of the assets are under utilised so providing opportunities for communities to use these in a more effective and efficient way will support communities to work together and enable local entrepreneurs.

BETTER VALUE

 WHY IT'S IMPORTANT	 PROOF IT WORKS
We've absorbed huge increases in demand for services, and absorbed massive cuts	We've invested £20m into services for children. No other Council in the country can say that.
We've lost 35% of our workforce over the past decade, but we haven't closed services	Children's services are quickly improving, with consistent praise from Ofsted. It's working.
We are keeping things going. It's not easy, we are squeezing every penny of value out of the money we have left	Protecting these services, investing in what is most important, would be impossible without generating revenue.

Through the Children & Families improvement programme the Directorate has been able to 'pay back' some of the investment funding agreed in 2017. This has been enabled by smarter and more efficient working practices, a department restructure that provide more clarity and leadership and rollout of the Worksmart project so that Children's staff are enabled to work anywhere in the borough at anytime that suits their work-life balance.

The Integration of Adult Care and Health Services alongside the CCG and trusted providers has enabled much better value to be drawn of out of services provided to the most vulnerable. The transfer of Adult Social Care Social Workers has meant that where people receiving care services previously received two visits from staff each from the Council and the NHS where they had to tell their story twice, now only receive one visit where they are able to tell their story about all their health and social care needs once. As a result of this integration, the Council is able to mitigate demand pressures of £22.1m over the four year medium term financial horizon.

Over the past decade, our workforce had reduced by 35%. We do not provide services in the same way we used to ten years ago, and nor should we, our customers are demanding different ways of interacting with the Council, some of whom do not require any human contact to enable them to do their businesses with us. Digitalisation has and continues to play a major part in providing better value for Council services. Over the past decade we have digitised as much as we can making the customer journey much smoother to enquire, book, pay and report things to the Council. As a result we do not need as many staff and this had enabled us to make significant savings and efficiencies in these areas.

BETTER SERVICES

 WHY IT'S IMPORTANT	 PROOF IT WORKS
Joining up our services improves them for people. They just work with one person, one service, to get the help they need	A 30% reduction in youth offending, through the Safer Wirral Hub
It protects public services, making them stronger and more able to withstand national cuts and meet local needs	The highest-ever rate of disabled people in employment, through our social care – NHS services
Wirral's public services are now the most joined up in the country	More than 3500 jobs created through supporting the private sector with our Chamber partnership

Every department is doing its bit by reprioritising, finding efficiencies, making sure the Council is working as well as it can for the areas long term future. As part of our reforming services programme, we aim to review all of the Council's 200+ services on a rolling basis. This will be done by:

- Testing whether each service is providing value for money for its customers
- Benchmarking costs against our nearest neighbours to determine whether we are the cheapest at providing the service that we can be
- Using insight and intelligence to predict what the service use requirements are over the long term, to ensure where we redesign a service that it is fit for the future
- Asking customers what they think about the service and whether they value it and it is important to them
- Considering whether to divest in the service where it is not meeting customer needs or providing value for money
- Considering whether the service should be provided in alternative way and/or by an alternative provider

Partnering with other organisations enables us to provide the right services in the right way as providing better services is no about the organisations we work for, it is about the communities we serve.

Financial Challenges

The Council is planning to resolve the budget gap it faces over the MTFS period through action to generate new income and reduce expenditure.

MTFS Financial Influences

The MTFS covers the four year period to 2022/23. It sets out anticipated levels of funding and financial pressures. Forecasts are kept under constant review as changes occur and decisions are taken. These are sometimes based on assumptions about inflation, financial pressures and levels of income such as from Council Tax.

The biggest influence on the Council's budget is the continuation of reductions in government grant funding and the move towards self-funding by all Councils. The business rates retention scheme (BRRS) introduced in 2013–14 has allowed councils to retain up to 50% of the real-terms growth in local business rates revenues and bear up to 50% of any real-terms falls.

The government has announced plans to increase this share to 75% by 2020/21 and continues to expand a series of pilots of 100% retention in some areas of the country including the Liverpool City Region. The aim of these reforms is to provide stronger financial incentives for councils to boost local economies and tackle the underlying drivers of spending need. However, changes may see a potential for councils' income resources to diverge from their spending needs across the England. There is a risk that affluent areas with potential to raise more income may benefit whilst poorer areas suffer. This is currently being examined by the Government as part of the Fair Funding Review.

The Fair Funding Review commenced in late 2017, with the outcomes of the needs and resources reviews likely to be implemented in 2020/21. The Needs Assessment commenced with a consultation paper and the Council responded in March this year. Further consultation including on the ability of Councils to generate income are due out later this year.

The outcome of the review is anticipated to have a major impact on the distribution of funding between Councils in England. The consultation paper is a key part of the development of a new funding formula that will ultimately assess spending needs and available resources in every Council. Few details of the likely impact on Wirral are known but will be fed into future updates of the financial projection from 2020/21.

Between 2010 and 2015 Government funding to local government will have been cut by 33 per cent in real terms. In terms of income the Council can raise further income. The reduction in grants may be offset by the Council's share of any growth in business rate income, Council Tax and fees and charges.

In addition to this the Council has and continues to restrain its costs as far as possible. This has been through savings programmes over a number of years.

Although costs have been contained the Council continues to face cost increases and unavoidable financial demands. The assumption is that inflation is absorbed within budgets and only specific contracts receive budgeted inflationary increases.

The inflationary challenges are one element of the financial pressures faced. The ongoing rise in demand led pressures for social care both in Children's Services and Adults adds to the financial challenges faced by the Council. There are also other unavoidable increases such as levy changes and pension increases. The Council has little influence, in some of these areas, over the costs that it must incur.

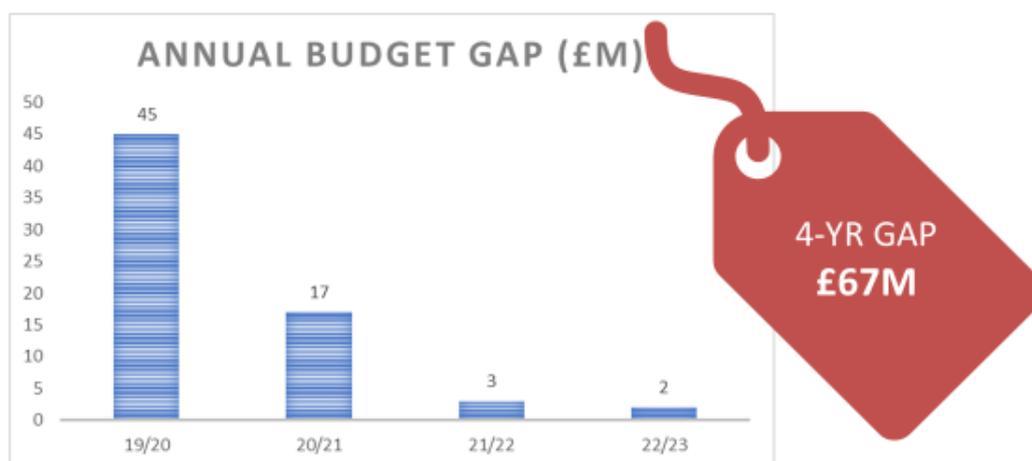
The Council will continue to invest its financial resources on its key Wirral priorities. Our annual expenditure will be focused on those areas that are most important to us.

The Government announced in December 2015 the key components of the Council's funding for the period up to 2019/20. Through Wirral's acceptance of the four year settlement deal these levels are confirmed for three years. This does and has provided some assurance around funding and enables financial planning to be clearer. There does however remain uncertainty beyond 2019/20 until 2022/23.

The Council has been able to set a balanced budget for 2018/19 with support from one off funding. However, after 2018/19 there is a new funding gap to be resolved. The gap is forecast to reach £67m by 2021/22 of which £45m relates to 2019/20.

Budget Projections 2019/20-2022/23: Budget Gap Forecast

ANNUAL BUDGET GAP



PROJECTIONS	2019/20 £m	2020/21 £m	2021/22 £m	2021/22 £m
Cumulative Budget Gap	45	62	65	67
Annual Change in Budget Gap	45	17	3	2

The financial pressures in the period 2019-23 facing Wirral Council are considerable. The MTFS projections contain anticipated cost pressures and changes that the Council has to manage. The main anticipated expenditure changes are as follows:

- Economic – inflation and pay awards;
- Demographic – investment in Services for increased demands including greater houses;
- Policy – new service requirements, government legislation, grant settlement;

There are a number of areas where there may be additional costs to the Council in future years which are uncertain at present. One area to be addressed in the period of the MTFS is the approach to containing the demand for services, cost pressures and growth in a period when grant funding is reducing.

Wirral is still reliant on government grant to support all services. Since 2010 Government grant funding has reduced each year. This drop in funding coupled with a number of increasing financial pressures such as those due to changes in our population have meant that the Council has had to save considerable amounts over recent years. Wirral will continue to face considerable financial challenges, uncertainty and funding reductions over the medium term period. Beyond 2019/20 Central Government has made no detailed announcements on the general grant funding of local government. There remains a great deal of uncertainty in projecting Wirral's' future funding and an assumption of no central grant funding has been made in the final years of the MTFS period.

Addressing the Challenges

Since 2010, Wirral has delivered a programme of savings and increased income in response to financial pressures and cuts to government funding. The response over recent years has been to find solutions through efficiencies, a number of innovations and transformation plus raising more income. The use of one off funding in 2018/19 means that the period 2019/20-2022/23 represents a new challenge and to respond requires a reset to the Medium Term Financial Strategy.

The key challenge for the Council is to maintain and improve where needed our services to the people of Wirral whilst managing with reduced central government funding.

To meet this challenge a number of financial approaches are developing and will be used across the four year period. The full details of their implementation will be through the annual budgets in each of the years of the MTFS period. It is anticipated that there will be a mix of approach across the timeframe as a number require actions that have long lead times that span a number of years.

Our MTFS approaches 2019/20-2022/23

Increasing Income Generated Locally

The future for local government finances is one in which Councils aim to be financially self-sufficient. This means that Wirral has to plan to establish a strong and buoyant tax base and other sources of direct income. This will result in more the income that will protect services. Achieving sustained economic growth in Wirral will be a key driver of income generation. However this is not an end in itself but provides benefits of greater wellbeing, inclusion and a sharing of prosperity. The Council will provide the tools to encourage local regeneration leading to jobs and growth.

1. For our Council Tax base this will mean:

- Enabling new housing through planning policy and the Local Plan.
- Ensuring that our Council Tax Reduction Scheme is fair and provides support to the most vulnerable groups.
- Planning to maximise income from Council Tax within the guidelines set by Government.

The aim across the period 2019/20-2022/23 is to:

- Increase the number of properties paying Council Tax.
- Minimise the number of homes that are empty and maximise income through the appropriate application of discounts and exemptions.
- Improve collection rates and reduce the levels of outstanding debt for Council Tax.

2. For our Business Rate base this will mean:

- Attracting new investment to Wirral.
- Using loans and grants to ensure businesses are supported in the area.
- Enabling development to take place in the area, with the mixed development of a number of sites in Wirral, using our land, prudential borrowing or other financial mechanisms to encourage regeneration and jobs including new employment, in newly developed spaces.
- Setting a fair and equitable Council Tax within the guidelines set by Government.

The aim across the period 2019/20-2022/23 is to:

- Grow and maintain the business rate tax base in Wirral.
- Maximise businesses paying the expected level of business rates.
- Improve collection rates and reduce the levels of outstanding debt for Business Rates.

3. For our commercial strategy this will mean:

- The introduction of new income sources through charges and trading, for example with local businesses.

- Review of and ensuring fees and charges take account of costs, demand and comparable charges made by others for similar services.
- Ensure the fees and charges are recognised as a key and increasingly important part of the financial resources of the Council.

4. For our Treasury Management this will mean:

- The optimisation of returns on investments whilst ensuring security and liquidity.
- Examination of new opportunities for innovative investments, balancing risk with opportunity to be more risk aware to generate short and long term income.
- Use of prudential borrowing where it is supported by a sound business case in accordance with the principles of the Treasury Management Strategy.
- Ensure that Treasury Management is recognised as a major contributor to the Councils overall financial standing the resilience. Whilst operating within the relevant guidelines and regulations.

5. For Economic Growth this will mean:

- Income into the Council through regeneration of the borough by the Wirral Growth Company
- An increase in economic growth through major new investment generating income from rental agreements
- Keeping the wealth within the borough as part of the Community Wealth Building programme to ensure opportunities are available for local people to live, work and shop in their local area

Reducing Costs

A major element of the Councils response to the financial challenges it faces is to reduce costs. The main ways of this being implemented is detailed in the next two sections:

Getting the Basics Right

Improving and modernising the Council is about understanding and responding to the needs of our residents. This means getting our everyday services right each day in all areas e.g. fixing potholes, replacing street lights, answering calls quickly, ensuring our streets are safe and clean etc. Communities need assurance that we are providing value for money for the local taxes they pay and allocating resources to the areas that matter most to them.

To enable this, we will review all services to ensure they are providing value for money through the **Reforming Services Programme**. Drawing on benchmarking and intelligence information on other Councils' operations it will review the cost and configuration of all services. The use of benchmarking and predictive modelling tool CFO Insights will assist with this approach. This online analysis tool that gives access to insight on the financial performance, socio-economic context and service outcomes of every council in England, Scotland and Wales. The tool provides a three-dimensional way in which to understand council income and spend by category, the

outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours.

The aim across the period 2019 - 2023 is to:

- To be more efficient and assess Value for money – Making sure that we deliver our services in the most cost effective way possible – streamlining processes, joining up our back office functions and not spending money on administration that could be invested in services in line with our priorities.
- Review the mechanisms for delivering services to obtain the best fit for delivery to the residents of Wirral.
- Explore and enhance partnership working – working more in partnership with others in the public, community, voluntary and faith sectors, reducing duplication and delivering better outcomes for residents.

Managing Demand

One of the approaches to managing the pressures of inevitable increased demand is to use policies and service delivery models that reduce avoidable demand. By reducing demand the Council can focus on prevention and help measures to ensure that residents received a better service and experience. Our approaches to managing demand are detailed below.

The total financial resource of the Council and wider partners needs to be maximised, prioritised and channelled to the right areas and activities. All financial planning activity will be targeted towards ensuring that resources are matched to the priorities identified in the Wirral plan, ensuring that statutory functions continue to be delivered and that enabling functions provide best value for money. Already the Council has examined and challenged the way services are delivered looking for improvements in the effectiveness of services to produce savings. It has also challenged the methods of delivery, who is delivering services the most cost effective services.

Wirral Together is a collaborative approach to focus on community and partnership based approach to a sustainable future.

Investment in Services

The financial position for the Council is challenging over the 4 year MTFS period. Despite this the Council budget will continue to deliver funding to support spending on services more than £300 million a year. The focus of the Wirral Plan and the MTFS is on prioritising the allocation of these resources to ensure the right outcomes for Wirral, at best value for money, with our partners and providers. The budget will continue to be invested in line with the Wirral Plan themes:

PEOPLE	Wirral is a place where the vulnerable are safe and protected, every child gets a good start in life and older residents are respected and valued.
BUSINESS	Wirral is a place where employers want to invest and businesses thrive.
ENVIRONMENT	Wirral has an attractive and sustainable environment, where good health and an excellent quality of life are enjoyed by everyone who lives here.

Targeting resources to those who need our help the most – this may mean changes in some services – which we are trying to deliver in a way that is both fair and equitable; promoting independence with a move away from the Council doing everything, encouraging self-help and community empowerment and resilience through Wirral Together.

A key areas for investment is Adult Social Care and Children’s Services.

In Children’s the Council will continue to invest in prevention and early intervention to help families, by actions to help them come out of and stay out need and care. We will also protect our most vulnerable groups of children through working with partners. To improve Value for money in this area there is future work to be undertaken on the procurement and commissioning of services.

The aim across the period 2019/20-2022/23 is to:

- Help Children to stay in the area with their families rather than being in expensive placements. Improving life opportunities and outcomes for our children.
- Reduce the cost of providing Children’s Social Care, through multi agency working.
- Reduce the relative high costs of providing children’s social care.

Wirral Response to the financial challenges

The increasing deficit to 2023 coupled with the ability of the Council to continue to get “the same for less” will become increasingly difficult and the emphasis for future years will be on the challenging services the Council continues to fund, integrating with partner organisation to get focus on the overall “public purse” and ensuring that efficient ways of working is at the heart of the organisation. To be successful, the Council will call on all Wirral residents to play their part for example in playing an active role in the community and supporting local shops and businesses.

The Council’s Strategic response to the funding gap is as follows:

- Increasing Income Generated Locally
- Reducing Costs: Getting the Basics Right
- Reducing Costs: Managing Demand

FINANCIAL PROPOSALS 2019/20 – 2022/23

The MTFS focus is on building the foundations for a sustainable financial future with sufficient support for services and describes how to provide the funding and services so that residents receive the support for their lives and communities.

The MTFS and the 2019/20 Budget is the next step in resolving the financial challenges we face and moving to a more self-sufficient funding position. Maintaining business as usual whilst reforming services and regenerating the local economy will be the future focus to target our resources. Establishing the correct baseline to do this is an essential component of our delivery and the MTFS sets out how we plan to do this in line with our financial principles. It details the financial remit within which the Wirral Plan directs all services up to 2023.

The table below lists the summary financial proposals identified as part of the 2019/20 budget process to balance the 2019/20 budget. The detailed proposals can be found in Annexe 1

TOTAL PROPOSALS BY PORTFOLIO	19/20 £m
Highways and Transport	0.17
Jobs & Growth	8.15
Environment	0.20
Children & Families	3.90
Adult Care & Health	8.65
Finance & Resources	17.63
Leisure and Recreation	2.95
Housing and Planning	0.10
Changes in assumptions to national funding	3.25
Total	45.00

These proposals have been consulted on following agreement from Cabinet in November 2018. They will be recommended to Full Council in March as balancing the budget for 2019/20.

Over the medium term a gap still presents to 2022/23. In the absence of any known future funding from government until this autumn in response to the fair funding review, proposals have been suggested to balance the four year funding gap. At this stage these proposals are in draft. Over the next 12 months they will be worked up as part of the continual budget process and be subject to scrutiny and challenge as part of the Star Chamber process. This will enable the proposals to be assessed for their acceptability, feasibility and deliverability before undertaking any necessary consultation (if required) and being agreed by Cabinet to go forward for implementation to balance the four year budget gap.

The four year proposals are as follows:

	2019/20	2020/21	2021/22	2023/23
	£m	£m	£m	£m
4 year Budget Gap	45	17	3	2
19/20 Budget Options in 3.14	(45)			
Review of commissioned services		(3.5)		
Children & Families Innovation Programme		(2.0)	(1.0)	
Review assumptions for pressures		(1.5)		
Income Generation		(3.0)	(1.0)	(1.0)
Depot Supersite		(0.5)		
Reforming Services Programme		(1.0)	(1.0)	(1.0)
Contract Review Year 2		(3.5)		
One-off invest to save funding		(2.0)		
Revised budget gap	0	0	0	0

Conclusion and Next Steps

The financial challenge is considerable. For Wirral this means a funding gap of £67m over the next 4 years against an overall net expenditure of less than £300m per annum.

To respond and deliver the Wirral Plan the Council will over the period of the MTFs increase income, invest in services that support the delivery of the 20 Pledges, managed demand and review what we do through Getting the Basics Right.

The total financial resource of the Council and its partners needs to be maximised, prioritised and channelled to the right areas and activities. All financial planning activity will be targeted towards ensuring that resources are matched to the priorities identified in the Wirral plan, ensuring that services continue to be delivered and enabling the provision of best value for money.

