



Audit and Risk Management Committee

Date:	Monday, 22 July 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>

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AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

2. APPOINTMENT OF VICE CHAIR

3. MINUTES (Pages 1 - 8)

To approve the accuracy of the minutes of the special meeting held on 24 April 2019.

4. INTERNAL AUDIT UPDATE (Pages 9 - 14)

5. CHIEF INTERNAL AUDITORS ANNUAL REPORT AND OPINION 2018/19 (Pages 15 - 66)

6. UPDATE OF THE CORPORATE RISK REGISTER (Pages 67 - 76)

7. CORPORATE RISK - DEEP DIVE (Pages 77 - 82)

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AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 24 April 2019

<u>Present:</u>	Councillor	AER Jones (Chair)	
	Councillors	RL Abbey J McManus	JE Green D Elderton
<u>Deputies:</u>	Councillors	K Hodson (In place of T Anderson) G Wood (In place of A Davies) C Carubia (In place of P Gilchrist)	

71 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

No such declarations were made.

72 MINUTES OF MEETING MONDAY, 11 MARCH 2019 OF AUDIT AND RISK MANAGEMENT COMMITTEE

The Committee was requested to approve the accuracy of the minutes of the meeting of 11 March 2019.

Resolved – That the minutes of the meeting of 11 March 2019 be approved as a correct record.

73 INTERNAL AUDIT REVIEWS: VERIFICATION OF VALIDITY OF SUPPLIER VAT REGISTRATION NUMBERS; APPOINTMENT OF AGENCY WORKERS

Mark Niblock, Chief Internal Auditor introduced his report that provided Members of the Committee with the outcome from two Internal Audit reviews undertaken into the effectiveness of systems in operation at the Council for the 'Verification of the Validity Supplier VAT Registration Numbers' and the 'Appointment / Employment of Agency Workers'.

The Audit and Risk Management Committee was apprised that in February 2019 the Director of Governance and Assurance had commissioned Internal Audit to undertake detailed reviews, to provide management with assurances regarding the efficiency and effectiveness of the systems in operation at the Council in the area detailed in the Chief Internal Auditors report.

The Chief Internal Auditor informed that the review relating to the verification of the validity of supplier VAT registration numbers had been completed and the key findings were that:

- The Council had a system in place for inputting VAT registration numbers that satisfied the requirements of HMRC;
- The system in operation at the Council was consistent with the approach adopted by the majority of Councils across the North West of England and advice and guidance provided by professional bodies and organisations;
- Testing undertaken during the audit review identified a number of potentially incorrect VAT Registration Numbers that required further investigation by the Council and possible reporting to HMRC, pending the outcome; and
- A number of actions for consideration by senior managers had been identified that would further strengthen arrangements in this area for the future.

The Chief Internal Auditor further informed that the review relating to appointment/employment of agency staff had been completed and the key findings were that the Council should undertake the following:

- Ensure that a more robust procedure/process was in place when considering and appointing agency staff;
- Strengthen controls for monitoring and managing agency / interim workers;
- Improve Contract Procedure Rules compliance when appointing agency/interim workers outside of the corporate contract;
- Ensure that an agreement (in the form of a contract or service level agreement) was always in place when appointing an agency / interim worker outside of the corporate contract;
- Strengthen controls over determining and communicating IR35 status when the corporate contract had not been utilised; and
- Improve the process of raising purchase orders and subsequent payment of invoices, for agency workers appointed outside of the corporate contract.

Members noted that the Chief Internal Auditor's report had resulted in recommendations to improve and develop systems of control currently in operation.

Members stated that this matter continued to be of extreme public interest and questioned the Director of Finance and Investment and the Head of Human Resources on concerns regarding issues raised in the Chief Internal Auditors report, namely:

- Issues of confusion arising from combining discussion on the employment of key people i.e. consultants, and the use of agency workers – these elements needed to be disentangled to allow clarity.
- Extreme concern over the use of consultants paid in excess of £500 per day, Members expressed a wish that before such appointments were made there should be Member oversight either via a Cabinet Member Decision or the Employment and Appointments Committee, and such decisions should not be taken by Council Officers only.
- Concern that it appeared that general experience of IR35 (fundamentally introduced to ensure consultants pay the relevant tax, identified via a series of tests / questions) had led to the establishment of 'Umbrella Companies' to circumvent this. As a public body, the Council should not employ people in such a way – it was inappropriate.
- Ideally, the Council should operate on the basis of no IR35 arrangements and pay all people via the payroll. A Member stated that he had been assured (in the past) that all people brought in were on the payroll, and how at the previous meeting of the Audit and Risk Management Committee when this had been suggested as an option, there appeared some hostility to this idea.

The Director of Finance and Investment responded to a number of the points raised, informing that when using agency workers – all of whom were employed via 'Matrix' (an umbrella organisation for a collective of temporary worker employment agencies) - the payroll function was administered by Matrix who deducted all the relevant tax and NI contributions. She added that use of Council payroll was not feasible, given that agency staff were used when, for example, there had been a failure to appoint to a post via direct recruitment.

The Director of Finance further informed that consultants had been used when it was not possible to recruit and/or use agency staff.

The Head of Human Resources then provided additional information to the Committee on how the introduction of Matrix assisted by acting as a single point of contact, in a similar fashion to the role of an Insurance Broker, and that the Council paid Matrix (umbrella co) who then paid the workers. He added that for each arrangement an IR35 test was undertaken. This was the 'default position', and further review work had been undertaken by Human Resources on the use of IR35.

A Member thanked the Officers and welcomed the assurance that Tax and NI deductions were managed effectively under the Matrix arrangements, and that for 'general' recruitment to fill vacant positions Matrix arrangements appeared to be working well. However, where it hadn't, the Member requested that the Audit and Risk Management Committee be provided with some oversight and information as to why certain positions could not be filled - particularly when it had resulted in individuals being employed on >£500 per day.

The Head of Human Resources assured Members that in all cases there was still a requirement to make an assessment under IR35 and it was fairly exceptional for any arrangements to be made outside of Matrix and IR35.

A Member expressed concern on a particular employee of 2 years 2 months having received payments totalling £400k. Another Member questioned who decided such contract levels payments and who was responsible for the authorisations.

The Head of Human Resources informed that agency / interim workers generally tended to be employed for 12 week 'blocks' with the aim to appoint to a vacant post in 3 to 4 months (through continued advertisement, or conversion of the agency worker to permanent employee). After the initial 12 weeks period for project based, maternity or sickness cover, the line Manager would make a decision regarding extension of the period of contracted employment.

The Head of Human Resources added that the Internal Audit Action Plans contained in the Chief Internal Auditor's report had highlighted the need for review of controls for monitoring and managing agency / interim workers.

He further informed that in terms of executive interim arrangements – these varied and employment / rates were matched to the roles required.

Following a short discussion, and on a motion moved by Councillor Jeff Green and seconded by Councillor Ron Abbey, with the addition of a further recommendation on the matter of intellectual property rights, it was -

Resolved (7:0) One abstention (Chair)

That the Internal Audit Reports 'Verification of the Validity Supplier VAT Registration Numbers' and the 'Appointment / Employment of Agency Workers' be noted; and

it be recommended to Cabinet, that:

- 1) any Company / Contractor recruited at a rate in excess of £250 per day should be reported to the relevant Cabinet Member for political oversight prior to employment;**
- 2) in the case of employment at a rate of in excess of £250 per day, verification is also sought via Internal Audit to ensure that the IR35 assessment by the relevant service manager has been undertaken and is accurate;**
- 3) where a situation exists that a Contractor has been taken on for over 2 years (or 2 contract extensions / continuations) there should be a formal review led by Human Resources Department; and**
- 4) clarity be sought regarding contractual arrangements regarding ownership of intellectual property rights of the Council and Contractors working for the Council.**

74 EXEMPT INFORMATION - EXCLUSION OF THE PRESS AND PUBLIC

Under section 100 (A) (4) of the Local Government Act 1972, it was proposed from the Chair that the press and public be excluded from the meeting during consideration of the following item of business (Forge House Associates) on the grounds that they involve the likely disclosure of exempt information as defined by paragraph 1 of Part I of Schedule 12A (as amended) to that Act.

Following advice from the Director of Governance and Assurance, and on a motion moved by Councillor Jeff Green and seconded by Councillor Ron Abbey that the exemption be lifted in respect of the covering report i.e. content of pages 57 to 60 of the agenda papers.

Following a show of hands, it was:

Resolved (7:0) One abstention (Chair) – That the exemption in respect of report pages 57 to 60 of the agenda papers be removed.

75 FORGE HOUSE ASSOCIATES

Following formal lifting of the exemption of elements of the report (i.e. covering report pages 57 to 60 of the agenda papers), Minute No. 73 (ante) refers, the Chief Executive introduced his report that provided Members of the Committee with the opportunity to discuss further the history of appointment of an individual, firstly as an agency worker, secondly as a consultant under a contract for services and then as an interim (agency) director.

The Chief Executive informed that further to the previous item, and following consideration on the matter at the meeting of the Audit and Risk Management Committee (11 March 2019, Minute 61 refers), Members had requested opportunity to consider the results of the further investigations and progress with any subsequent investigatory work into the arrangements for payments made to Forge House Associates. He further informed that for additional clarity his report included a timeline and sequence of decisions in respect of the contract appointment.

A Member questioned the Chief Executive on whether a review had been undertaken at the stages where the contract had been altered or extended, expressing concern that it appeared only one check had been undertaken and that subsequently the contract had then been allowed to 'run on'. The Member also expressed doubt over the contractor's credentials and why appointment on a full-time permanent employment basis had been considered. He further questioned whether communications (or lack of) had resulted in the Chief Executive himself being placed in the position of having to respond to interrogation by Members.

The Chief Executive informed that an initial business case had been established, and the contractor had originally been employed to focus on asset management. When revised contractual requirements and a change of duties had occurred, a review should have been undertaken at that time. He further informed that as a result of the Internal Audit investigation, the Director

of Finance will be informed immediately of any such instances. The Chief Internal Auditor confirmed that these action points, as reported under the earlier item of business and endorsed by the Committee, had been addressed in his report (Minute No. 73 refers).

A Member questioned that once the action points contained in the Chief Internal Auditor's report were followed, could assurance be given that similar instances wouldn't happen again, highlighting that communication within the same directorate had compounded the issue.

In response to the question, the Chief Executive informed that the matter had been discussed with the relevant people involved and expected behaviours for the future had been explained to them.

In response to a question on the matter of compliance with IR35 and how this appeared to be a classic example of a role and status having changed, the Head of Human Resources confirmed that a more robust process was required. He confirmed that as highlighted by the Internal Audit Review, no additional assessment of IR35 had been undertaken in January 2018 when support to other projects had been added into the position under discussion. This notably included work in relation to the Local Plan development and response to Ministry for Housing Communities and Local Government (MHCLG).

A Member questioned how, in December 2018 when the role had been reclassified, and elements of work had been handed over, why there appeared to be no significant change to the level of invoicing for work undertaken. The Member also questioned whether 'dummy' purchase order (POs) numbers had been issued, and whether this was normal. If so, who sanctioned and authorised this.

The Director of Finance and Investment responded, informing that in the past POs had sometimes raised been raised retrospectively, but present policy was that now unless a PO existed no invoice payments would be made.

Another Member enquired if there were any specific departments with a history of not following procurement / PO arrangements. The Chief Internal Auditor informed that there were further checks to be made in this regard and this work would be reported to the Audit and Risk Management Committee.

Referencing the timeline, a Member questioned the Chief Executive on who was accountable for the highlighted failings, and what actions were being taken to rectify these.

The Chief Executive explained that since his appointment it had been his personal directive that the Council would not run a blame culture, and that he was ultimately accountable for the work of the organisation. He added that junior members of staff should also not be penalised for working in a particular way but should be encouraged to work more effectively and learn from instances such as this.

In response to a particular question regarding the taking up of references, the Chief Executive stated that he had personally followed up Members concerns with the Chief Executive at York City Council who assured him that there had been no wrong doing in York, therefore did not affect employment or engagement of the individual (as an agency worker and consultant).

Following consideration of the item, and on a motion moved by Councillor Jeff Green and seconded by Councillor Leslie Rennie, regarding the acknowledgment of accountability, it was –

Resolved (7:0) One abstention (Chair) That:

- (1) the Committee welcomed the acknowledgement of accountability had been accepted by the Chief Executive and his officer team, and looked forward to the implementation of the changes as reported to Members; and**
- (2) that the report, and content of the exempt report appendices, be noted.**

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Audit and Risk Management Committee
Monday, 22 July 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 April to 30 June 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 April to 30th June 2019.

3.2. Items of Note

- 3.2.a Internal Audit in conjunction with Children's Services have developed a programme of work for performing monthly verification assessments on the Troubled Families claims to ensure the accuracy and validity of these. The increased frequency of these claims by the department arise as a direct result of the Ofsted inspection. The outcome and findings from this work will be included on the bi-monthly reporting template and reported to both Chief Officers and Members.
- 3.2.b A recent audit report on Petty Cash holdings within Children's Services department recommended an increase in the utilisation of P cards to enable a commensurate reduction in physical cash holdings. The implementation of this action is designed to strengthen the robustness of the system in operation as well as significantly improving the effectiveness of the controls in operation over this facility. Required actions have been agreed with senior

management and an agreed implementation timescale identified, Internal Audit will continue to input to this development and will be undertaking follow up work later in the year to evaluate progress made and the effectiveness of the revised arrangements. The outcome from this work will be reported to officers and Members upon completion.

3.2.c Internal Audit has continued to liaise with the Councils development partner regarding the control and governance environment for the Wirral Growth Company, and a detailed programme of audit work prepared for implementation during 2019/20 and 2020/21. This is designed to review and test the effectiveness of key control systems in operation over governance, financial management and contracting procedures and management systems. The outcomes from this work will be included in update reports for officers and Members of this Committee to provide necessary assurances on this key initiative for the Council.

3.2.d Internal Audit Work has been undertaken during the period to evaluate the effectiveness of controls in operation over a number of key strategic risks to the Council that includes the following:

- Cyber Security Awareness
- Business Continuity Planning – Crisis Communications
- Windows10 - Project Roll Out

Actions to improve control arrangements in operation have been agreed with management that includes the production of a Cyber Security Policy and updating and testing of Business Continuity Plans for key areas and it is pleasing to note that immediate actions were taken in response to the audit recommendations. Further follow up work is scheduled for later in the year and the Committee will be appraised of the outcome of this work upon completion.

3.3 Outstanding Audit Recommendations

3.3.a The 'tracker' table that identifies information relating to those audits where recommended actions included in audit reports have not been fully implemented within agreed timescales and yet still present a serious risk has not been attached for this report as no actions are currently 'outstanding' for the period.

3.3.b Many client actions are currently in progress however and Internal Audit will continue to monitor this and escalate any items to this Committee for information/action if agreed deadlines are not achieved.

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.	90	10
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms for the reporting period indicating satisfaction with the Internal Audit service.	90	100
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	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:

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

- Development of Traded Services offer to Academy Schools for Internal Audit services;
- Improvements to Maintained Schools audit provision through development of risk based work programme;
- Ongoing development of client feedback through utilisation of survey monkey.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising from this report.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS

6.1 There is none arising from this report.

7.0 RELEVANT RISKS

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

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising from this report.