The successful delivery of the Wirral Plan and the MTFs in this challenging period is dependent on:

- A continuation of the new and focused approach to economic development in the area driving jobs and growth as the key to increasing and growing funding levels and sources. But also improving well-being for residents and bringing individual and organisational financial stability and resilience.
- A community approach to decisions and delivery with active community involvement with Wirral Together resulting in communities finding their own solutions and helping the area.
- A focus on early help and prevention to support independence and reduce demand on service.
- The prioritisation of resources to key areas.

The MTFs and budget development for 2019/20 will reflect the realignment of the Council, allocation of resources and its approach to financial strategy over the next

four years. This will drive our approaches that will also lead to balanced sustainable budgets that support all Wirral residents, communities and businesses.

ANNEXE 1

2019/20 BUDGET SAVINGS PROPOSALS

HIGHWAYS & TRANSPORT	19/20 £m
Assisted Travel Procurement	0.12
Street Lighting LED savings	0.05
Total Highways & Transport	0.17

JOBS & GROWTH	19/20 £m
Neptune development Capital Receipt	4.00
Benefits of Economic Regeneration	4.15
Total Jobs & Growth	8.33

ENVIRONMENT	19/20 £m
Cemeteries & Crematoria increased fees	0.20
Total Environment	0.20

CHILDREN & FAMILIES	19/20 £m
Special Guardianship means tested	0.80
Reduced Agency	1.00
Troubled Families Earned Autonomy funding	0.60
Business Support Saving	0.40
Looked After Children reduced numbers	0.40
Childrens restructure	0.50
Remove Golden Hellos	0.20
Total Children & Families	3.90

ADULT CARE & HEALTH	19/20 £m
LD Transformation Programme - Year 3	2.00
Mitigating Adult Social Care demand through maximising independence and wellbeing	5.80
Use of grant funding	0.85
Total Adult Care & Health	8.65

FINANCE & RESOURCES	19/20 £m
Treasury green investments	2.00

Contract review	1.50
Increase Council Tax Collection Rate	0.50
Capitalisation of salaries	0.15
Fees & Charges	1.00
Senior Manager and back office savings	1.90
Centralising IT	0.18
Asset sales Capital Receipts	1.50
Supplies & Services holiday	2.50
One off reserves	2.00
Reducing Agency/Interims/Consultants (non-Children's)	1.00
Service Review Programme	1.00
Transformation funding reduction	2.00
Pensions regulatory changes	0.40
Total Finance and Resources	17.63

LEISURE AND RECREATION SERVICES	19/20 £m
Culture income target	0.10
Expert operator for golf courses	0.80
Expert operator for Floral Pavilion	2.05
Total Leisure and Recreation Services	2.95

HOUSING & PLANNING	19/20 £m
Increase in Planning Income	0.10
Total Housing and Planning	0.10

TOTAL PROPOSALS BY PORTFOLIO	19/20 £m
Highways and Transport	0.17
Jobs & Growth	8.15
Environment	0.20
Children & Families	3.90
Adult Care & Health	8.65
Finance & Resources	17.63
Leisure and Recreation	2.95
Housing and Planning	0.10
Changes in assumptions to national funding	3.25
Total	45.00

2019/20 BUDGET PRESSURES

JOBS & GROWTH	19/20 £m
Neptune development Income	(0.20)
Total Jobs & Growth	(0.20)

ENVIRONMENT	19/20 £m
Service demand from new Housing	(0.05)
Waste contract inflation and pressures	(0.70)
Levies	(1.10)
Total Environment	(1.85)

CHILDREN & FAMILIES	19/20 £m
Ganneys Meadow and Leasowe Nursery School	(0.20)
Top up of RAA funding	(0.25)
Investment in Pause Scheme	(0.65)
Total Children & Families	(1.10)

ADULT CARE & HEALTH	19/20 £m
Demand and inflationary pressures	(6.30)
Total Adult Care & Health	(6.30)

FINANCE & RESOURCES	19/20 £m
Pay and Pensions inflation	(3.85)
Capital financing costs	(1.50)
Kingsway Academy PFI Costs	(0.35)
Total Finance and Resources	(5.70)

LEISURE AND RECREATION SERVICES	19/20 £m
Woodchurch new opening hours	(0.30)
Coastal car parking charges removed	(0.25)
Total Leisure and Recreation Services	(0.55)

TOTAL PRESSURES BY PORTFOLIO	19/20 £m
Jobs & Growth	(0.20)
Environment	(1.85)
Children & Families	(1.10)
Adult Care & Health	(6.30)
Finance & Resources	(5.70)
Leisure and Recreation	(0.55)
Total	(15.70)

**MEDIUM TERM FINANCIAL STRATEGY 2019/20-2022/23 -
A sustainable financial strategy to support our 20 Pledges**

Financial Resilience Plan

Financial Resilience Plan: Management of Expenditure and Income

Introduction

The financial position for local councils continues to be challenging. To respond over the period, improving and maintaining financial resilience is a requirement that the MTFs needs to incorporate. It is about coping with the financial shocks and unpredictable events that take place. There are a number of ways of building resilience:

- Management of Spare resources.
- Use of Reserves.
- Income Generation.
- Forecasting and management of expenditure.
- Developing a holistic view of expenditure and spending.
- Rethinking the way services are delivered.
- Anticipating what is going to take place.

However, of these, two emerge as the main ones as follows:

- Improved Internal Financial Management - A major aspect of financial resilience is managing in changing conditions and contexts.
- Increased Income- Diversification of income through various Council approaches such as regeneration and commercialisation.

Financial Resilience

Financial Resilience is a key part of the MTFs to 2023. This is for the following reasons:

- Increasing Financial Pressures on local government raising the profile of the strength of financial resilience in the sector. High profile examples at Councils such as Northamptonshire County Council demonstrate that the sector is facing a number of stresses and strains following the austerity programme that commenced in 2010 with the election of the coalition government
- Wirral financial performance and resilience changing in 2016/17 and 2017/18. While the overall outturn for the Council for both years has been favourable there has been a reliance on one-off funding such as balances and in year solutions to mitigate and put in place actions to resolve adverse financial pressures that developed in major service areas part way through both financial years. Linked to this the following has been identified:
 - A clear reduction in the level of earmarked reserves. There has been an increasing use of earmarked reserves as temporary budget funding while budget proposals are implemented.
 - Short term financial planning. The budget for 2018/19 was for one year only, rather than across a wider MTFs timeframe. There has been

limited planning for future years savings and increased additional income.

- An increasing tendency for services to have unplanned overspends and/or carry forward the implementation of financial proposals from one year to the next.
- Increasing size of the budget gap with a higher proportion of the solutions being found from one-off funding if no specific savings and additional income having been identified.

Vision for Wirral and its Finances

A combination of financial pressures in the last few years combined with increasing challenges in future years plus organisational changes make it an important priority to maintain focus on the Council's approach to its financial resilience. Building financial resilience is a key part of the MTFS planning for our finances. A major part of this is getting the basics of financial management right especially given the pressures and changes that have occurred over recent years.

Within this context the MTFS and the annual budget will continue to prioritise the themes and pledges made in the Wirral Plan and will protect those services for the most needy and vulnerable. Reductions in central government funding will continue. The future for local government finance is for all Councils to be self-sustaining. This means that the Council needs to plan for a resilient budget that includes strong income sources to protect key services to our residents.

Over the period of the MTFS the Council will seek to accomplish the following:

- A balanced four year budget agreed annually.
- Growing and diversifying income generation in the area in a sustainable way.
- Maximisation of returns from Council investments within a prudent approach.
- Maintaining investment in key services and outcomes that support the Wirral Plan 20 Pledges.
- Maintenance of the right level of earmarked reserves and general fund balances to protect Council services and mitigate against future risks.
- A four year capital programme aligned to achieving the outcomes in the Wirral Plan and the maximisation of invest to save opportunities.
- Maximisation of income generation and collection.
- Using best practice financial management approaches and control of Council budgets.
- Minimisation of fraud and corruption.

- Fit for purpose annual accounts.

Across the MTF period the Council will continually review and improve its financial resilience to ensure it can demonstrate long-term financial sustainability and the achievement what it is seeking to accomplish over the period. The approach to Financial Resilience has 4 elements being the 4 elements for financial resilience:

- Getting routine Financial Management Right.
- Benchmarking – making this routine.
- Clear plans for the delivering savings.
- Prudent use of reserves.

The key areas for development over the period are as follows:

- The future delivery of the Medium Term Financial Strategy and annual budgets within the period are dependent on changing the existing culture within the Council.
- Members and senior officials setting a tone that financial discipline is important.
- Focusing the finite resources of finance and audit on the key areas of financial risk.
- Further developing enablers that provide effective financial management. This includes Budget Holder Training, improving Management Information availability, modernising the financial management system and embedding the Financial Business Partner structure.

General Fund Balances and Earmarked Reserves

The maintenance of general fund balances and earmarked reserves at the correct level is part of the Council's strategic financial planning and approach to the management of risks it will face in the future. Both need to be maintained at sufficient levels to ensure that unforeseen financial pressures can be met without jeopardising the viability of the Council.

The Council's approach to how it manages its reserves is based on Wirral's local circumstances. The amount held is decided by the Council in line with its perceived future local demands. As such there is no standard approach to the level of reserves that could be applicable to every Council. Despite the certainty given by the four year funding settlement the financial future for the Council continues to be challenging and a number major uncertainties remain. In determining the appropriate level, the Section 151 Officer has assessed a number of local factors. In determining the appropriate level of General Fund balances the Council takes account of the strategic, operational and financial risks factors facing the Council. This approach is supported by Grant Thornton (the Council's external Auditors) and by CIPFA (Chartered Institute of Public Finance and Accountancy, the professional body which issues the guidance in this area).

Wirral Council adopts a risk-based approach to financial planning, which is used to determine the minimum level of reserves required. The aims of this approach are to:

- Ensure the General Fund Balances are set at a reasonable level – this is the Council’s ‘last line of defence’ should unforeseen financial difficulties emerge. Funding for the New Ferry explosion is an example of where these balances have been used
- Ensure earmarked reserves are set at a reasonable level to cover specific financial risks faced by Wirral Council – these may also be used on a short-term temporary basis for other purposes provided the funding is replaced in future years.

Over 2016/17- 2018/19 the overall level of available funds has and will continue to reduce. The use of one off support was planned for these years to close the budget gap. However, for future years the budget gap will be closed through the implementation of the new financial proposals and additional income. Any bridging of the gap using general fund balances and earmarked reserves will only be considered as a last resort and will only happened in the early part of the MTFS timeframe.

General Fund Balances

Wirral Council’s risk-based reserves strategy is applied in the context of the current state of the economy, the other financial risks facing the council and the underlying financial assumptions within the medium term financial plan. The level of the Working Balance must be maintained at £10m for 2018/19.

The setting and justification of General Fund balances is part of the Council Medium Term Financial Strategy. It is crucial the Council has sufficient balances, and earmarked reserves, to maintain financial standing and resilience. For local authorities there is no statutory minimum level and it is for each Council to take a view on the required level having regard to matters relevant to its local circumstances. CIPFA guidance issued in 2014 states that to assess the adequacy of unallocated general reserves the Chief Financial Officer should take account of the strategic, operational and financial risks facing their authority. The assessment of risks should include external risks, such as natural disasters as well as internal risks such as the achievement of savings. The Local Government Finance Act 1992 required Councils to consider their level of reserves at least once a year.

CIPFA state that the financial risks should be assessed in the context of the Council’s overall approach to risk management. In its paper “Local Authority Reserves and Balances” the following factors are relevant to determining the level of balances.

- The treatment of inflation and interest rates.
- The treatment of demand led pressures.
- The treatment of planned efficiency savings/productivity gains.
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments.
- The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.
- The general financial climate to which the authority is subject.

In determining the appropriate level of balances, the Council takes account of the strategic, operational and financial risks facing the Council. In planning the financial future and the level of reserves the Council considers the main risks and uncertainties including:

- Legislative changes
- Inflation
- Grants and Partnerships
- Volume and Demand Changes
- Budget Savings
- Insurance and Claims
- Energy Security and Resilience

The basis of the level of general fund balances framework are an area of risk, a budget amount, an assessed level of risk, and a percentage factor, which will vary according to the level of risk, which produces a value.

This has been Wirral Council's approach since November 2012 and is reviewed in line with CIPFA guidance. A consideration of the risks and the financial circumstances that might be faced by Wirral for 2018/19 has been made. The risk factors used in the Council's assessment are like those recommended by CIPFA guidance.

The calculation of the level of General Reserves Balances is as follows:

	2019/20	2018/19
Assessed Minimum Level of Balances	£10.0m	£10.0m

It is currently anticipated that this level will be maintained across the MTFs timeframe.

Earmarked Reserves

The Council maintains earmarked reserves in addition to its General Fund Balances, which are set aside for specific purposes. The Council is obliged to maintain a number of Legally Restricted Reserves; these are sums of money that the Council is required to set aside for legally defined purposes (e.g. the Dedicated Schools Grant). Reserves are set aside by the Council to meet future expenditure such as decisions causing anticipated expenditure to be delayed. As such they are only available to be spent on specific purposes. The categories of earmarked reserves are as follows:

Category and Purpose
INSURANCE AND TAXATION Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates appeals, etc.
TRANSFORMATION To support the Transformation programme, which includes support to deliver future savings and the reconfiguration of services.
SCHOOLS RELATED

Balances and sums for school-related services which can only be used by schools and not available to pay for Council services.

SUPPORT SERVICE ACTIVITIES AND PROJECTS

Includes Government Grant funded schemes when the grant is received and spend incurred in the following year and sums held that are earmarked for the completion of programmes such as Community Asset Transfer.

A robust reserves strategy is a key part of the financial resilience of the Council and provides the first line of defence underpinning the statutory requirement to set an annually balanced budget. Adequate reserve levels help prevent local authorities from overcommitting themselves financially, mitigate against risk and provide organisational stability in the event of unanticipated, unforeseen or emergency spending being required. An assessment of the adequacy of reserves is a key statutory requirement to be undertaken at least annually.

The Council in recent years has increasingly relied on reserves in balancing the budget and in meeting service related financial demands. Actual general fund and earmarked reserves have reduced by £20m between 31 March 2014 and 31 March 2017, representing a 20% reduction. Looking forward, reserves are forecast to reduce further to £8m by 31 March 2019.

The experience at Wirral is common to other Councils. A recent Study by the Office of Budget Responsibility contained details of the level of local authority reserves since 2010/11. This showed that in period 2015/16 and 2016/17, English local authorities drew down from their stock of reserves by £0.4 and £1.5 billion respectively. This reversed the build-up of reserves from 2010, which saw them rise by an average of just under £2 billion a year between 2010/11 and 2014/15.

Monitoring and Management

Compliance against a benchmark for general fund balances is monitored on a regular basis and reported to Members through the Revenue Monitor report. The aims of this approach are to:

- Ensure the General Fund Balances are set at a reasonable level- this is the Councils 'last line of defence' should unforeseen financial difficulties emerge;
- Compliance against this benchmark is monitored on a regular basis and reported to Members through the revenue budget monitor.

Risk

Risk is an integral part of financial resilience and is embedded in all that we do. To enable the Council to monitor its financial resilience it needs to take an assessment of risk across all activities to ensure that where corporate risks have been identified that these are being mitigated and monitored on a regular basis. The Council's Corporate Risk Register has been reviewed and updated and is included at Annexe A.

Summary

Although the budget position is very challenging and will remain so for the foreseeable future, the Section 151 Officer considers the level of reserves and balances to be reasonable for 2019/20-2022/23 based on:

- Working Balance of £10m, which assessed as reasonable given the financial risks the council is facing;
- Current level of general fund earmarked reserves.

The Council uses its reserves instead of making budget reductions the level of reserves held will reduce as they are used up. Reserves are being used in 2018/19 In future years will only be used to smooth budget changes. However, the budget changes required to balance the budget cannot be avoided using balances. In addition, using reserves means that the Council is less likely to be able to fund unforeseen events or plan for future transformational changes without the need to make further reductions in expenditure. A financial priority is the bolstering of reserves to fund support to future changes and provided financial resilience during the MTF5 timeframe.

This page is intentionally left blank



**Audit and Risk Management Committee
Monday, 11 March 2019**

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

REPORT SUMMARY

This report identifies and evaluates the performance of the Internal Audit Service and includes details of any issues arising from the actual work undertaken during the period 1st January to 28 February 2019. There are four 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 January to 28th February 2019.

3.2. Items of Note

3.2.a Annual Governance Statement

Work is currently in progress in conjunction with colleagues from Governance and Assurance to support the preparation of the Annual Governance Statement for 2018/19. This work involves meetings with Directors to discuss the effectiveness of arrangements in their respective areas as well as the completion of Governance Assurance Statements and targeted work.

Outcomes from this work will be reported to the Corporate Governance Group and SLT before consideration by Members and other stakeholders in May 2019.

3.2.b Integrated Commissioning

A joint audit review with Merseyside Internal Audit Agency (CCG Internal Auditors) has recently been completed to review key aspects of this important initiative. The work culminated in a position statement being prepared for the joint venture on key aspects of governance, risk management, commissioning and contracting, performance management and finance. Matters reported included:

- Overarching governance arrangements and Terms of Reference are clearly detailed in the underpinning S75 document;
- A risk register is in the process of being developed; finance and performance risks are reported to key meetings;
- There are clear examples of success in joint working; it is recognised by both partners that there is significant transformation and change required to develop a truly integrated commissioning and contracting approach;
- There are comprehensive and long standing arrangements for the performance monitoring of the BCF; there is scope for further detail within performance reports in respect of outcomes and impact of schemes across the pooled fund;
- There is a greater transparency and understanding of the Council and CCG financial positions; any further expansion of the pool would require a more sophisticated risk share arrangement to be developed and agreed though.

Further joint audit work is planned in 2019/20, the outcomes of which will be reported to Members of this Committee in due course.

3.2.c Merseyside Pension Fund (MPF)

MPF has been exploring options to increase the proportion of its assets managed internally, consistent with its long-term investment philosophy and with due regard to risk. The Fund has been evaluating the potential to extend the use of systematic investing within its equity mandates through an in-house managed multifactor global equity portfolio. The initial commitment to the portfolio will be approximately £200M. An audit has been conducted as part of the Internal Audit Plan for 2018/19 at the request of the Director of MPF to ensure the risks associated with the proposed investment system and processes have been appropriately addressed.

The review concluded that the development process for the Internal Factor Portfolio has been robust and the proposed control environment for the operation of the Portfolio is considered effective. The audit did result in 2 recommendations agreed with management for enhancing the implementation process and control environment for the investment portfolio.

A follow-up review will be undertaken by Internal Audit later this year to assess the progress made with implementing the recommendations and their effectiveness.

3.2.d Regeneration Projects

Internal Audit are currently providing input to a number of key strategic initiatives on an ongoing basis supporting these initiatives by providing advice and guidance on a range of governance related issues and ensuring that effective control environments are in operation including clear accountability. Current projects include:

- Wirral Waters
- New Ferry Fund Workshop
- Markets

Outcomes from this work will continue to be provided to this Committee.

3.3 Outstanding Audit Recommendations

3.3.a Attached at Appendix 1 is a 'tracker' table identifying information relating to those audits where recommended actions included in audit reports for the current year to date have not been fully implemented within agreed timescales and yet still present a serious risk.

3.3.b Where items are addressed by officers those entries are removed from the report on a rolling basis.

3.3.c The one item currently identified as outstanding is currently BRAG rated as 'amber' although follow up work is currently being undertaken, the outcome of which will be reported to this Committee in due course.

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.	80	79
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 recent 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;
- Development of streamlined, more effective planning and management system for 2019/20;
- Ongoing improvements to the Internal Audit Communications strategy incorporating more effective utilisation of Intranet;
- Development of Traded Services offer to Academy Schools for Internal Audit services;
- Improvements to Maintained 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.