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APPENDICES

None

REFERENCE MATERIAL

Internal Audit Plan 2019/20

SUBJECT HISTORY (last 3 years)

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



AUDIT AND RISK MANAGEMENT COMMITTEE MONDAY 22 JULY 2019

REPORT TITLE:	CHIEF INTERNAL AUDITORS ANNUAL REPORT AND OPINION 2018/19
REPORT OF:	CHIEF INTERNAL AUDITOR

REPORT SUMMARY

- 1.1 The Internal Audit Service plans and completes audits to review all relevant areas of risk.
- 1.2 Reports, including recommendations produced following audits are presented to managers. A summary report is produced annually by the Chief Internal Auditor and an overall opinion provided as to the effectiveness of the Council's control environment.
- 1.3 This report presents the Chief Internal Auditors Annual Report for 2018/19.

2.0 RECOMMENDATION

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

SUPPORTING INFORMATION

1. REASON FOR RECOMMENDATION

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

2. OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3. BACKGROUND INFORMATION

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

CHIEF INTERNAL AUDITORS ANNUAL REPORT 2018/19

- 3.3 The attached Chief Internal Auditors Annual Report specifies the Internal Audit assurance opinion on key areas of the Council's activity for 2018/19.
- 3.4 The audits conducted during the year were principally planned to review the financial control systems in compliance with the requirements of the Accounts and Audit Regulations. However significant attention was also paid to key risks in the following areas:

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

- 3.6 The Internal Audit Plan for 2018/19 was approved by this Committee in March 2018.
- 3.7 The Chief Internal Auditors Annual Report complies with all of the extensive requirements of the Public Sector Internal Audit Standards.
- 3.8 The report summaries all Internal Audit activity during 2018/19 and includes various analysis and comment, including management feedback on work undertaken and reported to this Committee for discussion, debate and action during the year.

4. FINANCIAL IMPLICATIONS

- 4.1 There are none arising from this report.

5. LEGAL IMPLICATIONS

- 5.1 There are none arising from this report.

6. RESOURCE IMPLICATIONS

- 6.1 There are none arising from this report.

7. RELEVANT RISKS

- 7.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.
- 7.2 Potential failure of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner.

8. ENGAGEMENT/CONSULTATION

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

9. EQUALITY IMPLICATIONS

- 9.1 There are none arising from this report.

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APPENDICES

Chief Internal Auditors Annual Report 2018/19

BACKGROUND DOCUMENTS

Internal Audit Plan 2018/19

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Annual Report

**Chief Internal Auditor's
Annual Report and Opinion on the System of Internal Control
2018/19**

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**Mark P Niblock
Chief Internal Auditor
Wirral Internal Audit Service**

June 2019

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Appendix A: Scope, Responsibilities and Assurance

1 Executive Summary

1.1 Introduction

The Public Sector Internal Audit Standards (PSIAS) note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The role of the Chief Internal Auditor, in accordance with the PSIAS, is to provide an annual opinion, based upon (and limited to) the work performed, on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes (i.e. the organisation's system of internal control). This is achieved through a risk based plan of work, agreed with management and approved by the Audit and Risk Management Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described in this report.

1.2 My Overall Opinion is that:

On the basis of our programme of work for the year, I can provide good assurance overall that there is a generally sound system of internal control, designed to meet the Council's objectives, and controls are generally being applied consistently.

However, some weaknesses in the design and inconsistent application of controls may put the achievement of some objectives at risk. The key governance, risk and internal control issues of which the Chief Internal Auditor was made aware during the year and that impact the overall opinion are included within sections 3 and 4 of this report.

1.3 **Basis of the Opinion**

My opinion has been based on:

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

1.3.1 **Corporate Governance**

An assessment of the Council's Code of Corporate Governance, jointly undertaken by Internal Audit and Legal, against the CIPFA/SOLACE Good Governance Framework (2016 edition), was completed during 2018/19. Overall design of controls was seen to be satisfactory and compliant with the requirements of the framework. As part of the assessment the Code was reviewed and refreshed. The revised Code of Corporate Governance and associated governance framework were presented to the Audit and Risk Management Committee in November 2018 for endorsement and approved at the Council meeting on 10 December 2018.

Internal Audit's support role for the Corporate Governance Group has included undertaking a joint review with Legal to prepare the Council's Annual Governance Statement (AGS), including the associated review of the effectiveness of the Council's governance framework. This review has confirmed the Council has a robust corporate governance framework in place.

The 2018/19 Annual Governance Statement has identified five issues that meet a broader definition of a significant governance issue as outlined in the AGS. The five issues are:

- Ofsted Improvement Plan;
- Significant financial challenges faced by the Council;
- The ambitious plans for regeneration and development to be delivered through the Wirral Growth Company;

- The Secretary of State's communications with the Council in respect of the action plan for the delivery of the Local Plan and the Council meeting statutory timescales for planning decisions;
- The Council's full review of its systems and processes for the inspection and maintenance of trees on its land and highways.

Plans are currently in place to actively address these during 2019/20, with key planned actions set out in the AGS.

Increased risks and threats to the organisation in the following areas require further work to be undertaken to strengthen and improve the control environment during 2019/20 and actions have been agreed with management to facilitate this (see Sect 3.3.3 on page 11):

- Cyber Security;
- Information Assurance & Data Security;
- Business Continuity.

1.3.2 Risk Management Arrangements

During 2018/19 the Council has refreshed its corporate risk management arrangements. This has served to strengthen the risk management arrangements in place, with improvements and additional initiatives during the year including:

- Establishing a Task and Finish group, whose role was to identify and oversee the implementation of improvements,
- Establishing a network of officers across the organisation charged with supporting the embedding of the Council's revised risk management arrangements,
- Reviewing and refreshing the Council's corporate risk register, including significant contributions from ARMC Members through member workshops,
- Good progress with embedding effective risk management arrangements across the Council including regular reviews of risk registers,

- Developing business / service plans across the Council with close links to the risk context for services,
- Training in risk management principles and good practice for the Strategic Leadership Team (SLT), departmental representatives and Members.

It is recognised that there is scope to further enhance the formal and routine use of risk management to inform strategic planning and manage services and delivery, with arrangements currently being finalised to ensure risk management information is routinely included in performance dashboards reported to Departmental Management Teams (DMT) and SLT. There is also work planned for later in 2019/20 to define the Council's current appetite and capacity for key risks.

1.3.3 **Framework of Assurance**

The Corporate Governance Group now chaired and supported by the Director for Governance and Assurance , a member of the Strategic Leadership Team, met regularly during 2018/19 to demonstrate how assurance is provided to the Chief Executives Strategic Leadership Team and the Audit and Risk Management Committee. Regular updates were provided to this group during the year on all of these key assurance components and action plans covering key areas for development and improvement monitored.

1.3.4 **Risk Based Assignments**

Arising from the agreed plan of work a total of 95 individual assignments including reports, actions plans, briefing notes and memos have been issued. The work undertaken contributes to my overall opinion on the control environment.

Opinions provided in audit reports produced during 2018/19 are similar to the previous year when making a direct comparison, with slight increases in the number of audits identifying 'Major' and 'Moderate' risk opinions, again possibly reflecting the current challenging nature of the public sector landscape. It should be noted however that the vast majority of the opinions provided do still remain within the 'Minor' and 'Negligible' risk categories, and the underlying message certainly suggests that there remains an awareness and understanding amongst officers and management of the need for robust systems of control and governance across the organisation.

Actions have been taken by management during 2018/19 to address control issues included in audit reports including those identified as presenting a Moderate or Major risk opinion and reported to ARMC during the year (see Section 4.2.3 and 4.2.4 on pages 26-30).

1.3.5 Key Control Developments in year that support the Opinion

There have been a number of significant improvements to the organisation's governance and control environment during the year in the following areas that have reduced the Council's exposure to controllable risk:

- Implementation of new SLT model with greater commercial acumen, leadership and governance;
- Code of Corporate Governance assessment/development;
- Fundamental Review of Financial Regulations;
- Development and implementation of Medium-Term Financial Strategy;
- Ongoing Risk Management improvements;
- Enhanced Contract Procedure Rules for identifying and documenting breaches;
- Implementation of formal constituted Project Boards and Groups;
- Introduction of a Council-wide approach to service and business planning;
- Improved governance structure for scrutiny, corporate oversight and corporate decision-making;
- Improved levels of Member engagement;
- Establishment of Joint Strategic Commissioning Board as a formal committee with robust governance arrangements for commissioning of healthcare.

2. Introduction

UK Public Sector Internal Audit Standards (PSIAS) 2013

The Public Sector Internal Audit Standards (PSIAS) note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The role of the Chief Internal Auditor, in accordance with the PSIAS, is to provide an annual opinion, based upon (and limited to) the work performed, on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes (i.e. the organisation's system of internal control).

The CIPFA Statement on the role of the Head of Internal Audit (Chief Internal Auditor) in Local Government notes that the Head of Internal Audit in a local authority plays a critical role in delivering the authority's strategic objectives by:

- Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
- Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

An external assessment was undertaken of the Internal Audit Service during 2018/19 by the North West Chief Audit Executives Peer Review Group evaluating all key elements of the Service against the requirements Public Sector Internal Audit Standards and a comprehensive report produced concluding that the Service was **fully compliant**, the highest ranking in all areas.

3. Assurance

3.1 Roles and Responsibilities

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

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

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

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

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

The opinion does not imply that internal audit have reviewed all risks and assurances relating to the Council. The purpose of the opinion is to contribute to the assurances available to the Council which underpin the Council's own assessment of the effectiveness of the organisation's governance arrangements and system of internal

control. My opinion is one component that the Council takes into account in compiling its Annual Governance Statement. In particular, apart from the overall opinion, where 'Major' or 'Moderate' organisational risk opinions have been issued against individual audits, then the Council should assess whether or not the sources of those opinions and subsequent actions taken to address issues necessitate the need for a disclosure of a significant issue.

3.2 Chief Internal Auditors Opinion

My overall opinion is that:

On the basis of our programme of work for the year, I can provide good assurance overall that there is a generally sound system of internal control, designed to meet the Council's objectives, and controls are generally being applied consistently. However, some weaknesses in the design and inconsistent application of controls may put the achievement of some objectives at risk. The key governance, risk and internal control issues of which the Chief Internal Auditor was made aware during the year and that impact the overall opinion are included below.

3.3 Basis of the Opinion

The basis for forming my opinion is as follows:

- An assessment of the Code of Corporate Governance and its operation including underpinning processes;
- An assessment of the risk management arrangements and the framework of assurance; and
- An assessment of the range of individual opinions arising from risk based audit assignments, contained within the internal audit risk based plan that have been reported throughout the year. This assessment has taken account of the

relative materiality of these areas and management's progress in respect of addressing control weaknesses. A number of reports have identified major or moderate organisational risks opinions during the year however all of these reports have recommended actions which when implemented will reduce the level of risk to the organisation. Internal Audit perform work to gain assurance that the recommendations have been implemented and report the findings to the Strategic Leadership Team and Audit and Risk Management Committee Members bi-monthly; and progress to date in year is good.

Corporate Governance

3.3.1 The Code of Corporate Governance and Corporate Governance Group

An assessment of the Council's Code of Corporate Governance against the CIPFA/SOLACE Good Governance Framework (2016 edition), jointly undertaken by Internal Audit and Legal, was completed during 2018/19. Overall design of controls was seen to be satisfactory and compliant with the requirements of the framework. As part of the assessment the Code was reviewed and refreshed. The revised Code of Corporate Governance and associated governance framework were presented to the Audit and Risk Management Committee in November 2018 for endorsement and approved at the Council meeting on 10 December 2018.

Internal Audit attends and actively supports the bi-monthly meetings of the Corporate Governance Group (CGG). Internal Audit's support role has included undertaking a joint review with Legal to prepare the Council's Annual Governance Statement (AGS), including the associated review of the effectiveness of the Council's governance framework. This review has confirmed that the Council has a robust corporate governance framework in place. Support for the CGG has also included providing updates on audit investigations and reviews.

Progress has been made during the year to address the Significant Governance Issues (SGI) highlighted in the AGS 2017/18, as outlined in the following section. The 2018/19 AGS has identified five issues that meet a broader definition of a SGI, as outlined in the AGS. The five issues are:

- Ofsted Improvement Plan;

- Significant financial challenges faced by the Council;
- The ambitious plans for regeneration and development to be delivered through the Wirral Growth Company;
- The Secretary of State's communications with the Council in respect of the action plan for the delivery of the Local Plan and the Council meeting statutory timescales for planning decisions;
- The Council's full review of its systems and processes for the inspection and maintenance of trees on its land and highways.

These issues will be actively addressed in 2019/20, with key planned actions set out in the AGS.

3.3.2. Significant Governance Issues

Children's Services

The 2017/18 AGS included one Significant Governance Issue in respect of the action required to address the issues raised in the Improvement Notice issued by the Secretary of State for Education (30th September 2016).

There is ongoing action to address concerns raised in the Ofsted inspection in July 2016 which provided an overall opinion that arrangements in place for Children's Services in Wirral were inadequate. The Wirral Improvement Board has continued to have oversight of the Improvement Plan for Children's Services. Additional oversight for the improvement plan is provided by the Council's Children and Families Overview and Scrutiny Committee. Activity to address the issues raised in the Ofsted Improvement Notice has been centred around a number of key work-streams. A summary of some of the activity carried out within each work-stream is provided in the AGS. Quarterly monitoring visits have continued to assess progress with findings reported and summarised in the AGS. In addition to this, service and thematic audits, performance management information and DfE reports all evidence progress in improvements in specific areas as outlined in the 2016 Inspection report.

Internal Audit have work scheduled in this area of operations for early in 2019/20 to evaluate the effectiveness of controls implemented during this process and to undertake targeted testing across the department. This work was re-scheduled from

2018/19 following discussion with departmental senior management owing to significant work being undertaken within the department to address identified issues. For the purpose of this report therefore reliance is placed upon ongoing oversight of actions by the Wirral Improvement Board and the assurances provided by Ofsted Inspectors during regular scheduled visits to evaluate improvement progress by the Council. It is however important that Internal Audit are provided with opportunity to complete the necessary work in accordance with agreed time schedules.

3.3.3 Overall Governance Arrangements

ICT Governance

Internal Audit have undertaken a full programme of risk-based work in this area during 2018/19 identifying and evaluating key system controls for effectiveness and efficiency, some of the work undertaken includes the following:

Data Centre Physical Security;	Email System Security Settings;
Enterprise Resource Planning;	Software Licencing;
Payment Card Industry Data Security Standard;	Business Continuity Crisis Communication;
Intune Software Deployment;	Window10 Project;
Cyber Security Awareness;	Information Storage.

One of the key risks to the Authority is the risk of a cyber-attack and this is clearly captured in both the Departmental and Corporate Risk Registers where mitigating controls and proposed future actions are identified. During 2018/19 Internal Audit reviewed the existing controls in place to mitigate the risks in this area and evaluated current user awareness. Findings from the review indicated that whilst the Authority has considered the risk of cyber-attack and taken steps to manage risks in this area there is still a need for more work to be undertaken, including the identification of a senior officer/councillor with live ongoing responsibility for this across the organisation, raising corporate awareness and promoting good practice as in our view this currently remains inconsistent and is not helped by the lack of mandatory training currently available.