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

APPENDICES

Appendix 1: Audit Recommendations Status Report

REFERENCE MATERIAL

Internal Audit Plan 2018/19

SUBJECT HISTORY (last 3 years)

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

**INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS
PERIOD: 01 APRIL 2018 TO 28 FEBRUARY 2019**

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

1. Completed Audits - RED or AMBER flag

Audit	Date	Business Area	Organisational Risk	Summary of Findings and Conclusions	Total Recs (H,M)	Implementation timescale for all actions Responsible Officer	Status	RAGB Status
Friends of Royden Park	21/09/2018	Delivery Services	Moderate	Several recommendations made relating to Governance, Finance and Property.	13 (13, 0)	September 2018 to June 2019. Senior Manager Parks & Countryside / Corporate Director Delivery Services (Assistant Chief Executive)	Final Report issued 21/09/18. Action Plan completed. No recommendations have been implemented and Officers are considering what further action to take. A follow up is in progress. Internal Audit will continue to monitor.	A

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

Audit	Date	Business Area	Internal Audit input / improvement activity	Outcome and timescale (if appropriate)	RAGB Status
Wirral Growth Company finance workstream	09/11/2018	Strategy & Partnerships	Attendance at Finance Workstream, liaison with appropriate senior officers across Council and awareness of issues with similar developments at other Councils.	Position statement to be shared with members giving assurances, explanations and current audit key risk areas.	A

KEY:

Organisational Risk	
MAJOR	A major organisational risk opinion indicates that the likelihood/impact of the risks identified during the review, should they materialise, would leave the Council open to major risk of a fundamental or material nature. This opinion suggests that there are some potentially serious weaknesses in the design and/or operation of the control environment that may have a significant impact on the achievement of systems and or corporate objectives if not addressed.
MODERATE	A moderate organisational risk opinion indicates that the likelihood/impact of the risks identified during the review, should they materialise would leave the Council open to moderate risk of a fundamental or material nature. This opinion suggests that there are some weaknesses in the design and/or operation of the control environment that may have varying degrees of impact on the achievement of the systems and/or corporate objectives.
MINOR	A minor organisational risk opinion indicates that the likelihood/impact of the risks identified during the review, should they materialise, would leave the Council open to minor risk.
NEGLIGIBLE	A negligible organisational risk opinion indicates that there were no weaknesses identified during the review and that the Council is not exposed to any risks directly associated with the findings.

RAGB status		
B	Audits	All actions agreed and implemented, with no further Internal Audit action necessary.
	Follow Ups	All actions implemented, with no further Internal Audit action necessary.
G	Audits	Most actions agreed and implemented, e.g. low priority recommendations are outstanding, with no further Internal Audit action planned.
	Follow Ups	Most actions implemented, e.g. low priority recommendations are outstanding, with no further Internal Audit action planned.
A	Audits	Actions agreed and officers committed to implement within agreed timescale.
	Follow Ups	Actions in process of being implemented within agreed timescale with some implemented.
R	Audits	Actions agreed
	Follow Ups	Little or no progress made to implement actions within agreed timescale.

Recommendation Priority Rating	
HIGH	A matter that is fundamental to the control environment for the specific area under review. The matter may cause a system objective not to be met. This needs to be addressed as a matter of urgency (suggested timescale: within one month).
MEDIUM	A matter that is significant to the control environment for the specific area under review. The matter may threaten the achievement of a system objective.
LOW	A matter that requires attention and would improve the control environment for the specific area under review. The matter may impact on the achievement of a system objective.



**Audit and Risk Management Committee
Monday, 11 March 2019**

REPORT TITLE:	INTERNAL AUDIT ANNUAL PLAN 2019/20
REPORT OF:	CHIEF INTERNAL AUDITOR

REPORT SUMMARY

The report identifies the Internal Audit Plan of work for 2019/20.

Work scheduled for completion has been included to reflect the findings of the extensive planning exercise recently undertaken to identify risks to the organisation.

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

RECOMMENDATION

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

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 The Audit and Risk Management Committee is required by its terms of reference to advise on the adequacy of the Council's strategic risk management, internal control and governance processes.
- 1.2 The Public Sector Internal Audit Standards produced jointly by the Chartered Institute for Public Finance and Accountancy and the Chartered Institute of Internal Auditors sets out the expected professional standards for Internal Audit in Local Government.
- 1.3 The standards set out the requirement for a risk based internal audit plan. This report identifies the Annual Internal Audit Plan for 2019/20.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 FINANCIAL

- 3.1 There are none arising from this report.

4.0 LEGAL IMPLICATIONS

- 4.1 There are none arising from this report.

5.0 RESOURCE IMPLICATIONS

- 5.1 There is none arising from this report.

6.0 RELEVANT RISKS

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

7.0 ENGAGEMENT/CONSULTATION

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

8.0 EQUALITY IMPLICATIONS

8.1 There are none arising from this report.

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

APPENDICES

Appendix 1: Internal Audit Annual Plan 2019/20

REFERENCE MATERIAL

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

SUBJECT HISTORY (last 3 years)

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

This page is intentionally left blank

WIRRAL INTERNAL AUDIT SERVICE

INTERNAL AUDIT PLAN

2019 - 2020

**Internal Audit Service
Marriss House
Hamilton Street
Birkenhead
Wirral
CH41 5AL**

Section One

INTRODUCTION

- 1.1 This document summarises the results of Internal Audit's planning work. It sets out details of the:
- Responsibilities and scope of internal audit
 - Resourcing and delivery of the Council's internal audit service
 - Arrangements for reporting internal audit work
 - Proposed programme of work for 2019/20 (the Audit Plan)
- 1.2 The Audit Plan for 2019/20 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). The PSIAS represent mandatory best practice for all internal audit service providers in the public sector.
- 1.3 The Council has adopted the PSIAS definition of internal auditing:
- Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.4 In accordance with PSIAS, the mission of internal audit is to:
- Enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
- 1.5 The work of internal audit is a key element in delivering the Council's strategic priority of corporate effectiveness and business efficiency, but also supports the Council in achieving all the aims and objectives set out in the Wirral Council Plan: A 2020 Vision.
- 1.6 The PSIAS require that the internal audit service is delivered and developed in accordance with the internal audit charter. The Council has formally agreed provisions relating to internal audit as detailed in the Financial Procedure Rules of the Council's Constitution in accordance with the Internal Audit Charter.

Section Two

INTERNAL AUDIT – RESPONSIBILITIES AND SCOPE

2.1 *Responsibilities of internal audit*

The internal audit function is responsible for:

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

2.2 *Responsibilities of management*

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

2.3 *Responsibilities of the Audit and Risk Management Committee*

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

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

2.4 *Responsibilities for fraud prevention and detection*

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

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

2.5 *Scope of internal audit activities*

The scope of internal audit work includes:

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

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

Section Three

RESOURCING & DELIVERY OF INTERNAL AUDIT

3.1 *Resource requirements*

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

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

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

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

3.2 *Delivery of the internal audit service*

The 2019/20 Internal Audit Plan will be delivered by a highly experienced and suitably qualified in-house team of 11 FTE auditors. The level of available internal audit resource is considered sufficient to deliver a robust annual internal audit opinion to the Audit and Risk Management Committee.

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

3.3 *Independence and objectivity*

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

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

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

3.5 *Assurance services to other organisations*

The only assurance work provided to an external party is that delivered to Edsential which is the trading company established to deliver support services to Schools. Wirral Internal Audit Services have included some time within the audit plan for 2019/20 to accommodate work of this nature during the year as required.

Section Four

INTERNAL AUDIT REPORTING ARRANGEMENTS

4.1 *Distribution of internal audit reports*

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

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

4.2 *Overall assurance opinion*

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

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

Minor	This opinion indicates that the likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to minor risk.
Negligible	There were no weaknesses identified during the review

4.3 *Reporting to elected members*

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

In addition to this, Members are emailed a bi-monthly Internal Audit Activity Summary report throughout the year identifying audits completed, opinions provided, summary findings and a RAGB rating indicating the status of actions being taken by officers in response to audit recommendations. Information is provided in this manner to ensure that the timeliness of data provided is maintained effectively on an ongoing basis.

4.4 *Annual Audit Opinion*

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

Section Five

INTERNAL AUDIT PLAN - METHODOLOGY

5.1 *Requirements of the Public Sector Internal Audit Standards*

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

5.2 *Development of the Audit Plan*

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

- The Council's risk management processes
- Senior management's views on risk in their areas of responsibility
- The results of previous internal audit work
- Other existing sources of assurance, including the work of external audit
- New or emerging risks affecting the Council or local government as a whole
- Known changes to the Council's business, operations, programs, systems, and controls
- The requirement to ensure sufficient and wide ranging coverage in order to provide a robust annual audit opinion
- Any planned work deferred from the 2018/19 Audit Plan that is still considered a priority

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

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

5.4 *Budgeted time allocations*

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

5.5 *Timing and prioritisation of audit work*

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

- The need to finalise any work from 2018/19 that remains incomplete at year-end
- The requirement to provide assurance over the Council's key financial systems
- The views of management of the service areas in regard to the timing of work
- Any other factors that may be relevant to the timing of a particular piece of work
- Any urgent unplanned work arising
- Changes in the level of audit resources available

5.6 *Significant interim changes to planned work*

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

Section Six

SUMMARY INTERNAL AUDIT PLAN

Audit Area	2019/20 Audit Days
Business Management (including financial systems, governance)	567
Children’s Services (Including Schools)	258
Delivery	63
Economic & Housing Growth	78
Health & Care	53
Strategy & Partnerships	36
Merseyside Pension Fund	150
ICT	187
Counter Fraud	300
Advisory	45
Contingency	105
Total Planned Audit Days	1842

Area of Audit Work	Risk Context	Overview of Assurance	2019/20 Audit Days
BUSINESS MANAGEMENT			
Corporate Governance / Annual Governance Statement (AGS)	<p>Statutory requirement for the Council to produce an Annual Governance Statement.</p> <p>Failure to maintain effective corporate governance could result in poor decision-making, malpractice and breach of legislation, leading to regulatory intervention and significant cost, both in financial terms and to the reputation of the Council.</p> <p>(Corporate Risk).</p>	<p>Undertake work to support and assist in the preparation of the Annual Governance Statement, ensuring it aligns with knowledge and understanding of structures and processes in place. .</p> <p>Provide support and challenge to development of governance arrangements, including attendance and support for Corporate Governance Group and review of Code of Corporate Governance.</p> <p>Assessment of risks and mitigating controls to ensure the Council maintains effective corporate governance.</p>	X
Risk Management	A robust risk management framework is essential to ensure the range of risks to service delivery and achievement of Council priorities are effectively managed.	Support for the on-going development of the Council's risk management arrangements. Overview of the Council's risk management arrangements. Support, challenge and evaluate the extent to which corporate risk management policy is consistently applied corporately and within service departments.	X
Ethical framework	Robust ethical procedures will help ensure good governance and protect the Council's reputation.	Review of risk areas within Council's Ethical Framework. Evaluate the effectiveness of the processes supporting compliance with ethical	X

Area of Audit Work	Risk Context	Overview of Assurance	2019/20 Audit Days
		governance principles.	
Performance Management – Business Planning	Effective performance management arrangements remain key to ensuring Council activity is geared to achievement of Council objectives.	Review of aspects of the business and service planning arrangements in a sample of Council departments.	X
Financial Resilience	Failure to effectively manage changes to the way that the Council is funded could lead to poor decisions on service reductions, unplanned efficiencies and in year overspends, resulting in the Council being unable to deliver priority services to vulnerable communities. (Corporate Risk)	Assessment of risks and mitigating controls to ensure the Council's has robust arrangements in place for ongoing financial resilience.	X
Employee engagement and capacity for change	A risk that insufficient capacity or expertise, cultural resistance from staff or ineffective engagement with partners means that the ambition of the Wirral Plan is not realised, perpetuating inefficiencies and preventing required outcomes from being achieved. (Corporate Risk)	Assessment of risks and mitigating controls to ensure the Council has appropriate arrangements in place to overcome potential barriers to the delivery of the Wirral Plan, including capacity, cultural and partner engagement.	X
Financial Systems <ul style="list-style-type: none"> • Council Tax • Business Rates • Payroll 	These systems provide material disclosures for the financial statements. (S151 requirement).	High level reviews evaluating and testing the effectiveness of the key controls within each financial system and focused on any emerging key risks areas.	X

Area of Audit Work	Risk Context	Overview of Assurance	2019/20 Audit Days
<ul style="list-style-type: none"> • Benefits • Accounts Receivable • Accounts Payable • Income Reconciliation 			
Client Finance Support Team	These operations provide essential support to vulnerable clients.	Assurance on effectiveness of the client finance support systems reviewed on a cyclical basis. i.e. Direct Payments, Court of Protection.	X
Business Support	Business support systems underpin the delivery of effective customer services.	Assurance on effectiveness of systems for business support within Customer Services.	X
Capital Financing	These systems provide material disclosures for the financial statements.	High level reviews evaluating and testing the effectiveness of the key controls within the Capital Programme, Assets and Treasury Management operations focused on any emerging key risks areas.	X
Financial Accounting System	These systems provide material disclosures for the financial statements.	High level reviews evaluating and testing the effectiveness of the key controls within the accounting practices and budgetary control focused on any emerging key risks areas.	X
Financial Management	Provision of assurance to the S151 Officer on the supporting financial management systems. Weaknesses in financial management	Reviews evaluating and testing the effectiveness of the key controls within the financial systems that support the Council's business and focused on any emerging key risks areas.	X

Area of Audit Work	Risk Context	Overview of Assurance	2019/20 Audit Days
	result in the poor use of the Council's available resources (Critical Operational Risk) .	Assessment of risks and mitigating controls.	
Regularity testing	A risk of non-compliance with Council financial policies and procedures.	Focussed sample testing of transactions, using IT assisted sampling approach and agreed exception parameters to determine sample, to identify any significant instances of non-compliance.	X
Grants	Essential to maximise income and prove details claimed are accurate and prompt.	Responsive work prior to despatch of claims	X
Commissioning	Important for organisation to maintain effectiveness of identifying outcomes to meet needs through efficient market intelligence and stakeholder involvement. Risk of interruption to the delivery of vital services from the failure of a critical supplier (Critical Operational Risk)	Support and guidance plus compliance work regarding: - Environmental Improvements - Highways - Consultants - Procurement Assessment of risks and mitigating controls.	X
Constitution	Essential to overall good governance that the Council's Constitution is current, relevant and functions effectively.	Annual review and feedback to Monitoring Officer regarding assurance on effectiveness and corporate compliance.	X
HR Policies and Procedures	Important compliance with legislation and Council policies.	Assurances on effectiveness of sample of key policies and procedures.	X

Area of Audit Work	Risk Context	Overview of Assurance	2019/20 Audit Days
Commercialism	Impact on future income flows of any failure to develop and deliver commercial culture and processes.	Annual review of governance, specifically efficiency and effectiveness of decision-making regarding commercial ideas and the actual improvements in income as a result.	X
PRAD Forms	Failure to comply with the Council's Contract Procedure Rules.	Review of the completion and authorisation of the various PRAD forms, specifically the exceptions to the Contract Procedure Rules.	X
Transformation/Change	Important to continually review and develop Council processes to meet business needs.	Reactive input to projects.	X
Health and Safety Management	If health and safety/compliance policies and procedures are not sufficiently developed, tested or adhered to by officers, members or contractors, this could lead to an incident resulting in harm to employees/Members/members of the public, legal challenge and reputational damage. (Corporate Risk)	Assessment of risks and mitigating controls to ensure full compliance with legislative requirements and policies agreed with Council's partners.	X
Mayor's Charity	Failure to comply with Charity Commission requirements.	Undertake Independent Examination of the Mayor's Charity accounts.	X
Follow-ups	Agreed recommendations not implemented.	Follow up of all audit recommendations.	X
TOTAL BUSINESS MANAGEMENT			567

Area of Audit Work	Risk Context	Overview of Assurance	2019/20 Audit Days
CHILDREN'S SERVICES			
Schools	Appropriate financial control arrangements and sound governance procedures are essential to ensuring effective financial management in school.	An audit programme focussed on financial and governance risks is undertaken at all schools over a 4 year programme, with phasing planned based on risk assurance rating. Ongoing support and guidance on effective control environments provided as requested.	X
Troubled Families	Need to maximise income and prove details claimed accurate and valid.	Verification of grant claim details including appraisal of outcomes.	X
Significant Safeguarding Incident	The Council and its partners do not effectively manage their relevant safeguarding risks, leading to a safeguarding incident, resulting in harm to individuals and/or families, potential legal challenge, resident dissatisfaction and public scrutiny. (Corporate Risk)	Assessment of risks and mitigating controls to ensure safeguarding issues are correctly identified, actioned appropriately and outcomes monitored.	X
Children's Services	Important that service maintain effective systems of governance, performance and finances to ensure ongoing delivery of statutory requirements.	Payments and processes reviews to give assurances on accuracy and control, covering Social Care Payments, Cash Handling Controls and Early Years Provision.	X

Area of Audit Work	Risk Context	Overview of Assurance	2019/20 Audit Days
Leaving Care Grants	Potential inaccuracy and inefficiency in payments to care leavers.	Assessments of policy compliance, methodology of payments and monitoring procedures.	X
TOTAL CHILDREN'S SERVICES			258
DELIVERY			
Asset Ownership Liability	Reductions in resources for the preventative maintenance and repair of physical assets result in a significant asset failure, leading to injury and/or interruption to service delivery. (Critical Operational Risk)	Assessment of risks and mitigating controls to ensure sufficient ongoing asset reviews take place, with necessary funding streams to schedule required improvements to meet legislative and operational requirements.	X
Highways Services	Recently redesigned service controlled in-house providing planned and reactive services.	Assessment of governance and performance aspects of managed service with assurances regarding operation of key financial controls.	X
Homelessness	Provision of essential service to assist vulnerable individuals.	Assurances regarding legislative and policy compliance, identification of priority cases and working with partners to provide support.	X
Edsential	Potentially significant risks associated with delivery of these external services to schools.	Potential to undertake targeted audit work, as part of an SLA, to contribute to development and operation of effective control environment.	X

Area of Audit Work	Risk Context	Overview of Assurance	2019/20 Audit Days
Wirral Evolutions	Important Local Authority Trading Company delivering services regarding day centres and day opportunities. Essential that governance arrangements are robust.	Delivery of service agreement covering key governance, performance and financial aspects of service, including ongoing consultancy advice on control environment within Centre and specific sites.	X
TOTAL DELIVERY			63
ECONOMIC & HOUSING GROWTH			
Local Plan	A failure to ensure the Council's arrangements for the consultation, publication and implementation of the Local Plan could result in intervention, a loss of control over future development and missed opportunities to promote economic growth. (Corporate Risk)	Assessment of risks and mitigating controls to review whether the Council has appropriate arrangements for the consultation, publication and implementation of the Local Plan	X
Exposure to Economic and Market Risk	The aggregate level of risk presented by multiple regeneration projects is not recognised, leaving the Council over-exposed in the event of a downturn in the economy and/or markets. (Corporate Risk)	Assessment of risks and mitigating controls to ensure the Council is effectively engaging with relevant partners concerning contingency plans, with full awareness of financing options and contractual requirements.	X