During 2018/19 the Local Government Association (LGA) undertook a cyber security stocktake and following this awarded a grant to the Council to improve user awareness across key areas of the Councils operations, it is acknowledged that this will undoubtedly improve control and risk management in targeted areas however this is not the comprehensive corporate approach required long term by the Council.

The roll out of Windows 10 has improved the control of assets across the organisation with the introduction of a comprehensive asset record that is centrally managed by Digital. In addition, an ICT Strategic Partner was appointed during the year to provide all software and hardware renewal in a more structured manner.

Internal Audit remains an active member of the Technical Design Authority and continues to meet with the newly appointed Head of ICT & Digital on a monthly basis. It is encouraging that an IT Strategy is currently being developed and is scheduled for imminent completion, something that in our view is important and should be concluded without delay.

Actions undertaken by the Council during 2018/19 have ensured that operational arrangements in this area remain appropriate including Business Continuity Plans being in place for all identified critical services that are stored electronically on the secure Cabinet Office hosted website. Further work is however required in this area due to revised structures and operating models being introduced that will require more concerted actions being taken to update and comprehensively test plans in place. Steps are currently being taken to appoint a Risk and Continuity Manager for the Council with direct responsibility for further improving the current arrangements during 2019/20 to ensure continued compliance with the Civil Contingencies Act 2004.

Information Governance

Information Governance still remains a developing area however, a permanent Senior Information Risk Owner has been appointed along with a Data Protection Officer. Internal Audit remains an active participant on the Information Governance Board (IGB) where information risks are raised and discussed on a monthly basis. In addition, Internal Audit meets monthly with the Information Governance and Security Officer to discuss progress on implementation of required actions to address issues identified as well as any emerging risks. An information Risk Register has not yet been compiled, although the IGB has included this as an action to complete in the first quarter of 2019/20 and we will be monitoring this closely. Internal Audit

have also recently agreed actions with senior management regarding the storage of sensitive physical data across the organisation to ensure ongoing compliance with the General Data Protection Regulation and the Council's Corporate Retention Policy.

A mandatory requirement by the NHS requires the completion of a self-assessment to provide assurance that the Authority is practicing good data security and that personal information is being handled correctly. A few areas remain outstanding; however we are assured that these will be completed during 2019/20. It is essential that these actions are completed without delay and Internal Audit will be conducting a review of the self-assessment responses during 2019/20 to provide independent assurance.

We also reviewed a sample of schools to ensure that they are working towards GDPR compliance and it was pleasing to note that all were able to provide sufficient evidence of progress in this area, further work of this nature will be conducted by Internal Audit during 2019/20.

Risk Management Arrangements/Assurance

Corporate risk management arrangements are well established, including the corporate Risk Management Policy and Corporate Risk Register. However, in recognition of the risks and challenges facing the Council and feedback received from stakeholders including ARMC there has been a refresh of the Council's corporate risk management arrangements during 2018/19.

The Internal Audit input during 2018/19 focussed on a consultancy assignment aimed at providing best practice guidance and support for officers involved with the implementation of the new arrangements. It has also provided assurance that recommendations made in our previous review have been implemented.

The refresh of the Council's corporate risk management arrangements has undoubtedly served to strengthen risk management in operation, with improvements and additional initiatives during the year including:

- Establishing a Task and Finish group, whose role was to identify and oversee the implementation of improvements;
- Establishing a network of officers across the organisation charged with supporting the embedding of the Council's revised risk management arrangements;
- Review and refresh of the Council's corporate risk register, including direct input from ARMC Members through Member workshops;
- Good progress with embedding effective risk management arrangements at departmental, programme / project level, including the regular review of risk registers. There has been some slippage from the timetable originally envisaged as a result primarily of the impact of changes to the organisational structure at Director level and the need to update registers to take account of the business plan review process. In general, however, arrangements are being progressed in all areas and a sound framework for risk management at the Directorate level is being established and becoming embedded;
- Developing business / service plans across the Council with close links to the risk context for services;
- Training in risk management principles and good practice for SLT, departmental representatives and Members.

It is recognised that there is scope to further enhance the formal and routine use of risk management to inform strategic planning and manage services and delivery, with arrangements currently being finalised to ensure risk management information is routinely included in performance dashboards reported to DMTs and SLT. There is also work planned for later in 2019/20 to define the Council's current appetite and capacity for key risks.

Internal Audit will continue to monitor and support the development of the refreshed risk management arrangements during 2019/20, with work planned including an assessment of risks and mitigating controls in respect of the risks included in the Council's corporate risk register.

Audit Assignments

3.3.4 Risk-Based Assignments

This element of the opinion is based on an assessment of the range of individual opinions arising from risk based audit assignments, contained within the internal audit plan that have been reported throughout the year. In March 2018 the Annual Internal Audit Plan was agreed by the Audit and Risk Management Committee. During the year regular updates including any necessary changes to the plan were reported to, and agreed by, the Audit and Risk Management Committee. Arising from the agreed plan of work a total of 95 reports, action plans, memos and briefing notes have been issued. All of the work undertaken contributes to my overall opinion on the control environment; all of the audit reports issued contained a formal organisational risk opinion and have informed the opinion in this report. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses. The Outcomes and Effectiveness sections of this report give fuller details of:

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

3.3.5 Fundamental Financial Systems

This work focusses on the control arrangements within the council's core financial systems to assess whether they are adequate to allow the council to conduct its business appropriately. The work provides the Section 151 Officer with a key element of assurance that the council has effective arrangements for the proper administration of its financial affairs.

We have continued to develop and utilise a suite of Computer Assisted Audit Techniques (CAATs) that enable us to test whole databases wherever possible as well as samples of individual transactions. It is used to support the work of External Audit in their review of the Statement of Accounts and significantly informs the Chief Internal Auditor's opinion.

The work completed within each core financial system was focused on emerging risks within the area of operation. i.e. new legislation / work processes, staffing restructures and reorganisations. A summary of the opinions from these audits completed in the year are identified below:

Audit	Organisation Risk
Accounts Payable – NFI	Moderate
Accounts Receivable – Debt Recovery	Negligible
Benefits – Discretionary Housing Payments	Minor
Benefits – Risk Based Verification	Negligible
Business Management – Insurance	Moderate
Business Support – Pre-Paid Cards	Negligible
Capital & Treasury Management	Moderate
Financial Accounting – International Auditing Standards	Negligible
Financial Management – Regulations Refresh	Minor

Income Processing	Negligible
Payroll – Advances of Pay	Minor
Revenues - Council Tax – Empty Properties	Minor
Revenues - Non-Domestic Rates – Empty Properties	Minor
Transactional Management – Client Finance Support Unit	Major
Transactional Management – Personal Finance Unit	Moderate

Only one of the assignments resulted in a 'Major' organisational audit opinion being provided and this concerned work undertaken within the Client Finance Support Unit where following the transfer of the Unit to Customer Services a number of significant risks were identified by the Business Unit Management Team in respect to Court of Protection and Direct Payments. A working group was formed by the Director of Finance and Investment during the year and is currently actively addressing identified issues in a timely manner. Internal Audit are providing advice and support to this group and will continue to do so until an effective control environment has been implemented and tested.

All the recommendations made during the year to improve the control environment for the fundamental financial systems were agreed with the relevant system managers and have been / or are currently in the process of being implemented. From the work completed we are able to provide the Section 151 Officer with a key element of assurance that the council has effective arrangements for the proper administration of its financial affairs.

3.3.8 Merseyside Pension Fund

Given the complex nature of the Local Government Pension Scheme (LGPS) operations and the materiality of the finances involved, its inherent risk level is significant. The delivery of the internal audit function to the Merseyside Pension Fund (MPF) by the Wirral Internal Audit Service has been developed and mutually agreed via a service level agreement (SLA). The purpose of the SLA is to formalise the audit relationship; clarify responsibilities and obligations on both sides; and

embed positive practices. The SLA has now been operational for several years and has enhanced the effectiveness of the Internal Audit Service to MPF, who continue to provide very positive feedback on the assurance work undertaken.

In line with the Society of County Treasurers report '*Good practice guidance: gaining assurance over the governance and administration of pension funds, and pension fund investment management – a guide for the internal auditor*', the Internal Audit Service aim to review all expected controls in relation to; governance and strategy; pensions administration; and investments on a cyclical basis over a three year period. This coverage allows the Internal Audit Service to provide an opinion on the adequacy and effectiveness of the organisation's control environment. The Internal Audit Plan is set through discussions with the MPF Management Team to deliver pension and investment audits taking into account the key risks facing the Pension Fund.

In respect to the programme of work for 2018/19, the risks were assessed, and a decision made to increase the time allocation from 100 to 150 audit days moving forward on an annual basis which was agreed by the MPF Operating Group. This is to ensure that there is sufficient and wide-ranging coverage in order for Internal Audit to provide a more robust assessment of the MPF control environment. However, it is acknowledged by Internal Audit and the MPF Management Team that the decision to increase the number of audit days is not because there are any areas of significant concern, but rather to recognise the challenges of the LGPS and demonstrate further good governance at the Fund.

The approved programme of audits for 2018/19 included some assurance work on systems under development at the Fund which was undertaken at the request of the Fund Operating Group (FOG). A summary of the opinions from the programme of completed audits is provided below:

Audit	Organisation Risk
Immediate Payments	Negligible
Investments - Internal Factor Portfolio	Minor
Contributions Receivable	Minor

Performance Standards	Minor
Annual Allowances	Minor
Benefits Payable	Minor

From the work conducted we are able to provide assurances that, both the control environment for the Fund and the level of compliance is effective overall. The MPF Management Team continues to ensure identified risks are effectively managed and the recommendations emanating from the audit work are consistently and effectively implemented within the agreed timescales. An independent annual report of audit findings is produced and presented to the Local Pensions Board in order to demonstrate transparency and further enhance good governance at the Fund.

3.3.9 Legislative Compliance

Under the Local Planning Act 2004 Councils are required to have a clear local plan for development in place that identifies those areas that are protected and those that are earmarked for development for commercial and housing use. Wirral, whilst having undertaken work in this area over previous years currently does not have a fully finalised and approved local plan in place. I am aware however that actions are currently in progress and that this particular issue is included on the Corporate Risk Register and the Annual Governance Statement and therefore progress is being closely monitored by Chief Officers and Members alike through regular update reports. It is vital that progress is made with some urgency if the Council is to avoid the potentially significant risks of not achieving its stated objectives in this area as well as possible Government intervention by the Secretary of State. Internal Audit will continue to monitor this issue to ensure that a resolution is reached within agreed timescales.

3.3.10 Key Control Developments In Year

- The Corporate Governance Group, the Strategic Leadership Team and the Audit and Risk Management Committee continue to regularly and routinely consider reports on risk, in accordance with the Risk Management Policy.

- Improved arrangements for risk management included establishing a Task and Finish group, whose role was to identify and oversee the implementation of improvements, and a network of officers across the organisation charged with supporting the embedding of the Council's revised risk management arrangements. Initiatives included training in risk management principles and good practice for SLT, departmental leads and members. Outcomes included an updated corporate risk register and good progress with embedding effective risk management arrangements at departmental, PMO and at programme / project level.
- Enhanced engagement with all stakeholders.
- All Internal Audit reports issued with a major or moderate organisational risk opinion in 2018/19 have had follow up work undertaken, in line with agreed timescales, and significant improvements have generally been made in these areas, with any exceptions reported to ARMC.
- A comprehensive Performance Management Framework continues to operate, supported by robust systems and processes (although scope exists for additional steps to be taken to further enhance these processes to assure the robustness of data quality).
- The establishment of formal boards, properly constituted and comprising officers from multiple disciplines to oversee transformation and commissioning projects eg: highways maintenance and travel assistance is a significant improvement.
- Reviewed and Updated Code of Corporate Governance and Contract Procedure Rules.
- The establishment of an Investment and Change Board to oversee co-ordination and appropriate governance for all of the Council's regeneration, investment and major change programmes.
- The completion of a financial resilience review in light of recent national commentary on the sustainability of council financing and reserves.
- Improvements in cash and general security within Leisure Centres, with increased administrative support regarding cash reconciliations and banking's, physical security enhancements including CCTV, and the utilisation of the regular cash collection service.
- Introduction of a Council-wide approach to service and business planning.
- Improved governance structure for scrutiny, corporate oversight and corporate decision-making. Improvements have included the introduction of an Investment & Change Board, Call-Over Board, Corporate Savings Governance Board and Commercial Board.

- Improved levels of Member engagement (including pre-Committee briefings and pre-Cabinet cross party dialogue), examples of member-led processes (including MTFs), and examples of cross-party scrutiny (including during the Wirral Growth Company project).
- The establishment of the Joint Strategic Commissioning Board as a formal committee of the Council, with formalised governance arrangements for joint commissioning with Health.
- A new SLT model, bringing improved levels of commercial acumen, communication, teamwork and leadership.
- The Council is strengthening the governance around managing change. Improvements have included ensuring all key projects are now managed within the Programme Management Office (PMO) framework; with all projects to report to one of five programme boards which each report to the Investment & Change Board, in its overall 'gatekeeper' role. The Council is also undertaking a programme of service reviews, which are helping to bring together all aspects of change in the Council.

4. Audit Outcomes 2018/19

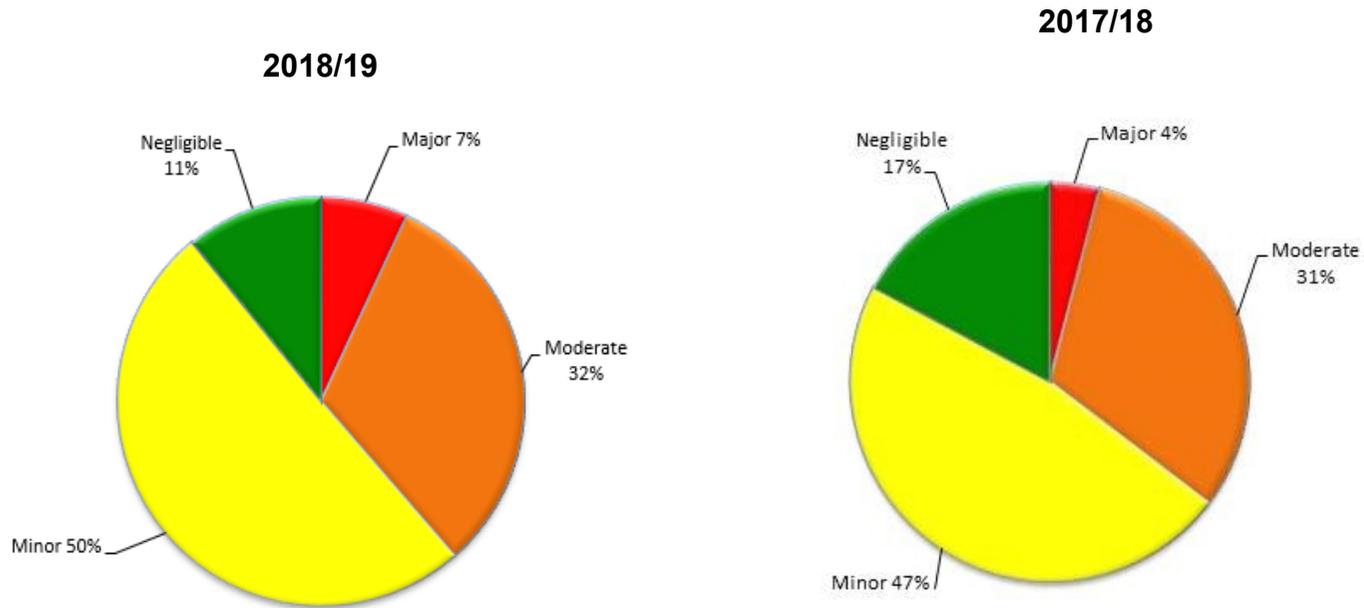
4.1 Assurances Issued During 2018/19

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

4.2 Audit Opinions Provided

The charts below illustrate the organisational risk opinions provided in audit reports produced during 2018/19 and the previous year 2017/18. These opinions identify the risk to the organisation of the audit findings taking account of the impact and likelihood of occurrence with 'Major' being the most significant and 'Negligible' presenting the least risk opinion to the organisation.