Area of Audit Work	Risk Context	Overview of Assurance	2019/20 Audit Days
Wirral Growth Company	<p>The partnership agreement for the Wirral Growth Company is not signed preventing the Council from setting a legal budget and undermining public and investor confidence in the authority.</p> <p>Lack of an effective ongoing working relationship with development partner leading to delays and ineffective delivery.</p> <p>Failure of the Wirral Growth Company to deliver anticipated benefits undermines the Council budgetary position, economic growth aspirations and public and investor confidence in the authority.</p> <p>(Corporate Risk)</p>	Assessment of risks and mitigating controls to ensure all risks and opportunities effectively covered in agreement with development partner and clear governance processes structure the continuing working arrangements.	X
Wirral Waters	Potential failure to deliver on target with commensurate impact on regeneration plans and planned income streams.	Reviews of control environment to ensure satisfactory progression of projects within regeneration scheme and advice regarding operation of Investment Fund.	X
TOTAL ECONOMIC & HOUSING GROWTH			78
HEALTH & CARE			
Demand Management	Failure to improve the quality of health and care services through integrated commissioning and delivery arrangements, could lead to demand	Assessment of risks and mitigating controls in respect of integrated commissioning and delivery of health & care	X

Area of Audit Work	Risk Context	Overview of Assurance	2019/20 Audit Days
	continuing to increase, leaving the Council exposed to increased financial pressures in relation to meeting social care assessed need. (Corporate Risk).		
Upstream / preventative activity	Insufficient time and resource for preventative and upstream activity mean that outcomes for vulnerable people do not improve, resulting in demand for reactive services not reducing, or increasing. (Corporate Risk).	Assessment of risks and mitigating controls to help ensure the Council has appropriate arrangements in place to manage the risks in respect of improving outcomes and reducing demand for reactive services for vulnerable people.	X
Controcc Payments	Essential that accurate and efficient payments are made to genuine care recipients.	Review control arrangements regarding care financials system.	X
TOTAL HEALTH & CARE			53
STRATEGY & PARTNERSHIPS			
Partnership working	Inability to take advantage of collaborative opportunities locally and nationally, limiting improvement in economic conditions for the community	Assessment of risks and mitigating controls to help ensure the Council has sound overarching arrangements to manage the corporate risk, including in respect of the Wirral Plan and LCR.	X

Area of Audit Work	Risk Context	Overview of Assurance	2019/20 Audit Days
	and the Council's funding position. (Corporate Risk)		
Brexit	Uncertainty caused by Brexit adversely affects public and market confidence, impacting on demand for housing, investment funding being sustained, and lack of workers available for care type work. (Corporate Risk)	Assessment of risks and mitigating controls to ensure full awareness on an ongoing basis of the potential implications of Brexit as negotiations continue and outcomes become clearer.	X
TOTAL STRATEGY & PARTNERSHIPS			36
PENSION FUND			
	The Council as administering authority for the Merseyside Pension Fund (MPF) is required to make arrangements for the proper administration of the financial affairs of the Fund and provide assurance they are managed to secure effective, economic and efficient use of resources and to safeguard its assets.	Provision of an opinion on the MPF control environment based on the outcomes of a separate cyclical MPF internal audit plan. The plan is updated annually to take into account the emerging key risks facing the Fund, and is delivered in accordance with the approved service level agreement. The work is split between: Pensions Administration; Investments, Accounting & Compliance; and cross cutting risk areas.	X
TOTAL PENSION FUND			150

Area of Audit Work	Risk Context	Overview of Assurance	2019/20 Audit Days
ICT			
Cyber Security	IT security is insufficient to deter, detect and prevent unauthorised access to IT systems, resulting in loss of data and disruption to Council services. (Corporate Risk)	Assessment of risks and mitigating controls to provide assurance that there are robust controls in place to prevent a wide range of Cyber-Attacks. Reviews to include the protection of internet connected systems in the following areas: <ul style="list-style-type: none"> - cyber governance - application of security controls - cloud strategies and controls - threat and vulnerability management - firewall and network security - compliance. 	X
Data Governance	Insufficient or ineffective information governance results in the wrongful release of a significant amount of personal and/or sensitive information. (Critical Operational Risk)	Assessment of risks and mitigating controls to provide assurance that there are sufficient controls in place to manage key risks in the various aspects of information management including sharing, recording, storing, security and compliance. To provide assurance that information is managed in line with the LPS Data Handling Guidelines.	X
Business Continuity/ Disaster Recovery	Insufficient Business Continuity Plans and Disaster Recovery processes - Failure to coordinate and maintain effective business continuity plans leaves the Council unable to respond to an incident, resulting in a major failure in	Assessment of risks and mitigating controls to provide assurance that there are sufficient controls in place to manage key risks.	X

Area of Audit Work	Risk Context	Overview of Assurance	2019/20 Audit Days
	service delivery (Corporate Risk) Risk of critical IT failure - A sustained outage of the Council's network or of critical systems / applications from deliberate action, unintentional error or physical events (storm, flood, fire etc.) (Critical Operational Risk).		
Digital Transformation Programme	Successful delivery of the digital transformation programme is crucial to the delivery of the Council's transformation agenda. Key digital transformation projects currently underway include: <ul style="list-style-type: none"> - Access Wirral - Customer Access Solution - Digital Infrastructure (Full Fibre Network) - Microsoft Teams and Sharepoint. 	To provide assurance that projects are managed and monitored sufficiently to ensure that they are delivered in time, on budget and planned benefits are realised.	X
Follow-ups	Agreed recommendations not implemented.	Follow up of recommendations made by internal and external assurance providers to provide assurance that actions are implemented in a timely manner.	X
TOTAL ICT			187

Area of Audit Work	Risk Context	Overview of Assurance	2019/20 Audit Days
COUNTER FRAUD			
Counter Fraud Strategies, Policies and Awareness Training	Fraud and corruption are ever present risks to all organisations. It is important therefore that the Council's arrangements to counter fraud reflect best practice.	Review internal fraud policies and evaluation of awareness and compliance across the Council and continued delivery of awareness training for all employees.	X
National Fraud Initiative (NFI)	NFI matches data across organisations and systems to help public bodies identify anomalies which may signify fraud. The Council is required by law to participate in NFI.	Coordination of the NFI 2018/19 exercise, including the investigation of matches and review of user outcomes. To identify possible cases of fraud and error from data provided through NFI and ensure that corrective action is taken in respect of any identified under/overpayment.	X
Fraud – Reactive	Fraud referrals deemed of sufficient significance to be referred to and accepted by the CIA are investigated by Internal Audit in line with the Counter-Fraud and Corruption Strategy.	Investigations of allegations/referrals to Internal Audit	X
Fraud – Proactive	Fraud and corruption are ever present risks to all organisations. It is important therefore that a programme of proactive anti-fraud work is undertaken to prevent and detect fraud.	Risk based proactive work to prevent and detect fraud.	X
TOTAL COUNTER FRAUD			300

Area of Audit Work	Risk Context	Overview of Assurance	2019/20 Audit Days
ADVISORY			
Audit Queries		Time allocation for specific queries that arise from directorates that require audit services.	X
Corporate Working Groups National/Regional Working Groups		Time allocation to contribute to Audit Working Groups (in addition to that included under respective risk areas above)	X
TOTAL ADVISORY			45
TOTAL CONTINGENCY		Time allocation to allow for new emerging risks and unplanned work for example large investigations.	105
TOTAL AUDIT DAYS			1842



**Audit and Risk Management Committee
Monday, 11 March 2019**

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

REPORT SUMMARY

The purpose of this report is to provide Members of the Committee with an update on the activities of the Counter-Fraud Team within Internal Audit. The report covers the 2018/19 year to date.

Although the Counter-Fraud Team works closely and collaboratively with the Fraud and Compliance Team within Revenues and Benefits, this report does not include the extensive specialist activities of their work which is reported to Members separately.

RECOMMENDATION

That the report is noted and that Members continue to support the work of the team.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 To provide Members with assurance that the Council is taking appropriate action to address the risk of fraud and that suspected frauds are investigated and appropriate actions taken to prosecute perpetrators, recover losses and improve financial controls.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND AND AUDIT OUPUT

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre (CFC) lead on work to counter fraud and corruption across public services and in conjunction with the National Fraud Authority currently estimate that fraud and corruption costs the public sector over £20.5 billion annually.

- 3.2 The main areas of fraud within the public sector as highlighted by the Counter Fraud Centre are:

- Business Rates;
- Procurement;
- Social Care and Welfare Assistance;
- Council Tax;
- Disabled Parking (Blue Badge);
- Debt;
- Insurance Claims;
- Economic and voluntary sector (grant fraud);
- Recruitment Fraud;
- Insider Fraud – payroll / expenses/ abuse of works time or position.

- 3.3 The high risk fraud areas detailed have been incorporated into the annual Internal Audit planning process and audit work has been identified that will be undertaken during 2019/20.

COUNTER-FRAUD TEAM

3.4 The remit of the Counter Fraud Team is to:

- Prepare relevant best practice policies and procedures,
- Facilitate changes to the culture of the organisation by raising awareness amongst the workforce to fraud and corruption through targeted training,
- Proactively manage the risk of fraud to the Council through targeted audits in high risk areas,
- Provide both a proactive and a reactive response to tackling fraud across the authority.

3.5 Also included within this remit is the investigation of serious financial frauds perpetrated against the Council, as well as the teams either direct or supporting involvement with disciplinary and grievance cases, which can often be linked to criminal offences and their subsequent reporting to senior management.

ACTIVITIES UNDERTAKEN

Engagement with Fraud Groups

3.6 The Counter Fraud Team continues to chair and co-ordinate the activities of the Mersey Region Fraud Group (MRFG) which consists of a number of neighbouring authorities and partner organisations. The group is committed to developing a regional approach to counter fraud, including the production of generic policies and procedures and undertaking collaborative working in targeted areas, such as data matching and other counter fraud exercises.

3.7 The Team also contributes to the North West Chief Audit Executives Counter-Fraud Sub Group, who develop practical solutions to mitigate current and emerging fraud risks and respond to sector related change and challenges.

National Fraud Initiative

3.8 The Team oversees and co-ordinates the Council's involvement in the National Fraud Initiative (NFI) which the Council is required by law to participate in. This is a national exercise using data matching audit techniques. Council-wide data sets covering a wide range of financial and non-financial applications such as Housing Benefits, Council Tax, Electoral Registration, Pensions, Payroll, Creditors, Blue Badges, Residential Care Homes and Personal Budgets are uploaded to the Cabinet Office website, which are then matched with data within and between participating bodies to identify potential frauds, overpayments and errors.

3.9 On receipt of the results the Council then has responsibility to follow up and investigate the matches. The main NFI data matching is undertaken every two years, the results of these matches is fed into a national report at the end of each cycle. Data sets were submitted in October 2018 for the 2018/19 NFI biennial data matching exercise and results of data matches were received at the end of January 2019.

- 3.10 The NFI exercise consistently generates significant savings for the Council, arising largely from payments recovered or stopped. Traditionally the exercise generates in the region of £200,000 which the Council is able to recover, the precise figures for the current exercise will not be known until the returned matches have been investigated later this year.
- 3.11 The Team has worked with departments to develop and implement Action Plans taking into account lessons learnt from this exercise. The aim being to identify common themes and recurring types of frauds, overpayments and errors, so that departments can identify what changes can be made and measures taken to reduce their incidence.

Self-Assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

- 3.12 To support the work of local authorities, the CFC publishes a Code of Practice on Managing the Risk of Fraud and Corruption. Although the Code is not currently mandatory, it represents best practice and compliance with the Principles set out in the Code enable the Council to demonstrate effective financial stewardship of public monies.
- 3.13 The Code has established a common set of principles for managing the risk of fraud and corruption. The principles provide a set of standards which can be applied in all public bodies, regardless of sector or size. They emphasise the importance of managing the risks of fraud and corruption in order to secure good governance and financial stewardship.
- 3.14 The Council's compliance with the Code is assessed annually following its publication in 2014 and subsequent update, including an on-line assessment tool in January 2017.
- 3.15 The assessment tool and guidance contains 68 performance statements which are used to measure the Council's effectiveness against the five key principles of managing the risks of fraud and corruption, which are to:
- Acknowledge the responsibility for countering fraud and corruption;
 - Identify the fraud and corruption risks;
 - Develop an appropriate counter fraud and corruption strategy;
 - Provide resources to implement the strategy;
 - Take action in response to fraud and corruption.
- 3.16 The Council has reached a good level of performance against the Code by putting effective arrangements in place across the Council and is taking positive action to manage its risks.

Training, Awareness and Reporting

- 3.17 During 2018/19 the officers of the Counter Fraud Team attended appropriate and relevant training and awareness sessions delivered outside of the authority by organisations such as CIPFA and CMIIA. In addition to these courses they have also

attended localised and national networking meetings of their peers. These provide important opportunities for the officers to update and refresh their knowledge in the counter fraud arena.

- 3.18 In November 2018, the team coordinated a week long Staff and Public Fraud Awareness Campaign, in collaboration with the Fraud and Compliance Team (Benefits and Revenues), Trading Standards, Insurance & Risk, HR, Publicity and other neighbouring authorities. The aim of the week was to heighten the awareness of the problem and scale of fraud in the public sector, to direct all employees to complete the Anti-Fraud and Corruption e-learning course and to encourage them to report any suspicions of fraud that they may have. The campaign involved posters, e-alerts and daily intranet bulletins and was supported by corporate messages from the CEO and Members.
- 3.19 Since the campaign the team has seen both an increase in the take up of the Anti-Fraud and Corruption e-learning course and the number of investigations that they were asked to both undertake or to provide advice and support with. This clearly demonstrated that the work to raise the profile of the team, and the support that they can provide has been successful, in that more requests for assistance are now being received.
- 3.20 The Council subscribes to the National Anti-Fraud Network (NAFN), which promotes the sharing of information between Authorities and publishes regular bulletins on fraud cases and attempted scams, which are distributed to relevant staff and appropriate measures are taken to address the identified risks.
- 3.21 During 2018/19 and the year to date the development and recognition of the Counter-Fraud Team has continued with significant progress, which has resulted in 58 non-benefit related reports and referrals being made to the team which represents an increase of some 40% of the cases reported/referred from the previous year. The type of issues covered a broad spectrum of the Council's activities.
- 3.22 In addition, the Team provides advice to departmental officers investigating suspected frauds and irregularities, in cases where these are investigated within the department. The last year has seen an increase in the number of referrals from departments as the profile of the Team continues to rise and become more widely known to management.
- 3.23 The Team maintains a fraud referral register which is used to collate details of all reported fraudulent activity across the Council, whether investigated by the Counter-Fraud Team or by the relevant department. The information contained within the register is then used to identify potential weakness and areas that may be susceptible to increased attempts of fraud and as such where Counter-Fraud resources need to be directed.

Audits and Investigations

- 3.24 The Team has conducted 19 audits and investigations across a wide range of topics and, as identified in the Strategic Internal Audit Plan presented to this Committee in March 2018, and subsequently reported upon at corresponding meetings. These assignments whilst predominately planned also include pieces of work in response to requests from Chief Officers or Members or as a result of any allegations made, including whistleblowing.
- 3.25 Outcomes from individual audits and investigations are reported to Members through the bi-monthly reports, quarterly Internal Audit update reports and the Chief Internal Auditors Annual Report.
- 3.26 The Team updated the Council's Counter-Fraud and Corruption Strategy, which clearly identifies the Council's commitment to an effective Counter-Fraud and Corruption approach as part of its overall Corporate Governance arrangements. The Strategy outlines the principles that the Council is committed to in preventing and reporting fraud and corruption.
- 3.27 The Team reviewed and amended the following policy documents, which form an important part of the Counter-Fraud and Corruption Strategy by setting the tone, culture and expectations of the Council, as part of the corporate framework:
- Anti-Fraud and Corruption Policy - this outlines the Council's attitude to and position on fraud and corruption and sets out responsibilities for its prevention and detection.
 - Fraud Response Plan – this details the Council's procedures for responding to any incidents of suspected fraud or corruption.
 - Anti-Bribery Policy - this sets out the actions required by Wirral Council officers to ensure compliance with the Bribery Act 2010 and details the sanctions which are applicable to individuals and to the Council, in the event of a prosecution under the Act.
- 3.28 The Counter-Fraud and Corruption Strategy and Policies have been promoted across the Authority and are listed as documents that employees are required to read on an annual basis, as part of one to one or performance appraisal meetings.

CONCLUSION

- 3.29 Participation in counter-fraud activities and compliance with best practice helps to strengthen the Council's approach and management of these risks. Working with partners, as demonstrated by the NFI, successfully illustrates the benefit of partnership working and co-operation between all involved. The national sharing of data allows a number of organisations to effectively identify areas of potential fraud or error, reducing the future risk of such fraud or errors going undetected.
- 3.30 Counter-fraud activity and the investigation of any issues ensures that where appropriate, any monies lost as a result of identified frauds or errors are recovered, and any weaknesses in procedures are addressed, to improve the internal control

environment and help prevent fraud or error. Work will continue in 2019/20 to ensure that the Council promotes an environment where fraud and corruption are not tolerated.

4.0 FINANCIAL IMPLICATIONS

4.1 Delivery of the counter-fraud work will be met from existing Internal Audit resources.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS

6.1 There are none arising from this report.

7.0 RELEVANT RISKS

7.1 That fraud is not properly addressed, investigated and appropriate actions are not taken to prosecute perpetrators, recover losses and improve financial controls.

7.2 Given the budgetary constraints the council has been faced with and the reduced staffing levels it will always be a risk that previously robust procedures may not be followed and therefore providing the opportunity for fraud to occur.

8.0 ENGAGEMENT/CONSULTATION

8.1 None

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising from this report.

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

APPENDICES

None

REFERENCE MATERIAL

Internal Audit Plan 2018/19 and 2019/20

SUBJECT HISTORY (last 3 years)

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



**Audit and Risk Management Committee
Monday, 11 March 2019**

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 reports of 24 September and 19 November 2018 and 28 January 2019 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 further progress update in relation to that work and appends a copy of the current version of the revised risk register.

RECOMMENDATIONS

1. That the report be noted.
2. That Members examine one of the revised corporate risks in detail at each future meeting of the committee.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATIONS

- 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 last report confirmed that a second workshop with the sub-group of this committee was planned for 28 January 2019. Within that session further consideration was given to the definitions of the risks and their mitigation.
- 3.2 The register was then shared with Cabinet members and SLT in the week commencing 4 February 2019 and appended to the Revenue Budget 2019/20 and Medium Term Financial Strategy report to Cabinet on 18 February 2019.

Further action planned

- 3.3 Work to improve the Council's understanding of the key mitigation for each risk will continue.
- 3.4 The Internal Audit Plan for 2019/20 has been directly informed by the revised corporate risk register. During the forthcoming financial year audits will shed light on the effectiveness of existing mitigation and areas for improvement.
- 3.5 This work will also support the mapping of the key controls for each risk onto a 'three lines of defence' assurance model and the identification of any gaps in the control environment. The output from that exercise will be shared with SLT and this committee and will form part of future quarterly performance monitoring.
- 3.6 An exercise will also be undertaken during the year to draw out the appetite of political and executive leaders for each of the revised corporate risks.
- 3.7 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.
- 3.8 I am proposing that at each future meeting of this committee Members consider one of the corporate risks in detail and invite the risk owner the meeting to explain the mitigation.

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 There are no immediate resource implications arising directly from this report.

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.