It is notable that opinions provided in audit reports produced during 2018/19 are very similar to the previous year when making a direct comparison, with slight increases in in the number of audits identifying 'Major' and 'Moderate' risk opinions possibly reflecting the current challenging nature of the public sector landscape. The modest nature of these increases does not at this moment in time present any cause for concern and is counteracted to some degree by the increase in those audits identifying 'Negligible' opinions and reflecting strong control environments. The vast majority of the opinions provided remain within the 'Minor' and 'Negligible' risk categories, and the underlying message certainly suggests that there remains an awareness and understanding amongst officers and management of the need for robust systems of control and governance across the organisation.



These opinions are explained in more detail below:

4.2.1 Negligible Organisational Risk Opinion

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

Accounts Receivable - Debt Recovery
Income Processing
International Auditing Standards
MPF Immediate Payments
Prepaid Cards
Social Care Integration
The Observatory School

4.2.2 Minor Organisational Risk Opinion

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

Annual Allowances
Anti Bribery Policy and Procedure
Anti Fraud and Corruption Policy and Procedure
Bebington High Sports College
Christ the King Catholic Primary School
Clare Mount Specialist Sports College
Contributions Receivable
Council Tax – Empty Properties
Counter Fraud and Corruption Strategy

Discretionary Housing Payments
Fender Primary School
Fraud Response Plan
Ganneys Meadow Nursery School & Family Centre
Grove Street Primary School
Heswall Primary
Heygarth Primary School
Hillside Primary School
Hoylake Holy Trinity CE Primary
Investments - Internal Factor Portfolio
Kingsway Primary
Mayor's Charity Account
Mendell Primary School
Mersey Region Fraud Group
Millfields Primary School
MPF Benefits Payable
MPF Performance Standards
NDR Empty Properties
Payroll - Advances of Pay
Pensby Primary School

Portland Primary School
Ridgeway High School
Risk Based Verification Framework
Social Media
St Bridget's CE Primary School
St Michael & All Angels RC Primary School
St Peter & Paul Catholic Primary School
Verification of the Validity of Supplier VAT Registration Numbers

4.2.3 **Moderate Organisational Risk Opinion**

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

Accounts Payable pre NFI data matches review
Car Mileage
Client Finance Support Team
Constitution Review
Early Years Funding
Email System Security Settings

Free-Standing Payments
Friends of Royden Park
Insurance Management
Integrated Commissioning
Landican Cemetery and Crematorium
Local Plan
Mosslands School
Organisational Compliance – Performance Review Culture
Out of Borough Placements
Overseas/Air Travel
Payments to Forge House Associates Ltd
Personal Finance Unit
Risk Management
Software Licencing
The Chest
Treasury and Capital Management
Wirral Evolutions - Risk Management

Good progress in line with agreed timescales has been made by management in year to address all of the actions identified within these audit reports and regular updates on this has been provided to the Audit and Risk Management Committee at

all meetings during the year. On occasion this has resulted in officers being invited to appear at the Committee to provide progress updates on actions being taken to improve arrangements and strengthen controls.

4.2.4 Major Organisational Risk Opinion

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

The schedule below identifies those reports produced during the year that contained 'Major' organisational risk opinions. In all cases management action to address reported weaknesses was agreed and appropriate actions either taken or started during the year as indicated.

Audit	Outcome
Appointment of Agency Workers	<p>The audit review identified a number of areas where improvements were required to strengthen existing controls and improve arrangements over many elements of this process including contract management, monitoring and analysis. Actions were agreed with senior management and a detailed action plan including identification of responsible officers' and appropriate timescales prepared for implementation. A follow audit is scheduled for August 2019 to evaluate progress by officers to implement the action plan and test the effectiveness of the revised arrangements and the outcome of this will be reported to officers and Members.</p> <p>A report on this matter was presented to a special meeting of the Audit and Risk Management Committee in April 2019 for discussion, debate and action.</p>
	The audit review was commissioned by the Director of Finance and Investment

Enterprise Resource Planning	<p>and designed to provide an independent opinion of the overall effectiveness and efficiency of the Council's existing ERP system. The opinion provided in the report was that the current system is outdated and prevents the Authority providing some services that would reasonably be expected in a digital age. In addition, some of the system functionalities do not currently comply fully with the new General Data Protection Regulation. A project has subsequently been set up by the Change and Organisational Design section who are currently undergoing soft market testing and it is envisaged that a new system will be procured by March 2020. Internal will continue to input to this development during 2019/20.</p>
Financial Resilience	<p>This audit which is currently being concluded spans the 2018 and 2019 Audit Plans and has identified that there are a range of financial resilience arrangements and actions operating across the Council, including the critically important process of getting the basic financial management right. Key improvements include the use of star chamber sessions to challenge portfolio holders on the saving options, completion of a financial resilience plan and the introduction of a risk rated savings tracker which is monitored and challenged monthly, with additional developments around internal financial management, income generation, developing the ability to plan for events in the future and management of reserves.</p> <p>A significant amount of savings for 2018/19 and some of the proposed saving options for 2019/20 are one-off savings which are not sustainable in the longer term. A number of the 2019/20 savings present a significant challenge for the Council; with risks relating to the level of income and savings the Council has planned to achieve in 2019/20 as a result of the operation of the Wirral Growth Company and significant financial pressures continuing within Children's and Adults services.</p> <p>Our opinion is based on the significance of financial resilience within the</p>

	<p>Corporate Risk Register and the external auditor value for money assessment. The opinion is reflective of the significant challenge the Council faces to achieve the required sustainable long-term savings and not due to a poor control environment or weaknesses in the current corporate arrangements. The final report on this will conclude shortly and be reported to officers and members for action.</p>
<p>Leisure Services Cash and Security</p>	<p>A significant number of control weaknesses were identified in Cash and Security systems in operation at Leisure Services during an audit review. Actions to address weaknesses and improve control arrangements were agreed with senior management and these actions have subsequently been implemented resulting in improvements across a range of controls including the efficiency and effectiveness of cash reconciliations, physical security in buildings, and the prompt utilisation of the cash collection service. A follow up audit was conducted during 2018/19 that confirmed these control improvements.</p>
<p>PCIDSS (Payment Card Industry Data Security Standard)</p>	<p>The General Data Protection Regulation provides a legal requirement for the protection of personal information, including payment card details. The Internal Audit review identified that a project was underway to ensure compliance in one area of the Authority and that some existing payment card machines have been replaced with PCI DSS compliant ones but that some are still in need of attention. As a result of the review, the Director of Finance and Investment has overseen agreed actions in this area and has set up a corporate project to identify and ensure that all Council payment machines and systems are fully compliant with the legislation. Further audit work is scheduled for 2019/20 to evaluate progress in this area.</p>
<p>Client Finance Support Unit</p>	<p>Following the transfer of the Client Finance Support Unit to Customer Services a number of significant risks were identified by the Business Unit Management</p>

	Team in respect to Court of Protection and Direct Payments. A working group was immediately formed by the Director of Finance and Investment and is currently actively addressing identified issues in a timely manner. Internal Audit are providing ongoing support and advice to this group and will continue to do so until an effective control environment has been implemented and tested. Further targeted audit work is scheduled to review and test arrangements during 2019/20.
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4.3 Additional Work during 2018/19

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

4.3.1 Counter Fraud

The Internal Audit Counter Fraud Team has continued 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 still committed to developing a regional approach to counter fraud and much work has been undertaken during the year to facilitate this, including the production of generic policies and procedures and undertaking collaborative working in targeted areas, such as data matching and other counter fraud exercises.