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

APPENDICES

Corporate Risk Register 280119

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
Development of the Revised Corporate Risk Register	19 November 2018
Development of the Revised Corporate Risk Register	28 January 2019

This page is intentionally left blank

Corporate Risk Register 28/01/2019

(including draft scores)

Portfolio / Priority	Risk Ref.	Risk Description	Unmanaged Scores			Risk Owner	Existing Mitigation	Owner	Current Scores			Planned Additional Mitigation	Owner	Target Date	Target Scores			Current Risk Status (▲ ▼ ◀ ▶)		
			Likelihood	Impact	Total (LxI)				Likelihood	Impact	Total (LxI)				Likelihood	Impact	Total (LxI)			
Finance and Resources	1	Financial Resilience	5	5	25	Paul Satoor - Corporate Director for Business Management	Refreshed Medium Term Financial Plan	Shaer Halewood - Director of Finance & Investment	3	5	15	Consideration of the most appropriate delivery models	Tim Games	ongoing programme			0			
		New budget setting process					Establishment of a Commercial Strategy					Nicki Butterworth							Nov-18	
2018/19 Priority Strategic Long Term Financial Plan for Wirral		Failure to effectively manage changes to the way that the Council is funded could lead to poor decisions on service reductions, unplanned efficiencies and in year overspends, resulting in the Council being unable to deliver priority services to vulnerable communities					Robust and rigorous monitoring of budgets and savings plans in year					An MTFS based on investment and income generation - Wirral Together							Daniel Kirwan - AD - Finance	Feb-19
		Scrutiny and challenge to ensure future business cases for savings proposals are robust and deliverable					Delivery of Investment Strategy					Community Wealth Building programme to keep wealth in the Borough							Shaer Halewood	Jan-19
												Delivery of business growth plans through Wirral Chamber of Commerce							Alan Evans	
												Refreshed 'Use of Reserves' policy to reduce reliance on reserves through a phased approach							Shaer Halewood	Feb-19
Adult Care and Health	2	Demand Management	5	4	20	Graham Hodgkinson - Director for (Adult) Care & Health	Better Care Fund investment in re-ablement services	Graham Hodgkinson	4	4	16	Introduction of Capped Expenditure Programme by the Wirral Health & Care Commission	Graham Hodgkinson	2019/20			0			
2018/19 Priority Improve Health & Wellbeing by Joining Up Services for Residents		Failure to improve the quality of health and care services through integrated commissioning and delivery arrangements, could lead to demand continuing to increase, leaving the Council exposed to increased financial pressures in relation to meeting social care assessed need					Services partly integrated with partners with a section 75 agreement for most services					Implementation of the Wirral Together Strategy							Rachel Musgrave - Consultant in Public Health	2019/20
							Two key contracts with social care providers have built in demand management					Eventual full pooling of funds under a section 75 agreement for all services								
												Implementation of Healthy Wirral Strategy								from April 2018
Jobs and Growth	3	Exposure to Economic and Market Risk	3	5	15	Paul Satoor - Corporate Director for Business Management	Robust financial modelling on business cases	Shaer Halewood	2	5	10	Ensure clarity over the Council approach and appetite to risk management.	Shaer Halewood				0			
2018/19 Priority Strategic Long Term Financial Plan for Wirral		The aggregate level of risk presented by multiple regeneration projects is not recognised, leaving the Council over-exposed in the event of a downturn in the economy and/or markets					Long-term strategic master plan that phases the Council's approach to economic growth					Introduce a greater degree of resilience to economic and market changes							Daniel Kirwan	
							Monitoring the national and local economic climate to ensure that up/downturns can be forecast and planned for.					Improve horizon scanning (review of current/forecast economic data)							Nancy Clarkson	
												Collaborative approach with LCR over the use of SIF funding to mitigate against full council risk on economic growth projects							Alan Evans	
			Undertake analysis of the aggregate exposure to risk	Shaer Halewood																
Leader	4	Employee Engagement & Capacity for Change	4	4	16	Paul Satoor - Corporate Director for Business Management	People Strategy & OD plan (<i>attracting and retaining talent leadership, values behaviours and performance, embracing change, workplace wellbeing</i>)	Nikki Boardman - Director of Change & Organisation Design	4	4	16	Behavioural framework and Talent Management Programme	Samantha Jones - OD Manager	Mar-19			0			
2018/19 Priority Local Plan		There is a risk that insufficient capacity or expertise, cultural resistance from staff or ineffective engagement with partners means that the ambition of the Wirral Plan is not realised, perpetuating inefficiencies and preventing required outcomes from being achieved					Health and wellbeing strategy					Ensure clarity over the skills that are needed for the future							Nikki Boardman	Dec-19
							Staff engagement sessions					Further improve managers' ability to address under-performance							Nikki Boardman	Ongoing programme
Housing and Planning	5	Local Plan	4	5	20	Paul Satoor - Corporate Director for Business Management	Programme management approach to Local Plan implementation	Tim Games - Head of Bus Change & Prog Management	4	5	20	Conduct green belt review	David Ball				0			
2018/19 Priority Local Plan		A failure to ensure the Council's arrangements for the consultation, publication and implementation of the Local Plan could result in intervention, a loss of control over future development and missed opportunities to promote economic growth.					Council has an agreed timeline for production of the Local Plan					Consultation process for the Local Plan							David Ball	From Sep 2018
							Recruitment of additional capacity to Forward Planning Team					Administrative support provided to the Forward Planning Team to assist with Local Plan							David Ball	
							LGA support													
							Weekly 'touch base' meetings													
							Engagement with land owners and developers													

(including draft scores)

Portfolio / Priority	Risk Ref.	Risk Description	Unmanaged Scores			Risk Owner	Existing Mitigation	Owner	Current Scores			Planned Additional Mitigation	Owner	Target Date	Target Scores			Current Risk Status (▲ ▼ ◀ ▶)
			Likelihood	Impact	Total (LxI)				Likelihood	Impact	Total (LxI)				Likelihood	Impact	Total (LxI)	
Leader	6	Partnership Working Inability to take advantage of collaborative opportunities locally and nationally, limiting improvement in economic conditions for the community and the Council's funding position	4	4	16	Fiona Johnstone - Acting Corporate Director for Strategy & Partnerships	LCR Leaders and CX Groups Officer cross LCR working The Wirral Partnership Integration of health and social care Delivery of Investment Strategy / access to Single Investment Fund	Rose Boylan - Policy and Strategy Manager - External Fiona Johnstone Graham Hodkinson Alan Evans	3	4	12						0	
Leader	7	Governance Failure to maintain effective corporate governance could result in poor decision-making, malpractice and breach of legislation, leading to regulatory intervention and significant cost, both in financial terms and to the reputation of the Council	4	4	16	Paul Satoor - Corporate Director for Business Management	Internal governance procedures (DMT, Leadership, SLT, Call over Board, Cabinet/SLT, portfolio holder briefings) Council Constitution Code of Corporate Governance Member / Officer Protocol Corporate Policies (e.g. Whistleblowing) Ethical Framework for Members Oversight provided by Corporate Governance Group Annual Governance Statement process	Philip McCourt - Director of Governance and Assurance	3	4	12	Complete the review of the Constitution Implement the new Scheme of Delegation Deliver Member development sessions Establish Chief Executive's office	Philip McCourt Shaer Halewood Philip McCourt David Armstrong - Corporate Director Delivery Srvs				0	
2018/19 Priority Strategic Long Term Financial Plan for Wirral																		
Jobs and Growth	8	Brexit Uncertainty caused by Brexit adversely affects public and market confidence, impacting demand for housing and the level of inward investment in the borough. Other Brexit implications e.g. lack of workers available for care type work; withdrawal and/or reduction in external funds impacts ability to sustain investment in local programmes	5	5	25	Fiona Johnstone - Acting Corporate Director for Strategy & Partnerships	Maximising extensions for remainder of EU Funding programmes and engagement in negotiations for replacement/alternative Identification and evaluation of potential implications and development of strategic responses.	Alan Evans Rose Boylan	5	5	25	Monitor the international and national financial climate and to include any potential negative financial impact in the MTFS Take legal advice on the impact of any changes to legislation affecting the council Delivery of Brexit Action Plan	Shaer Halewood Philip McCourt Rose Boylan				0	
Adult Care and Health	9	Upstream / Preventative Activity Insufficient time and resource for preventative and upstream activity mean that outcomes for vulnerable people do not improve, resulting in demand for reactive services not reducing, or increasing.	4	4	16	Fiona Johnstone / Graham Hodkinson / Paul Boyce	Health and Social Care Integration Delivery of Ofsted Action Plan Public Health Commissioning	Jacqui Evans - AD - Integrated Commissioning Programme Carly Brown - Asst Director - Modernisation & Support Julie Webster - Director for Health and Wellbeing	4	4	16						0	
Jobs and Growth	10	Wirral Growth Company Failure of the Wirral Growth Company to deliver anticipated benefits undermines the Council budgetary position, economic growth aspirations and public and investor confidence in the authority.	4	5	20	Paul Satoor - Corporate Director for Business Management	Weekly programme management meetings. Clearly documented legal framework and partnership agreement Existing relationships and historic knowledge with Muse and partners Fundng model	Sian Hartley - Programme Manager Philip McCourt Paul Satoor Shaer Halewood	3	5	15	Establishment of shareholder board	Philip McCourt				0	

(including draft scores)

Portfolio / Priority	Risk Ref.	Risk Description	Unmanaged Scores			Risk Owner	Existing Mitigation	Owner	Current Scores			Planned Additional Mitigation	Owner	Target Date	Target Scores			Current Risk Status (▲ ▼ ◀ ▶)	
			Likelihood	Impact	Total (LxI)				Likelihood	Impact	Total (LxI)				Likelihood	Impact	Total (LxI)		
	a	Significant safeguarding incident The Council and its partners do not effectively manage their relevant safeguarding risks, leading to a safeguarding incident, resulting in harm to individuals and/or families, potential legal challenge, resident dissatisfaction and public scrutiny	4	4	16	Graham Hodkinson - Director for (Adult) Care & Health and Paul Boyce - Corporate Director for Children's Services	Wirral Safeguarding Children Board (WSCB) Children and Families Overview and Scrutiny Committee. Mitigation should include that relating to adults also Integrated WSCB and Improvement Board performance management arrangements	Simone White - Deputy Director for Children	3	4	12	New multi-agency safeguarding arrangements National Child Safeguarding Review Panel	Paul Boyce Paul Boyce	Sep-19			0		
	b	Business Continuity Planning Failure to coordinate and maintain effective business continuity plans leaves the Council unable to respond to an incident, resulting in a major failure in service delivery	2	4	8	Paul Satoor - Corporate Director for Business Management	Business Continuity Policy Compliance audits BC Tests	Shaer Halewood Mark Niblock - Senior Manager Internal Audit Mark Camborne - Lead Commissioner Comm Svs & Resilience	2	4	8							0	
	c	Cyber Security IT security is insufficient to deter, detect and prevent unauthorised access to IT systems, resulting in loss of data and disruption to Council services.	5	5	25	Paul Satoor - Corporate Director for Business Management	Cyber Security Policy Weekly review of security incidents New threats communicated to staff and Members Technical controls: 1) Endpoint security software, 2) Network firewall 3), Prevention of Implementation of 'patching' policy Responsibility for Information' training	Jeff Ashworth - Head of ICT & Digital Sue Blevins - Senior HR Manager Schools & Commercial	2	5	10	Programme of migration from Windows 7 to Windows 10 Responsibility for Information' training	Jeff Ashworth Sue Blevins	Jan-20				0	
	d	Health & Safety Management If health and safety / compliance policies and procedures are not sufficiently developed, tested or adhered to by officers, members or contractors, this could lead to an incident resulting in harm to employees / Members / members of the public, legal challenge and reputational damage	3	4	12	Paul Satoor - Corporate Director for Business Management	Corporate health and safety policy Implementation of health and safety management arrangements.	Andy McMillan - Health, Safety & Wellbeing Manager	3	4	12							0	

This page is intentionally left blank



**Audit and Risk Management Committee
Monday, 11 March 2019**

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

Existing directorate risk registers are currently being revised as part of the service planning process for 2019/20. Training on project risk management principles and good practice was given to Programme Managers on 9 January 2019. The Risk Management Support Officers Group continues to meet monthly. As well as developing a better understanding of the Council's overall risk profile the group is generating ideas for further improvements to the Council's risk management arrangements including ensuring that directorate management teams have a comprehensive understanding of risks to their objectives including those contained within programme risk registers.

3.2.3 Traded Services for Schools and Academies

Information available to date indicates that the risk and insurance service for schools remains popular and the high level of buy back for this traded service will continue in 2019/20.

3.2.4 Procurement of Replacement Claims Management Information System

Issue of the Request for Quotations has been put back to summer 2019 to allow the Risk and Insurance team to focus on closedown of accounts and mobilisation of the new Motor and Engineering contracts mentioned in paragraph 3.2.5 below.

3.2.5 Procurement of Motor Insurance and Engineering Inspection and Insurance Contracts

Eight bids were received for the two lots covered by this exercise. Whilst the evaluation of the bids has concluded the awards are currently in the 'standstill' period and cannot come into effect until this expires. The final outcome will be reported to the next meeting of this Committee.

3.2.6 Renewal of Liability and Computer Insurance Contracts

To support the renewal process updated information on the risks covered by the policies and how they are managed has been provided to insurers. Their proposed renewal terms are awaited. The outcome of the renewal process will be reported to the next meeting of the Committee.

3.2.7 Renewal of Property, Crime, Museums All Risks and Personal Accident/Business Travel Insurance Contracts

Although these policies are subject to multi-year contracts there is an annual renewal process each June. The process of collating updated information on the risks covered by the policies and how they are managed has begun. This will be provided to insurers to enable them to propose renewal terms.

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.

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

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 AND RISK MANAGEMENT COMMITTEE

11 MARCH 2019

REPORT TITLE	<i>REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)</i>
REPORT OF	<i>DIRECTOR: GOVERNANCE AND ASSURANCE (MONITORING OFFICER)</i>

REPORT SUMMARY

- (a) This report informs the Committee of the outcome of an inspection on 17 December 2018 by the Investigatory Powers Commissioner.
- (b) It also invites the Committee to agree to additions to the Policy and Procedure Guidance on the Council’s use of covert surveillance in the light of the revised Home Office Codes of Practice and the Inspector’s report.

RECOMMENDATIONS

- 1) That the Committee note the contents of the report of the Inspector appointed by the Investigatory Powers Commissioner on the use of covert surveillance by the Council and adopts its recommendations.
- 2) That the Committee approve the amendments and additions to the Policy and Procedure Document contained in Appendix 3 on the use of powers under the Regulation of Investigatory Powers Act 2000 (RIPA).

SUPPORTING INFORMATION

1.0 REASONS FOR THE RECOMMENDATIONS.

- 1.1 The Home Office Codes of Practice on covert surveillance require every Council to have regard to its provisions when applying RIPA and drawing up its policies and procedures.
- 1.2 It is important to provide guidance to officers as to when covert surveillance is lawful and how and when it can be authorised.

2.0 OTHER OPTIONS

None

3.0 BACKGROUND INFORMATION

- 3.1 The Regulation of Investigatory Powers Act 2000 (RIPA) governs how public bodies use surveillance methods. The Council may use covert surveillance for the purpose of preventing or detecting crime or preventing disorder.
- 3.2 The origin of RIPA lies in the Human Rights Act 1998 which places restrictions on the extent to which public bodies may interfere with a person's right to respect for his or her home and private life and correspondence during the course of an investigation into suspected criminal activities. The provisions of RIPA ensure (in summary) that any such interferences are in accordance with the law and are necessary and proportionate (i.e. the seriousness of the suspected crime or disorder must outweigh any possible interferences with the personal privacy of the persons being investigated and of persons who associate with them).
- 3.3 The Council's Constitution authorises Directors to designate Heads of Service and Service Managers to authorise the use of covert surveillance in accordance with the procedures prescribed by RIPA. Since 1 November 2012 such authorisations require the further approval of a magistrate where the legislation applies.
- 3.4 The Office of Surveillance Commissioners (OSC) was responsible for overseeing the operation of RIPA. The OSC inspected the Council on 13 May 2015. The outcome of that inspection was reported to the Committee on 22 September 2015 (Appendix 2). The Committee approved amendments to the Council's Policy and Guidance Document made in response to the Report and subsequently on 22 November 2016.

4.0 INSPECTION ON 17 DECEMBER 2018

- 4.1 The functions of the OSC have now been transferred to the Investigatory Powers Commissioner who appointed an inspector (Graham Wright) to conduct an inspection of the Council's use of RIPA on 17 December 2018. His report is attached at Appendix 1 as is the response of the Chief Executive.
- 4.2 The report of the previous inspection on 13 May 2015 is attached at Appendix 2. Mr Wright was satisfied that the Council had carried out the recommendations made in that report.

- 4.3 Mr Wright was satisfied with the arrangements made for the annual training of authorising officers and applying officers. He considered the training was relevant, comprehensive and gave accurate and useful advice to attendees.
- 4.4 Mr Wright examined a sample of authorisations and of the central record of authorisations and found them to be of a very high standard. No criticisms were made of their contents. This was the result of the high quality of annual training that officers received.
- 4.5 Mr Wright was satisfied that this Committee received regular reports on the use of RIPA and was responsible for approving any policy changes.
- 4.6 Mr Wright considered that the Council Policy and Procedure on the use of Powers under the Regulation of Investigatory Powers Act was “in many ways a very good document”. It did however need to include additional guidance in order to comply with the new provisions of the Home Office Codes of Practice on Covert Surveillance and Covert Human Intelligence Sources published in August 2018.
- 4.7 In particular there was a need for more detailed guidance on the use of internet and social networking sites for those departments “outside of the usual RIPA audience” viz Children’s Services. Social workers were using information from those sites quite properly to protect children but needed to be made more aware of those circumstances where authorisation for directed surveillance was available and required.
- 4.8 Attached to this report at Appendix 3 is the Policy and Guidance which has been revised to take account of the new Home Office Codes of Practice and Mr Wright’s report. Paragraphs 3.6, 3.11, 4.6.3, 9.2, 9.5 and 10.2 have either been added or expanded in order to give more detailed guidance to officers on the use of RIPA in circumstances where the law has been clarified by the Home Office Codes of Practice.
- 4.9 Section 5 on Communications Data has also been revised to take account of changes in the law that came into effect on 5th February 2019 although in recent years the council has not made use of these powers
- 4.10 There are regular quarterly meetings of RIPA co-ordinators chaired by a solicitor who gives advice and guidance on this complex area of the law. Social workers from the Children’s Services Department are now invited in order to discuss issues of common concern and particular areas of difficulty. They were invited to the annual training event held on 19 October 2018 and will be invited to future training events.

5.0 CHANGES IN LEGISLATION

- 5.1 The Protection of Freedoms Act 2012 came into force on 1 November 2012 and made the following changes to the law;
- A Magistrate's approval is required for a local authority’s use of RIPA. It is in addition to the authorisation needed from a senior officer and the more general oversight by elected councillors.

- Use of RIPA to authorise directed surveillance is confined to cases where the offence under investigation carries a custodial sentence of six months imprisonment or more except in relation to underage sales of alcohol and tobacco, where this sentencing threshold will not apply.

6.0 ANNUAL TRAINING

- 6.1 This took place on 19 October 2018 and was conducted by Stephen Morris an acknowledged expert in this field.
- 6.2 It was attended by Applying and Authorising Officers who are required to undertake refresher training every 2 years.
- 6.3 Mr Morris dealt in detail with the requirements for authorisations of surveillance under RIPA and the quality of his training was commended by Mr Wright.

7.0 ADDITIONS TO THE POLICY AND PROCEDURE GUIDANCE DOCUMENT

- 7.1 This document is attached as an Appendix 3 to the report. It updates the guidance in light of the Home Office Codes of Practice published in August and November 2018 and the report of Mr Wright.

8.0 FINANCIAL IMPLICATIONS

- 8.1 None at present but annual training will need to receive continued funding in order to maintain current high standards.

9.0 LEGAL IMPLICATIONS

- 9.1 The Protection of Freedoms Act 2012, which requires local authorities(where RIPA applies) to obtain the approval of a magistrate for the use of covert surveillance, came into force on 1 November 2012.
- 9.2 In suitable cases where the RIPA legislation does not apply, covert surveillance could be authorised under the Data Protection Act 2018 and Article 8 of the European Convention on Human Rights (which balance the value of the surveillance against intrusions into people's private lives).

10.0 RESOURCE IMPLICATIONS: ICT,STAFFING AND ASSETS

- 10.1. Staff experienced in the use of RIPA. left the Council's employment in 2018 .Their replacements and social workers in the Childrens department will require training and advice and guidance on the law and the various techniques of covert surveillance.

11.0 RELEVANT RISKS

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

11.3 The Anti-Social Behaviour Team are however intent on applying to the Court for approval of covert surveillance in suitable cases of suspected harassment of individuals which would amount to an offence under the Protection from Harassment Act 1997 (which can attract a sentence of 6 months or more imprisonment).

11.4 Where RIPA does not apply but covert surveillance would be legitimate necessary and proportionate then it would have to be authorised by the Authorising Officers in accordance with the Data Protection Act 2018 eg to supply evidence in disciplinary or care proceedings as explained in paragraph 10 of the amended Policy and Procedures Guidance Document.

12.0 ENGAGEMENT/CONSULTATION

12.1 None.

13.0 EQUALITY IMPLICATIONS

13.1 None.

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

APPENDICES

- Appendix 1 - Report of the Inspector on 17 December 2018 and the Chief Executive's response
- Appendix 2 - Report of the Inspector on 13 May 2015.
- Appendix 3 - Revised Policy and Procedure on the use of Powers under the Regulation of Investigatory Powers Act 2000.

REFERENCE MATERIAL

None other than the Home Office Codes of Practice on RIPA. and the use of Communications Data

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Reports to the Audit & Risk Management Committee	17 February 2016 13 June 2016 22 November 2016 14 March 2017 12 June 2017 25 September 2017 12 February 2018 24 September 2018

This page is intentionally left blank

Mr Eric Robinson
Chief Executive
Wirral Metropolitan Borough Council
Wallasey Town Hall
Brighton Street
Wallasey
CH44 8ED

25 January 2019

Dear Mr Robinson,

Inspection Report – Wirral Metropolitan Borough Council

I enclose a copy of a report dated 20th December 2018 prepared by Graham Wright, an Inspector with the Investigatory Powers Commissioner's Office. This follows an inspection visit to your Council on 17th December 2018 to review your compliance with the statutory provisions of Part II of the Regulation of Investigatory Powers Act 2000 which falls within my responsibilities.

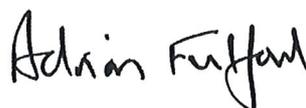
I am pleased to note that the previous recommendations have been adequately addressed and are now discharged, together with the overall very positive tenor of the present report.

There are two new recommendations, both of which relate to guidance and training provided to your staff. "Online" investigations, which are a critical tool of investigation and which can provide considerable assistance in uncovering criminality, need to be properly approached, and I support the views of the last Chief Surveillance Commissioner, Lord Judge, when he made mention of this in his final Annual Report to the Prime Minister (paragraph 15.3). Officers need to maintain their levels of training and this should be undertaken in a controlled, audited and transparent manner. The Home Office Covert Surveillance and Property Interference Code of Practice provides some helpful advice on this topic. It will be clear from what I have just set out that I do not in any sense seek to deter officials from using these investigative opportunities – quite the contrary – but, instead, this work should be undertaken by those with appropriate training.

I fully endorse the report.

I hope that you found this inspection a constructive process and I look forward to receiving your action plan in relation to the recommendations that have been made.

Yours sincerely,



The Rt. Hon. Lord Justice Fulford
The Investigatory Powers Commissioner

Page 137

IPCO

Investigatory Powers Commissioner's Office

Inspection – Wirral Metropolitan Borough Council

1. Date of inspection

17th December 2018

2. Inspector

Graham Wright

3. Introduction

3.1 Wirral Metropolitan Borough Council (MBC) is one of five such councils in Merseyside. It covers the Wirral peninsular, a mixture of urban and rural areas and a population of approximately 310,000.

3.2 The previous inspection of Wirral MBC was conducted in May 2015 by OSC Assistant Surveillance Commissioner, Sir David Clarke. Since that time there have been 12 authorisations for directed surveillance granted. None of the authorisations involved the acquisition of confidential information and I was not informed of any errors.

3.3 The Chief Executive is Mr Eric Robinson and the address for correspondence is Wallasey Town Hall, Brighton Street, Wallasey CH44 8ED (email: ericrobinson@wirral.gov.uk).

4. Inspection approach

4.1 I had an initial meeting with the Chief Executive, Mr Philip McCourt (Director of Governance and Assurance) who is the appointed 'senior responsible officer' and Mr Colin Hughes (Group Solicitor) who is the RIPA Monitoring Officer. We discussed the aims of the inspection and the rise of use of the internet and social networking sites (SNS).

4.2 I then met with the following members of staff:

- Mark Camborne – Strategic Commissioner Environmental and Community Services (authorising officer)
- Caroline Laing – Constituency Manager (authorising officer)
- Mike Cockburn – Commissioner Environmental and Community Services (authorising officer)

- Colin Hughes – Group Solicitor
- Gill Vickary - Trading Standards Manager
- Amanda Jones – Social Services Manager
- Bev Hurst – Social Services, Head of Service.

4.3 I examined the Central Record of authorisations and seven of the authorisations and concluded by providing feedback to Colin Hughes on the main findings of the inspection.

5. Review of progress on recommendations

5.1 The previous inspection made two recommendations, both of which were accepted by the Council.

5.2 *The Council reconsider its present practice of conducting juvenile test purchase operations without RIPA authorisation.*

Discharged: This recommendation was made because the procedure employed was that a member of staff usually accompanied the juvenile volunteer and observed what takes place inside the licensed premises. OSC guidance at the time stated that in such circumstances an authorisation should be considered. Initially the Council maintained its original stance and did not grant authorisation as it was not considered that private information was likely to be accrued. More recently, the policy in this regard has changed and an authorisation would be sought. This change is because the Covert Surveillance and Property Interference Code of Practice now contains this guidance at paragraph 3.33 (example 4).

5.3 *Care be taken to ensure that correct expiry dates are accurately set, so as to minimise the risk of challenge to any future authorisations.*

Discharged: The problem was that the expiry date was on occasions set at a day or two after the correct expiry date. It was suggested by Sir David that the expiry date only be set once Magisterial approval had been obtained. The authorisation forms have been amended to cater for this process and all authorisations that I examined were correct.

6. Policies and procedures

6.1 In advance of my inspection visit I had examined the main policy and guidance document, *Policy and Procedure on the Use of Powers Under the Regulation of Investigatory Powers Act*. This is in many ways a very good document. It is comprehensive, contains practical advice and guidance for practitioners and makes good use of operational examples that are relevant to Wirral MBC activity. There is a brief section on the use of the internet and social networking sites (SNS). However, the following emendations need to be made to this document:

- i. The new provisions contained in the recently revised Covert Surveillance and Property Interference and Covert Human Intelligence Sources Codes of Practice (August 2018) need to be incorporated;
 - ii. As was discovered during the group session, there is a need for more detailed guidance regarding use of the internet and SNS, in departments that are outside of the usual RIPA audience (for more details see this report section *Use of the Internet and Social Networking Sites* below). **I make a recommendation in this regard.**
- 6.2 The core authorisation procedure is that applicants who have been identified and trained as 'Applying Officers' will complete the requisite form and forward this to an authorising officer for their input – only such trained persons can make applications. The applicant will take the authorisation to a local Magistrates' Court for approval and then the documents will be given to Legal Services for completion of the Central Record of authorisations. A copy of the authorisation is retained by Legal Services.
- 6.3 The 'senior responsible officer' is the Director of Governance and Assurance and the Group Solicitor has day to day oversight of RIPA matters. Meetings are held on a quarterly basis with these two officers and representatives from the main enforcement departments to discuss issues and any emerging trends.
- 6.4 There are currently three appointed and trained authorising officers, aside from the Chief Executive. Most authorisations are granted by one of these officers and the other two are very rarely, if ever, used. It may be beneficial to consider introducing a process whereby each officer is occasionally called upon to act in this capacity.
- 6.5 Elected Members on the Audit and Risk Committee receive regular reports on the usage of RIPA and this same committee also approves any policy changes.
7. **Related training**
 - 7.1 Annual training sessions are held for authorising officers, applying officers and enforcement staff. The last such session was provided by an external trainer and I examined the contents of the course. I found the training to be relevant, comprehensive and gave accurate and useful advice to attendees.
 - 7.2 Training is seen by the Investigatory Powers Commissioner as a fundamental requirement of a compliant regime and it was heartening to see that this is still a priority, notwithstanding the financial constraints that councils face. I also have no doubt that this is a major contributory factor in the high standards that I found.

8. Inspection Findings

Directed Surveillance

- 8.1 This is the only form of covert activity that Wirral MBC has ever undertaken, and its usage has declined over the years – as it has in every council we inspect.
- 8.2 The reasons for this decline are: the reduction in resources; the increased bureaucracy of obtaining an authorisation; the loss of enforcement functions such as benefit fraud; and the use of more overt activity to resolve matters.
- 8.3 The main area of enforcement that utilises this is in relation to fly-tipping. Some use in relation to anti-social behaviour has also been made and on one occasion when Trading Standards monitored the SNS site of a subject suspected to be selling counterfeit goods online. In relation to the use in operations regarding under-age sale of alcohol/tobacco, these have not been conducted under an authorisation for the reasons cited above at paragraph 5.2 but will be in future.
- 8.4 I examined seven authorisations and related records and overall found them to be of a very high standard. Applications fully addressed all the required information and considerations and the input from authorising officers was clear, relevant and evidenced appropriate consideration of the key principles. Timeliness of processes was maintained throughout the life of an authorisation and reviews and cancellations were of an equal standard.

Use of the Internet and Social Networking Sites

- 8.5 It became obvious in the group session that use was being made of these media to assist in enforcement activity, monitoring of some persons of interest and internal audit. Whilst I found no evidence that this was being done in an excessively intrusive or reckless manner it was apparent that there was not a full understanding as to the circumstances in which an authorisation for directed surveillance may be appropriate.
- 8.6 This was particularly true of departments that stood outside of the usual RIPA training and guidance regime and **I make a recommendation in this regard.**

9. Good Practice identified

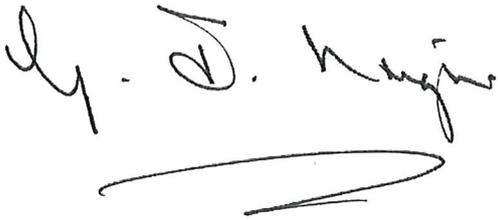
- 9.1 The practice of having persons identified and trained to make applications – paragraph 6.2.

10. Conclusion

- 10.1 Wirral Metropolitan Borough Council continues to make use of the Regulation of Investigatory Powers Act 2000, albeit for a limited range of covert activity and for a reducing number of cases.

- 10.2 The training, guidance and oversight regimes are very good and produce authorisations of very good quality. The main policy and guidance document needs updating to incorporate the changes introduced by the recently revised Home Office Codes of Practice. In addition, it would be beneficial to expand the guidance and training in relation to the use of the internet and SNS. This is a common finding on inspections and the recommendation is not intended to hint that improper usage is taking place.
- 10.3 I would like to thank all the people that I met on this inspection and particular thanks should be passed to Colin Hughes (a veteran of OSC/IPCO inspections), who made the arrangements for my visit, provided me with the pre-read material and accompanied me on the day.

11. Recommendations

A handwritten signature in black ink, appearing to read 'G. D. Hughes', with a large, sweeping underline stroke below it.

OFFICIAL- SENSITIVE

DISCLAIMER

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

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

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

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

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

OFFICIAL – SENSITIVE

The Rt Hon Lord Justice Fulford
Investigating Powers Commissioner's Office
PO Box 29105
LONDON SW1V 1ZU

Date: 12 February 2019

Your
Ref:
Our
Ref: ER0247/DLK/
Service: Chief ExecutiveEmail: ericrobinson@wirral.gov.uk

Dear Lord Fulford

INSPECTION REPORT - WIRRAL BOROUGH COUNCIL

I thank you for your letter of 25 January enclosing the report of your Inspector Graham Wright upon the inspection that he carried out on 17 December 2018.

I can confirm that the Council will be implementing Mr Wright's recommendations in the following manner:

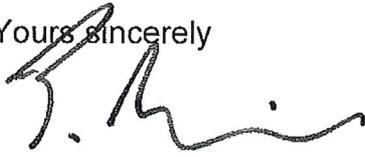
- 1) A report will be prepared for the next meeting of the Council's Audit and Risk Management Committee on 11 March 2019 in which additions to the Policy and Guidance on RIPA will be recommended for its approval that take into account;
 - (a) The recently revised Covert Surveillance and Property Interference and Covert Human Intelligence Sources Codes of Practice (August 2018).
 - (b) The recent annual training on RIPA delivered by Act Now on 19 October 2018.
 - (c) The recommendations made by Mr Wright in his report on expanding the guidance regarding the use of the internet and social networking sites.
- 2) Representatives from the Department of Children's Services will be invited to attend the quarterly meetings of the RIPA coordinators convened by Mr Hughes and the annual training that he organises.
- 3)
 - (a) Discussions will take place with those departments outside the usual RIPA audience (eg Children's Services) on the more detailed guidance that the practitioners will need on the circumstances in which RIPA

authorisations should be sought for monitoring of Social Networking Sites (SNS) that are likely to yield evidence relevant to the welfare of a child in need.

- (b) In this regard liaison with the police will be continued as they are often more proficient than Council officers in obtaining the full extent of the evidence that can be derived from open source SNS sites in circumstances that may require a RIPA authorisation. This was evident from the examples given by Mr Morris in his annual training in October 2018 and also by Mr Wright himself during the inspection.

It is accepted that lawful and proportionate covert surveillance techniques need to keep pace with the surprising extent to which people nowadays publicise their private lives on open source SNS.

Yours sincerely

A handwritten signature in black ink, appearing to read 'E. Robinson', written over the typed name.

Eric Robinson
Chief Executive

APPENDIX 2



Office of Surveillance
Commissioners



Chief
Surveillance
Commissioner

Official – Sensitive

4 June 2015

Dear Mr Robertson,

Covert Surveillance

On 13 May 2015, an Assistant Surveillance Commissioner, Sir David Clarke, again visited your Council on my behalf to review your management of covert activities. I am grateful for the facilities afforded for the inspection.

I enclose a copy of Sir David's report which I endorse. I am pleased to see that of the 2 recommendations made by Sir David following his last inspection 2 years ago, the first has been discharged and the second is no longer extant, following a change of practice in relation to juvenile test purchases. Your Council continues to show a strong commitment to the maintenance of high standards of RIPA compliance. Your regular training programme is particularly commendable. The technical defects found by Sir David can be readily eliminated by training and quality control.

The recommendations are that the present practice of conducting juvenile test operations without RIPA authorisation be reconsidered and that care be taken to ensure correct expiry dates are set accurately.

I shall be glad to learn that your Council accepts the recommendation and will see that they are implemented.

One of the main functions of review is to enable public authorities to improve their understanding and conduct of covert activities. I hope your Council finds this process constructive.

Please let this office know if it can help at any time.

*Yours sincerely,
Christopher Rose*

Mr Eric Robertson
Chief Executive
Wirral Metropolitan Borough
Wallasey Town Hall
Brighton Street
Wallasey
Merseyside CH44 8ED

Page 149

Handwritten scribbles at the top of the page.

Handwritten scribbles at the bottom of the page.



OFFICE OF SURVEILLANCE COMMISSIONERS
INSPECTION REPORT

Metropolitan Borough of Wirral

13th May 2015

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

OFFICIAL- SENSITIVE

DISCLAIMER

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

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

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

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

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

OFFICIAL – SENSITIVE



Office of Surveillance
Commissioners

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

19th May 2015

METROPOLITAN BOROUGH OF WIRRAL

INSPECTION REPORT

Inspection date 13th May 2015
Inspector Sir David Clarke
 Assistant Surveillance Commissioner

Wirral Borough Council

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

Inspection

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

- Surjit Tour, Head of Legal and Member Services, Monitoring Officer and RIPA SRO;
 - Colin Hughes, Group Solicitor;
 - Caroline Laing, a Constituency Manager (formerly a Service Manager in the Children and Young Persons Department), a RIPA Authorising Officer (AO);
 - Robert Clifford, Senior Manager (Highways and Transport), also an AO;
 - Mark Camborne, Head of Corporate and Community Safety, recently designated as an AO;
 - Gill Vicary, Operations Manager, Trading Standards;
 - Rob Cain, Senior Enforcement Officer, Waste and Recycling;
 - Susan Bannister, Team Leader, Waste and Environment.
7. The inspection started with a helpful and lively round-table discussion with all the officers listed above. It encompassed WBC's RIPA management, policy and procedures, the designated authorising officers (AOs), training, and the response to the last OSC report. I then spent time inspecting the Central Record and eight of the RIPA authorisations and associated forms. I then met Mr Tour and Mr Hughes for a short feedback discussion, followed by a courtesy visit to introduce myself to the Chief Executive¹, before departing the Town Hall.
8. I am grateful to all concerned, particularly Mr Hughes who made the arrangements and provided the pre-inspection reading materials, for their helpful cooperation which greatly eased my task. I am also grateful for the working lunch kindly provided to me.

Response to recommendations

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

RIPA Structure

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

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

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

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

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

³ See paragraphs 18 and 19-23 below

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

RIPA usage

19. At the time of the last inspection, WBC carried out juvenile test purchase operations under RIPA directed surveillance authorisation; I made observations and a recommendation on this topic, in relation to authorisations for multiple premises.
20. The practice has since changed, and such operations are conducted without the protection of RIPA. Ms Vicary explained that a somewhat different method is now used. Previously the juvenile volunteer wore covert recording equipment, so that the transaction (or attempted transaction) was caught on camera, but the adult officer waited outside the shop. It was considered that the use of recording equipment brought the activity within the description of directed surveillance.
21. Covert recording equipment is no longer used. However, the volunteer is supervised in the shop by an adult officer, as is necessary for his welfare and is recommended by the Better Regulation Delivery Office guidance on this topic. Officers did not dissent from my suggestion that the adult is likely to enter the shop separately, ahead of the volunteer, and to remain there until the volunteer has left, in order to keep his distance from the volunteer. It is the Commissioners' view that the presence of the adult officer in the shop is no different in principle from the use of covert recording equipment, as regards the likelihood or otherwise of private information being obtained.⁴
22. This view is supported, at least impliedly, by the fact that the investigation of under-age sales of alcohol and tobacco⁵ is exempted from the enhanced threshold requirement for directed surveillance, suggesting that Parliament considers directed surveillance authorisation appropriate in this context. It is noticeable that the BRDO guidance⁶ quotes the OSC Procedures and Guidance and suggests that those public authorities which do not adopt the guidance may have to justify themselves to the OSC.
23. I shall therefore recommend that this issue be kept under consideration. I do not make the recommendation in a spirit of criticism; WBC are not alone in the view they have taken, they have considered the issue carefully and apparently have some support from their professional training consultant.

See recommendation

⁴ OSC Procedures & Guidance, paragraph 243

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

⁶ BRDO: Age Restricted Products and Services: A Code of Practice for Regulatory Delivery, paragraph

24. There has also been a marked reduction in the number of authorisations made in respect of antisocial behaviour enforcement, largely due to altered priorities and staffing arrangements. The new imprisonable crime threshold led to a cautious approach, but the seriousness of some of these offences and the public concern about them, particularly those involving harassment, may lead to a reversal of this trend.
25. Around the table more generally, I detected a feeling that political pressures had led in recent years to a more cautious approach to RIPA usage, which may now change. As it was put to me, the council was risk-averse but is becoming more risk-aware. I should say at once that all the authorisations which I examined were in respect of serious matters of public concern, and were entirely justified in principle. I found no sign of RIPA powers being used in questionable circumstances.
26. No internet investigation work is done, but WBC are aware of the guidance contained in paragraph 288 of OSC Procedures & Guidance. It would be sensible, indeed, to incorporate a brief passage on this topic in the *Policy* document.
27. No RIPA authorisations have been made for some years in benefit fraud investigation. Such investigation is now in the hands of the DWP pursuant to the roll-out of its national Fraud and Error Service.

Training

28. WBC continues to maintain a regular training programme. An annual training day is held for all AOs and RIPA applicants, the training continuing to be delivered by Ibrahim Hassan of Act Now Training.
29. A clear and accessible training register is maintained, which is a good practice not always followed elsewhere. It was produced for my inspection.

Examination of Records

30. The 14 directed surveillance authorisations in the three-year period under review can be subdivided as follows:
- nine for antisocial behaviour, of which I examined the most recent five;
 - five for fly-tipping, of which I examined three.
31. All the application and authorisations of high quality, though (as in 2012) some were fly-tipping cases in which the CCTV surveillance was not (or may not have been) truly covert in that warning notices of CCTV surveillance were posted on the approach to the sites where illegal tipping had occurred. WBC were clearly adopting a belt-and-braces approach, with some justification having regard to the seriousness of the problem. They are dealing with serious offenders dumping large quantities of industrial waste for profit, clearly surveillance-aware and in the habit of sabotaging the surveillance equipment when they find it.

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

CCTV

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

Conclusion

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

39. Accordingly I make the following

Recommendations

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

David Clarke
Assistant Surveillance Commissioner



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

1. INTRODUCTION

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

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

- 1.2 The use of covert surveillance by public authorities, particularly local authorities has been the subject of much recent debate. The use of covert surveillance is properly a matter of public concern. The purpose of this policy is to set out exactly how the Council will use its surveillance powers and comply with best practice.
- 1.3 **Councils may only use covert surveillance for the purpose of preventing or detecting crime and where doing so is in the public interest.** The Council uses covert surveillance to support its enforcement activities. It has been used principally by the officers in dealing with anti-social behaviour, flytipping and trading standards cases. This has resulted in many successful cases being brought which might otherwise not have been possible bringing rogue traders to account and improving the lives of Wirral residents suffering from severe anti-social behaviour and flytipping.
- 1.4 The Council approved a policy and procedure for the use of covert surveillance in 2004. The Council has been inspected six times by the Office of the Surveillance Commissioner in 2003, 2007, 2009, 2012, 2015 and 2018. The Policy and Procedure was amended in 2016 to take account of the monitoring of social networking sites and the possibility of non RIPA authorisations (paragraphs 9 and 10). It has been further revised in 2019 in order to incorporate the revised Codes of Practice published in August 2018 by the Home Office and the recommendations of the Inspector appointed by the Investigatory Powers Commissioner who visited the Council on 17 December 2018.

2. RELEVANT LEGISLATION

2.1 The Human Rights Act 1998 (HRA)

- 2.1.2 The HRA gives effect to the rights and freedoms guaranteed under the European Convention on Human Rights and Fundamental Freedoms ("the

Convention”). Article 8 of the Convention is relevant in the context of covert surveillance in that everyone has the right to respect for his/her private and family life, home and correspondence. It is now clear from decided cases that this right extends to activities of a professional or business nature and so includes employees. Article 6 of the Convention is relevant in the context of covert surveillance in that everyone has the right to a fair trial, including internal procedures or hearings, and fairness extends to the way in which evidence is obtained.

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

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

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

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

2.1.4 The HRA can be found at:

www.opsi.gov.uk/ACTS/acts1998/19980042.htm

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

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

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

3.0 COVERT SURVEILLANCE

3.1 The term surveillance includes

- Monitoring, observing or listening to people, their movements, their conversations or their other activity or communication;
- Recording anything monitored, observed or listened to in the course of surveillance;
- Surveillance by or with the assistance of a surveillance device.

3.2 **Covert** surveillance is surveillance that is carried out in a manner calculated to ensure that the persons subject to the surveillance are unaware that it is or may be taking place. This needs to be contrasted with the deployment of **overt** surveillance. The use of such surveillance in places to which the public has access is increasingly commonplace. The Council has employed it in the form of CCTV monitoring of its offices, car parks and the town centres. CCTV monitoring is undertaken in accordance with the Council's Code of Practice for the operation of CCTV. CCTV is usually clearly marked through the use of signage. The Council must have regard to the Code of Practice on the use of CCTV published by the Secretary of State in June 2013.

3.3 RIPA applies where any covert surveillance of an identifiable or named person is carried out by a public authority carrying out an investigatory function. RIPA includes a local authority within the description of public authority.

3.4 Covert surveillance can be either

- (a) **intrusive**, that is, carried out in relation to anything that is taking place on any residential premises or in any private vehicle by an individual or a surveillance device on the premises or in the vehicle; or
- (b) **directed**, that is, undertaken for the purposes of a specific investigation or operation and involving the observation of a person or persons in order to gather information about them.

3.5 **Local authorities are not authorised to conduct intrusive surveillance.**

3.6 **Directed** covert surveillance that is likely to result in obtaining private information about a person is permitted by RIPA and its associated regulations **if** such surveillance has been authorised in the manner provided by the Act, the Home Office Code of Practice and the prescribed standard forms. Private information is any information relating to a person's private or family life. It includes the way in which a person conducts himself in his working life and also in a public place where there is a reasonable expectation of privacy e.g. two people holding a conversation in a street. It does not include publicly accessible information e.g. in a newspaper or on a website or public register nor does it include non verbal noise (e.g. music) or shouting which can be heard in the street or from adjoining property with the naked ear.

3.7 An authorising officer for a public authority may only grant authorisation to carry out directed surveillance if it is necessary in the interests of:

- national security (**not** applicable to local authorities);
- preventing or detecting crime;
- public safety (**not** applicable to local authorities);
- protecting public health (**not** applicable to local authorities);
- assessing or collecting any tax, duty, levy or other imposition, contribution or charge payable to a government department (**not** applicable to local authorities); or
- is specified by regulations.

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

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

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

3.11 Authorisation for covert surveillance is also not required where it is part of the general observation duties or activities of local authority officers and not part of a pre-planned surveillance of a specific person or group of people. An example would be Council officers attending a car boot sale where it is suspected counterfeit goods are being sold but no particular individuals are being targeted as likely suspects.

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

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

- Confidential journalistic material

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

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

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

If the purpose of the surveillance is likely to obtain confidential information then this will need to be approved by the Director: Governance and Assurance and the Chief Executive. If in the course of an operation confidential material is obtained through surveillance this must be notified immediately to the Director: Governance and Assurance. It must be retained and provided to the inspector from the Investigatory Powers Commissioner at the next inspection.

- 3.13 An applying officer wishing to use directed surveillance must complete **FORM RIPADS1** (all forms are attached to this policy). The applying officer must fully complete all parts of the form. The officer should refer as necessary to the Home Office Codes of Practice, available on the internet.
- 3.14 The applying officer must consider the proportionality of the use of surveillance. The officer must consider the seriousness of the matter being investigated, the impact that any evidence obtained through the surveillance will have on the investigation and the level of intrusion which will be caused. The officer must take steps to ensure that any intrusion is kept to the minimum level necessary. Any intrusion in to the private life of persons not the subject of the investigation (e.g. family or visitors) should be minimised.
- 3.15 The completed form should be referred to an **authorising officer**. All Chief Officers may designate officers within their department as authorising officers for the purposes of RIPA. On receipt of the form the authorising officer will contact the Director: Governance and Assurance to obtain a unique reference number. The authorising officer must be a Director or Head of Service or Service Manager. The authorising officer will place the form on the central register. The register is an electronic folder with access rights limited to authorising officers (for their area only) and the Director: Governance and Assurance or his/her nominated representatives (to all contents). When an authorising officer places a form on the register he/she will also separately notify the Director: Governance and Assurance by e-mail that this has been done. If the authorising officer does not have access to the register he or she will e-mail the form to the Director: Governance and Assurance who will arrange for it to be placed on the register. All forms for authorised applications shall be placed on the register immediately. All applications shall remain on the register for at least 3 years. Officers should ensure that when

they complete the authorisation forms they comply with the following requirements:

- (a) the information on which an investigation is based must be clearly identified
- (b) applications should state clearly why the covert activity is believed to be necessary and proportionate and why other methods of obtaining information are not feasible or practicable.
- (c) Authorising Officers should clearly state why they consider the covert activity is necessary and proportionate (including the steps to be taken to minimise intrusions into privacy, particularly of those persons not suspected of crime or disorder). They must never be granted retrospectively.
- (d) Authorising Officers must describe accurately all the covert activity which they are authorising so as to ensure that the limits are not infringed.
- (e) Technical feasibility studies should be presented to the Authorising Officer along with the application for authorisation. They should be attached to the authorisation. If the authorisation is granted, the person carrying out technical installations (e.g. of cameras and sound recording equipment) must see the relevant parts of the authorisation prior to the installation of any surveillance equipment.
- (f) Review dates should be stipulated by Authorising Officers at the time they authorise the covert surveillance for any extended period. This is to ensure that the need for continuation of the surveillance is regularly assessed and recorded on Form RIPADS2 and that (where appropriate) authorisations are either renewed (before they expire) on Form RIPADS4 or cancelled on Form RIPADS3.
- (g) Cancellations of authorisations should be made promptly when the need for covert surveillance has ceased. The cancellation should contain a full description of the activity which has been authorised, what the results of the surveillance were, and how and when any products of the surveillance will be stored, retained or destroyed.
- (h) The designated authorising officers are currently Mike Cockburn (Lead Commissioner: Environment and Community Services), Caroline Laing (Constituency Manager), and Mark Camborne (Strategic Commissioner for Environmental and Community Services). They have delegated authority to apply to the magistrates for approval of covert surveillance and to authorise named officers to make such applications on behalf of the Council. They also have delegated authority to authorise covert surveillance in the circumstances set out in paragraph 10 (non RIPA authorisations).

3.16 Urgent Oral Applications

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

3.17 **Review/Cancellation**

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

3.17.2 If upon review the need for directed surveillance no longer exists then the authorisation will be cancelled immediately. On cancellation the authorising officer shall complete **Form RIPADS3**. The completed form shall be placed on the central register either by the authorising officer directly or via the Director: Governance and Assurance. If the form is placed directly on the register the authorising officer must notify the Director: Governance and Assurance that this has been done by e-mail.

3.18 **Renewal**

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

3.19 **Audit Checks**

The Director: Governance and Assurance shall carry out a regular audit of authorisations contained on the central register at least once every 3 months.

3.20 **Code of Practice**

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

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

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

In such circumstances covert surveillance (e.g. by means of a camera and sound recording devices unobtrusively fitted to an adjoining property) would be necessary to prevent crime and disorder (because witnesses are likely to

be intimidated by the threat or use of violence) and proportionate (the disturbance is frequent and at a high level). The recording device must not be capable of picking up conversations at a normal level within the home targeted (and consequently is not intrusive). The Authorising Officer must therefore have available a technical feasibility study.

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

3.21.2 The police approach the operators of the Council's CCTV cameras and ask them to train their cameras on a particular part of a public place where they suspect drug dealers are doing business. Council staff may only comply with the request of the police if they are satisfied that the police officers have obtained the necessary authorisation for directed surveillance from their superiors. Whilst the cameras are overt, they would be used for the purposes of a specific investigation or specific operation and therefore that use would require authorisation. Members of the public would not normally expect public cameras to be trained on specific individuals or on specific public places for protracted periods and therefore their use in that instance would be covert. The same principles would apply if Trading Standards Officers requested the use of CCTV cameras to monitor the activities of suspected illegal traders in a prohibited street. Authorisation for directed surveillance would be required before the CCTV cameras could be used for that purpose.

3.22 The Director: Governance and Assurance will compile and maintain electronically a central record of authorisations granted by authorising Officers. That central record shall contain the following information about the authorisation:

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

- (j) Date of approval by magistrate of authorisation/renewal.
- (k) Cancellation Date.

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

- 3.23 The Director: Governance and Assurance has been appointed the Senior Responsible Officer to perform the duties of that office set out in the Home Office Codes of Practice. These include liaising with IPCO Inspectors and taking steps to ensure compliance with RIPA and the Codes by authorising officers.

4.0 COVERT HUMAN INTELLIGENCE SOURCES (CHIS)

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

4.5 The same procedures outlined above in respect of directed surveillance of:

- Maintenance of a central register
- Confidential information
- Review
- Cancellation
- Renewal; and
- Audit checks

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

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

4.6.1 The Anti-Social Behaviour Team engage a private detective to pose as a tenant of Leasowe Community Homes in order to form a relationship with a group of tenants suspected of committing acts of serious anti-social behaviour, including criminal damage to property, drug dealing and intimidation of other tenants. The purpose of establishing a relationship is to obtain information admissible in possession proceedings (e.g. by covert tape recordings of conversations) or to assist the police or the Anti-Social Behaviour Team to anticipate the future criminal behaviour of the tenants under suspicion. No potential witnesses are willing to co-operate with the Anti-Social Behaviour Team by installing cameras in the properties. Authorisation would be required in such circumstances since the private detective will be establishing a personal relationship with the subjects to obtain and disclose information to the Anti-Social Behaviour Team in a manner that is calculated to ensure that the subjects are unaware of the purpose of the personal relationship. This example also illustrates the difficulties, dangers (and expense) of using a CHIS in the circumstances where evidence cannot be obtained by other methods.

4.6.2 A trading standards officer enters a shop and makes a “test purchase” from a retailer suspected of selling “counterfeit goods”. No authorisation would be required for a CHIS because he would not be establishing a personal relationship with the retailer (although if he had attached to his person a concealed camera it would be necessary for him to obtain authorisation for directed surveillance). If on the other hand, the trading standards officer struck up a conversation with the retailer whilst posing as a member of the public in order to ascertain whether the retailer (without any encouragement from the Trading Standards Officer) would offer to sell him (or another customer) counterfeit goods, then he would be acting as a CHIS and authorisation would be required. The essence of a CHIS is that he obtained information by winning someone’s confidence on a false basis

4.6.3 If, however, a juvenile were used to make a test purchase of alcohol from a shopkeeper (suspected of under age sales) in the presence of an adult Trading Standards Officer, a directed covert surveillance authorisation would be required because the shopkeeper would not be aware of the covert

observations being made by the officer. It would also be required if a concealed camera were used.

4.6.4 The Anti-Social Behaviour Team regularly receives information from a member of the family of a suspected perpetrator who volunteers to provide evidence without being requested to do so. The informant is performing the function of a CHIS if the information has been obtained as a result of the family relationship.

4.7 **Code of Practice**

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

5.0 **COMMUNICATIONS DATA**

5.1 Requests for communications data will be dealt with by **designated persons**. Those persons who are authorising officers for the purposes of directed surveillance and CHISs shall also be designated persons for the purposes of obtaining communications data. There must be a **Single Point of Contact (SPOC)**, to whom applicants can submit their requests for communications data. This is to ensure there is a specific point of accountability in each authority requesting data for reasons connected with RIPA and the HRA etc. The SPOC for the Council is the organisation known as NAFN (The National Anti Fraud Network)

5.2 It is important to note that we are not referring here to the interception of communications or the **content** of communications. The Council does not have power to intercept communications or acquire content. The law is now set out in the Investigatory Powers Act 2016.

5.3 There are 3 types of communications data;

- traffic data;
- service use data; and
- subscriber data.

5.4 More information on what constitutes these types of communication data is set out in the Home Office Code of Practice (see paragraph 5.9 below). Advice can also be sought from the Director: Governance and Assurance. Local authorities are only able to seek disclosure under RIPA of service use data and subscriber data **not** of traffic data.

5.5 Applications may be made for service use data e.g. itemised bills or subscriber data e.g. whether a person uses a particular network, who is the user of a particular number. A request for such information can only be made where it is necessary for the purpose of preventing or detecting crime or preventing disorder. The request must be proportionate. The form for completion for disclosure of communications data including guidance on

completion is attached as **FORM RIPACD 1**. An authorisation or notice remains valid for **one month**. A valid authorisation or notice may be renewed for a further period of one month.

5.6 An authorisation or notice must be cancelled as soon as it is no longer necessary for the service provider to comply with the notice or the conduct required by the notice is no longer proportionate to what was sought to be achieved.

5.7 The **Senior Responsible Officer** must be responsible for:

- the integrity of the process in place within the public authority to acquire communications data;
- compliance with Chapter II of Part I of the Act and with this code;
- oversight of the reporting of errors to the Interception of Communications Commissioners Office (IOCCO) and the identification of both the cause(s) of errors and the implementation of processes to minimise repetition of errors;
- engagement with the IOCCO inspectors when they conduct their inspections; and
- where necessary, overseeing the implementation of post-inspection action plans approved by the Commissioner.

In Wirral the Senior Responsible Officer is the Director: Governance and Assurance.

5.8 In Wirral there has been very limited use of these powers and none since 2015.

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

6.0 REPORTING AND REVIEW

6.1 The Council recognises the public interest in the use by it of these powers. It is essential that it regularly monitors and reviews the use of these powers. Therefore, this policy and procedure shall be subject to a review on at least an annual basis. The Director: Governance and Assurance shall report quarterly to the Audit and Risk Management Committee in accordance with the Codes of Practice on the use of RIPA and annually in respect of the need for any revisions to this policy and procedure.

7.0 COORDINATION AND TRAINING

7.1 All Departments that use or may use the Council's powers under RIPA shall nominate a Departmental Coordinator under this Policy. The Departmental Coordinators (or their nominees) shall meet at least once a quarter to review the operation of this policy, share best practice and consider training needs. Those meetings shall be chaired by the Director: Governance and Assurance

or his/her nominated representative. The departmental co-ordinators and authorising officers are listed in paragraph 3.14(h). That list may be amended from time to time as new Directors and Heads of Service are appointed. The current list can be obtained from the Director: Governance and Assurance.

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

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

- 8.1 These are governed by Rules 6.27 and 6.28 of the Criminal Procedure Rules 2012 (SI2012 No. 1726). No court fee is currently payable.
- 8.2 Home Office Guidance on local authority applications for approval by Magistrates was given in October 2012 and may be viewed on the Internet.
- 8.3 Annex B of the Home Office Guidance contains a model application form and a model form of order by the magistrates. These forms should be used when applying to a magistrate.
- 8.4 Paragraphs 84 to 98 of the Home Office Guidance set out the procedure. Applications should be made by investigating officers designated by the Authorising Officer. The hearing will be in private. The authorisation must be completed in sufficient detail to make the case for approval by itself without the need for additional oral evidence.
- 8.5 The Magistrate should record his/her decision on the form of order and retain a copy of the RIPA authorisation. He/she must be satisfied that there are reasonable grounds to believe the authorisation or renewal was both necessary and proportionate and continues to be so at the hearing. He/she must also be satisfied that the person within the Council granting the authorisation was of sufficient seniority by holding a post described in paragraph 3.14. A certificate signed by the Council's Monitoring Officer should be produced for that purpose verifying the identity of the person granting the authorisation and the post he or she holds.

9.0 **SOCIAL NETWORKING SITES**

- 9.1 During the course of an investigation officers may view what persons have said on various forms of social media eg Twitter, Facebook.
- 9.2 No prior authorisation of directed covert surveillance will be required if the person's communications are to the world at large (ie open source) because there can be no reasonable expectation of privacy in such cases. Repeat viewing of open source sites with the knowledge of the person for the

purpose of intelligence gathering for a specific investigation will however constitute directed surveillance and will require prior authorisation because the degree of surveillance and its purpose would be covert and unexpected.

- 9.3 No prior authorisation of the use of a covert human intelligence source would be required if the officer made no attempt to win the person's confidence on a false basis eg by falsely posing as a potential friend nor would simple reconnaissance of a site require directed covert surveillance authorisation if the intent were to establish whether the contents were of interest and there was no subsequent systematic recording of information about a particular person or group of persons.
- 9.4 If however the conditions in 9.3 do not apply then the appropriate authorisation under RIPA would be required in liaison with the police where they have an interest in the outcome of the investigation.
- 9.5 An example of the need for directed surveillance authorisation would be repeat viewing and recording of information on open source sites to determine whether a sex offender was visiting a household that contained children at risk of significant harm. In such circumstances authorisation for directed covert surveillance would be for the purpose of preventing serious offences against children by gathering evidence for use in care proceedings brought to protect them from harm.

10.0 COVERT SURVEILLANCE WHEN RIPA AUTHORISATIONS ARE NOT AVAILABLE

- 10.1 It is not possible to use RIPA authorisations when surveillance by a local authority is required not for one of its core statutory functions but for an ancillary function (eg disciplinary proceedings against an employee suspected of theft).
- 10.2 Equally as explained above RIPA authorisation is not available if the purpose of the covert surveillance is not to detect a criminal offence but to further some other legitimate aim eg to monitor the household of a family whose children may be at risk of significant harm by the covert visits of a person whose presence is reasonably believed to be detrimental to the children's welfare, but where the risk of harm is emotional and not of physical violence and therefore no criminal offence is apprehended.
- 10.3 In such circumstances covert surveillance will only be lawful if it is carried out in accordance with the fair processing of personal data provisions of the Data Protection Act 2018. In particular:
- 10.3.1 Legal advice must first be obtained.
- 10.3.2 A privacy impact assessment must be carried out by using the RIPA form for authorising directed surveillance.
- 10.3.3 The privacy impact assessment must identify the adverse impact on privacy of any person and enable the authorising officer to determine whether the aim of the covert surveillance is legitimate and whether such surveillance is

necessary and proportionate to achieve that aim having regard to the importance of its purpose, the adverse effect on the privacy of persons, and the possibility of using other less intrusive methods of investigation.

10.3.4 Any applicable guidance from the Information Commissioner eg the Employment Practices Code should be followed.

10.3.5 Only authorising officers are authorised to approve such covert surveillance which is outside the scope of RIPA.

10.3.6 A record of any such approved non RIPA covert surveillance must be submitted promptly to the Senior Responsible Officer together with a summary of the outcome. The Senior Responsible Officer shall include such authorisations in his regular reports to the Audit and Risk Management Committee.

DATE: January 2019

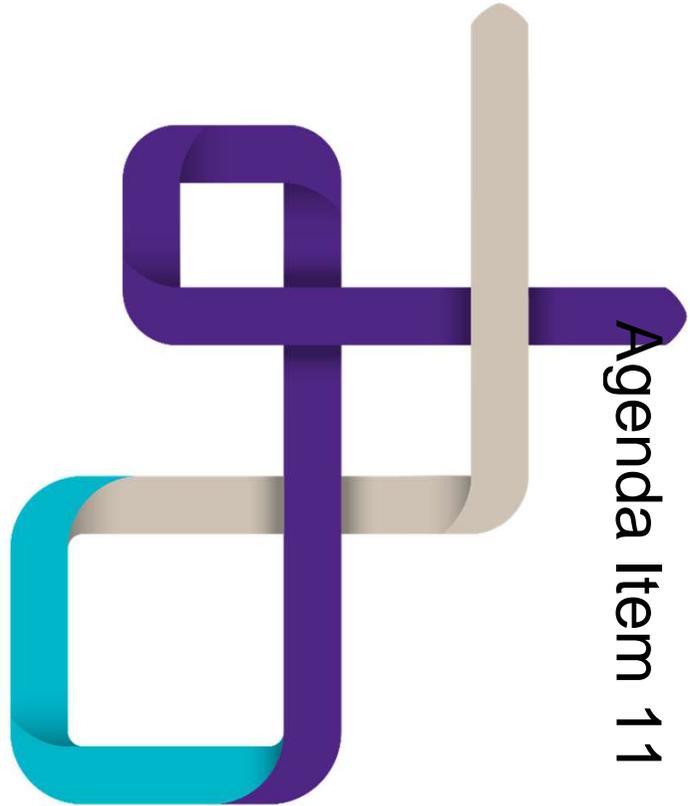
This page is intentionally left blank

External Audit Plan

Year ending 31 March 2019

Wirral Council
February 2019

Page 179



Contents



Your key Grant Thornton
team members are:

Page 180

Robin Baker
Director

T: 0161 214 6399

E: Robin.J.Baker@uk.gt.com

Shahed Alam
Manager

T: 0151 224 0890

E: Shahedul.Alam@uk.gt.com

Stuart Basnett
Assistant Manager

T: 0151 224 7232

E: Stuart.H.Basnett@uk.gt.com

Section

1. Introduction & headline
2. Key matters impacting our audit
3. Significant risks identified
4. Other matters
5. Materiality
6. Value for Money arrangements
7. Audit logistics, team & fees
8. Early Close
9. Independence & non-audit services

Appendices

- A. Audit Approach

Page

- 3
- 4
- 5
- 8
- 9
- 10
- 11
- 12
- 13
- 15

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

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Wirral Council ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). The Code summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out *in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Wirral Council. We draw your attention to both of these documents on the [PSAA website](#). We draw your attention to both of these documents.*

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Risk Management Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Risk Management Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based. We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of property, plant and equipment
- Valuation of Pension net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £12.986m (PY £13.026m) for the Authority, which equates to 1.8% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.649m (PY £0.651m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risks:

- Financial planning & sustainability
- Ofsted inspection of children's services

Audit logistics

Our interim visit will take place in March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £123,095 (PY: £159,863) for the Authority, subject to the Authority meeting our requirements set out on page 11.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Key matters impacting our audit

Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demands from residents. For Wirral a budget was set for 2018/19 which utilised £26m of one-off funding. The Council is committed to reducing its reliance on one-offs and in the budget for 2019/20 one-offs have been agreed at £9m. In February 2019 the Cabinet agreed a revised Medium Term Financial Strategy (MTFS) for 2019-2023. The MTFS highlights a sizeable budget gap for each of the next four financial periods, with government grant funding planned to end by 2020. The commercial strategy and establishment of the Wirral Growth Company are seen as key drivers for income generation over the next four years.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Authority will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

The Wirral Growth Company

The Council are in the progress of establishing the Wirral Growth Company, a joint venture public/private partnership with the aim of utilising the Council's assets, skills and other resources to generate sustainable new revenue streams for the Council.

The Council has identified its joint venture partner which will be Muse Developments Limited. Over the coming months progress is expected in the development of the growth company's activities. With the establishment of the Growth Company the Council will need to consider whether it is required to prepare group accounts.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.
- We will update our understanding of the Council's arrangements for Brexit.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

- We will continue to have discussions with officers to track progress which the Growth Company.
- We will review senior officers assessment of the requirement for the production of group accounts. Should group accounts be required we will update our Audit Plan.

Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Wirral Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Wirral Council.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£608m) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test revaluations made during the year to see if they had been input correctly into the Authority's asset register, and • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£457 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report, and • obtain assurances from the auditor of Merseyside Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

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

Going concern

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

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

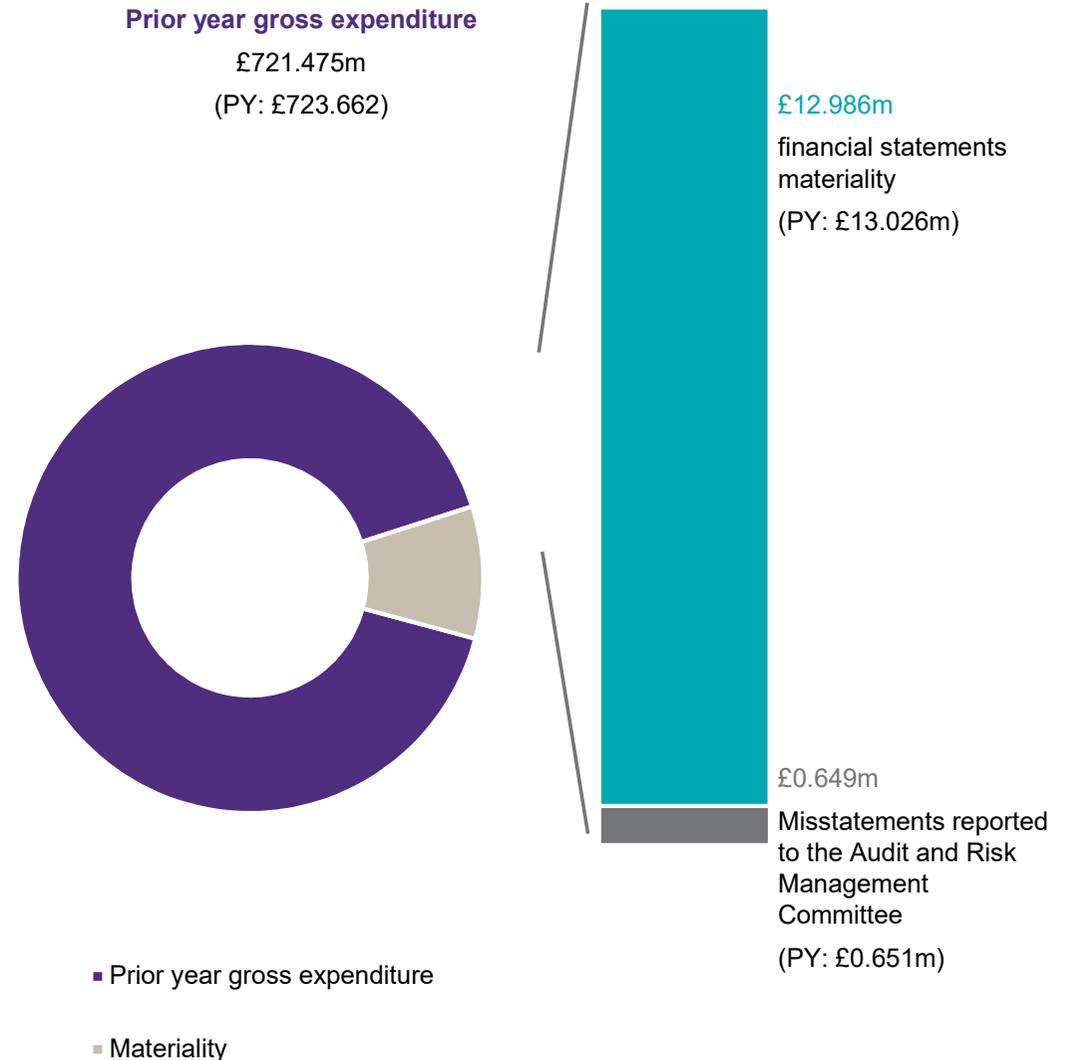
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £12.986m (PY £13.026m) for the Authority, which equates to 1.8% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £0.023m for Senior Officer Remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.649m (PY £0.651m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Risk Management Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

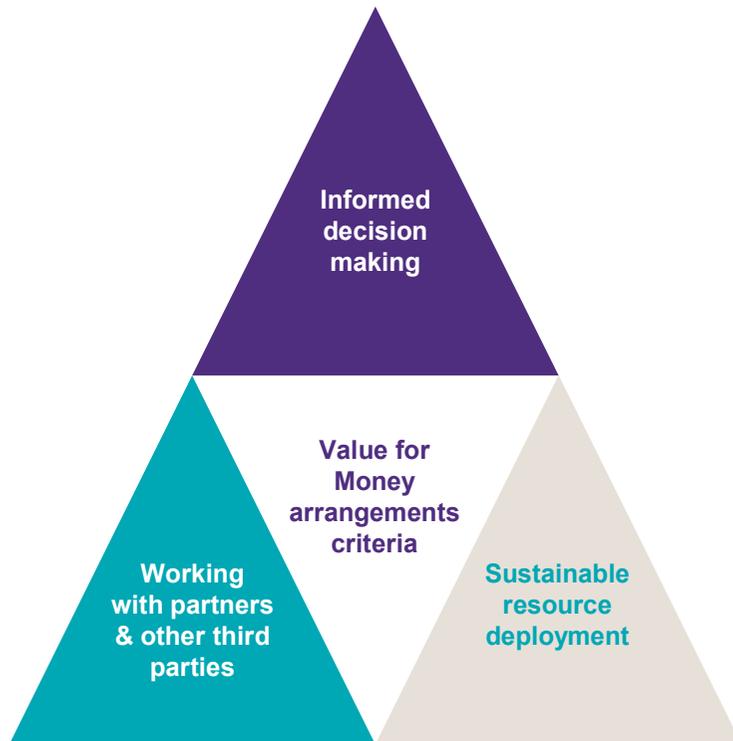
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

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

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



Page 188

Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



Financial planning and sustainability

The Council continues to face an increasingly difficult financial position. The Medium Term Financial Strategy 2017-2021 set out a £132m budget gap and In July 2018 Cabinet agreed MTFs with a budget gap of £45m for 2019/20 and £22m to be identified for 2020/21 to 2022/23.. The Council recognises that the balanced position in 2017/18 and 2018/19 have been achieved, in part, through the use of “one-off” options including the use of balances and reserves.

We will review the Council's arrangements for updating, agreeing and monitoring its financial plans including the assumptions within them. We will also consider the arrangements in place to monitor the identification, pace, delivery and reporting of savings. This work is part of the sustainable resource deployment sub-criteria.



Ofsted Inspection of Children's Services

Ofsted issued a report on the Council's children's services in September 2016 which rated the service as 'inadequate'. Subsequently, the Council has undertaken a range of actions, significantly increased funding to the service and worked toward securing the required service improvement. Ofsted completed regular follow up reviews and the December 2017 review concluded that “there is still a great deal of work to be done”.

A further review was carried out by Ofsted in December 2018, which stated “The local authority is making progress in improving social work support and services for children in care and care leavers. However, work to ensure timely permanence planning has not developed quickly enough, with insufficient focus by managers on ensuring improvement for all children..”

Until such time as Ofsted has confirmed that adequate arrangements are in place this remains a significant risk to the Council's arrangements.

We will continue to track progress with the Council's response to this key area.

Audit logistics, team & fees



Robin Baker, Engagement Lead

Robin leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meaning the highest professional standards and adding value to the Authority.



Shahed Alam, Audit Manager

Shahed plans, manages and leads the delivery of the audit, is your key point of contact for your Finance team and is your first point of contact for discussing any issues.



Stuart Basnett, Audit Incharge

Stuart's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively and efficiently and supervises and co-ordinates the on site audit team.

Audit fees

The planned audit fees are £123,095 (PY: £159,863) for the financial statements audit completed under the Code, which are in line with the scale fee published by PSAA. Other fees charged for the certification of grants are outlined on page 13. In setting your fee, we have assumed that the scope of the audit, and the Authority and its activities, do not significantly change.

Where additional audit work is required to address risks relating to additional work such as the application of changes to International Financial Reporting Standards, we will consider the need to charge fees in addition to the audit fee on a case by case basis. Any additional fees will be discussed and agreed with management and require PSAA approval.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified:

Service	£	Threats	Safeguards
Audit related			
Certification of Housing benefits claim	17,500 +£870 for any additional 40+ Workbooks	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £17,500 in comparison to the total fee for the audit of £123,095 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teachers' Pension return	4,200	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,200 in comparison to the total fee for the audit of £123,095 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
CFO Insights	12,500	Self Interest (as this is a recurring fee)	This is an online software subscription service that enable users to rapidly analyse data sets. CFO Insights is a Grant Thornton & CIPFA collaboration giving instant access to financial performance, service outcomes and socio-economic indicators for local authorities. It is the responsibility of management to interpret the information. The scope of our service does not include making decisions on behalf of management or recommending or suggesting a particular course of action. These factors mitigate the perceived self-interest threat. The fee for the work is negligible in comparison to the total fee for the audit.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Risk Management Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit. None of the services provided are subject to contingent fees.

Appendices

A. Audit Approach



Page 192

Audit approach

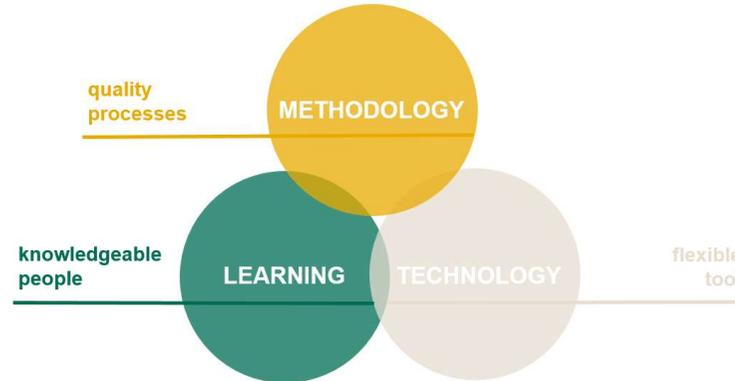
Use of audit, data interrogation and analytics software

LEAP



Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



Page 193

IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

Appian



Business process management

- Clear timeline for account review:
 - disclosure dealing
 - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

Info



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons



© 2018 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.



Grant Thornton

An instinct for growth™

Shaer Halewood
Director of Finance and Investments (s151)
Wirral Metropolitan Borough Council
Wallasey Town Hall
Brighton Street
Wallasey
Wirral
CH44 8ED

Grant Thornton UK LLP
Royal Liver Building
Liverpool L3 1PS
T +44 (0)151 224 7200
F +44 (0) 151 224 7201
www.grant-thornton.co.uk

28 February 2019

Dear Shaer

Certification work for Wirral Council for the year ended 31 March 2018

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

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

We have certified the Housing Benefit subsidy claim for the financial year 2017/18 relating to subsidy claimed of £122.088 million. Further details are set out in Appendix A.

We identified several issues from our certification work which we wish to highlight for your attention. There were a number of errors from the extended testing that we carried out on this year's subsidy return, which recurred from 2016/17. The extrapolated financial impact on the claim, which we have reported to the DWP, was relatively insignificant compared to the total subsidy receivable.

As a result of the errors identified, the claim was amended and qualified, and we reported our findings to the DWP. The DWP may require the Council to undertake further work or to provide assurances on the errors we have identified.

The indicative fee for 2017/18 for the Council was based on the actual 2015/16 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2017/18 was £23,850. This is set out in more detail in Appendix B.

Yours sincerely

A handwritten signature in blue ink that reads "Grant Thornton UK LLP".

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2017/18

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£122,088,134	Yes	(£469)	Yes	See below

Findings from certification of housing benefits subsidy claim

Manual adjustments

The total number of rent rebates cases was 96 for the year and it was agreed that the Council's Benefits Team would check all 96 cases to allow an amendment to be agreed should errors be identified. Under the HB COUNT methodology, we were required to review all errors identified by the Council and a sample of the remaining cases. We discussed the results of our work with officers and agreed several manual adjustments to the claim, resulting in an overall decrease to the amount of subsidy claimed by the Council of £469.

Claimant Income

We identified two cases where assessors had incorrectly calculated claimants' earned income from evidence provided in respect of claims in receipt of Rent Allowances. We found 2 errors out of 60 cases tested, leading to an extrapolated overpayment of £23,489.

Backdated Benefit Expenditure

We identified one case where benefit was awarded by assessors for an incorrect backdated period. The total value of the extrapolated overpayment, over the 40 cases tested, was £472 which we reported in the qualification letter.

Appendix B: Fees for 2017/18 certification work

Claim or return	2015/16 fee (£)	2017/18 indicative fee (£)	2017/18 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£23,850	£23,850	£23,850	£0	
Total	£23,850	£23,850	£23,850	£0	