To ensure that the Council continues to maintain a strong awareness of the threats posed by fraud and demonstrates a commitment to combatting this type of activity the Team has during the year 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.

In addition, the team has reviewed, amended and promoted the following policy documents during the year, 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;
Anti-Bribery Policy;

Fraud Response Plan;
Anti-Money Laundering Policy.

The team continues to maintain the fraud 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. This facilitates the completion of the CIPFA Fraud and Corruption Tracker, which is coordinated by the Team on behalf of the Council. The information contained within the register has been 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.

The Team coordinated its annual week-long Public Fraud Awareness Campaign in November 2018, in collaboration with the Fraud and Compliance Team, Insurance & Risk, Publicity and other neighbouring authorities. The aim of the exercise was to raise public awareness of fraud and encourage Wirral Residents/Businesses to help spot and report fraud - "*Spot it and Stop it*". The campaign involved posters and leaflets in Council run public buildings, advertisements in the local media and messages on the Council's Website, Facebook/Twitter pages.

The Counter Fraud Team also provide advice and guidance 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 has continued to rise and become more widely known.

4.3.2 CIPFA Fraud and Corruption Tracker (CFaCT)

In June 2018 CIPFA's Counter Fraud Centre carried out an annual survey of fraud and corruption detected in local authorities in England. The survey includes questions commissioned by the Fighting Fraud Locally Board and the Home Office, to provide a picture of the amount of detected fraud, emerging risks and actions taken by local authorities across the country to combat fraud and corruption.

The CFaCT identified that across England procurement, adult social care and council tax single person discount are still perceived as being the three greatest fraud risk areas. The largest growing area is business rates fraud, with an estimated £10.4m lost in 2017/18 compared to £4.3m in 2016/17. This is followed by disabled parking concession (Blue Badge) which has increased by £3m to an estimated value of £7.3m for cases prevented/detected in 2017/18.

These areas have, as in previous years been incorporated into the annual Internal Audit planning process and audit work has been identified that will be undertaken during 2019/20.

4.3.3 National Fraud Initiative

The IA Counter Fraud Team facilitates and co-ordinates the Council's participation in the National Fraud Initiative which the Council is required by law to participate in.

Data sets were submitted in October 2018 for the 2018/19 National Fraud Initiative biennial data matching exercise and results of data matches were received at the end of January 2019. For this current NFI exercise £268,605.94 has been identified to date, of which £6,165.94 is/or is in the process of being recovered. NB: £262,440 represents what the Council has saved by removing individuals from the Housing Waiting List and therefore, is a saving rather than a recoverable amount.

4.3.4 Referrals

For the financial year 2018/19 Internal Audit received 80 reports and referrals via a number of sources. This represents an modest 6% increase from 2017/18 and is likely to be due to an increased awareness of fraud risks amongst employees and members of the public as a result of successful publicity campaigns run during the past two years. The type of issues covered a broad spectrum of the Council's activities including:

- Business Rates
- Disabled Parking (Blue Badges)
- Theft of Income

During the year Internal Audit completed a further follow up review of actions taken by the Council following a referral/investigation undertaken in March 2017 concerning a tragic incident involving a tree falling onto the highway. Findings from this work indicated that the Council has made progress towards improving systems including the introduction of a Parks and Countryside (P & C) Tree Safety Programme which has involved the inspection and maintenance of P & C trees based on a detailed risk assessment. The Council has also procured the services of The Environment Partnership to establish a Tree Risk Management and Maintenance Strategy (TRMS), which was adopted in March 2019 and actions are in hand to appoint a TRMS co-ordinator post to deliver the strategy. Further action is still required to ensure that the process is efficient and effective and addresses risk appropriately and Internal Audit will continue to monitor, evaluate and report upon activity in this area during 2019/20.

4.3.5 **Developing Systems**

During the year Internal Audit has had significant ongoing input to a number of systems being developed that includes the following, advising on the control environment and proportionate risk responses. More in depth work of this nature is scheduled for 2019/20 that includes audits in targeted areas to evaluate the effectiveness of the proposed control environment:

Wirral Growth Company;
Client Finances Support Group;
Information Governance;
Integrated Commissioning Hub.

Wirral waters Investment Fund;
Local Government Pension Scheme Annual Return;
Risk Management arrangements.

4.3.6 **Value for Money /Consultancy work**

Whilst value for money work is implicit within all audit work a limited number of specific exercises has been undertaken during the year as detailed below. Time has been included within the Audit Plan to develop this approach and increase our

focus in this area on proactive, value adding reviews to support the organisation in delivering increased budget savings and managing service redesign. Work in this area will undoubtedly increase and this has been reflected in the work plan.

- Housing Benefit
- ERP System
- Advantage Digital Portal

4.3.7 Schools Work

The objective of the schools' audits is to form an opinion on the effectiveness of the controls within schools to ensure the governing body and school's management exercise appropriate levels of governance over the delegated budget.

Schools' audits in 2018/19 primarily focussed on a questionnaire approach, in line with recent years. The questionnaire utilised was developed based on the '*Scheme for Financing Schools*' which is statutory guidance provided by the Department for Education for local authorities. The risk based self-assessment approach was developed to ensure there was an effective use of internal audit resources that ensured all schools were audited over a three-year cycle.

The audit questionnaire was designed to enable the assessment of controls currently in operation at schools. The questionnaire highlights a range of high-risk controls and systems, including those affected by changes in LA procedures, such as the introduction of SelfServe. Audit findings and feedback during the year suggest that the approach continued to be well received by Schools and has encouraged them to take greater ownership of their systems and with ongoing support and guidance from Internal Audit and the LMS Unit ensure that appropriate and effective systems of control are in operation. Audit resources have also been used to assist a major investigation, jointly conducted with HR, in a primary school.

Following completion of the audit cycle for all schools, a new audit programme has been developed. This programme mirrors closely and assesses compliance with the Schools Financial Value Standard (SFVS) assessment. The SFVS assessment is produced by the Education and Skills Funding Agency (ESFA), and completion of the assessment form is a

mandatory requirement for local authority (LA) maintained schools. The SFVS helps schools to manage their finances and to provide assurance to the LA that they have secure financial management in place. The audit is based on a two-day site visit to schools and will provide schools with a wider ranging audit review. The approach was piloted on two schools during 2018/19 and is being rolled-out from 2019/20. The timing of audits for individual schools is based on a risk assessment completed by the Service, in close liaison with the LMS team. The risk assessment takes into account a range of factors including implementation of recommendations from previous follow-up work. The overall approach to risk assessment helps target those schools which are most in need of independent review and advice in a timely fashion.

The Wirral Electronic School Communications Website (WESCOM) continues to be utilised by Internal Audit to convey best practice learning points in response to issues raised during individual audits for the collective benefit of all schools. Customer feedback in response to our audit approach and resulting recommendations remains extremely positive.

Attendance at schools' Headteachers and Bursars forums have continued to be a feature of our approach to these audits during 2018/19, involving engagement with representatives from schools and advising on risks, threats and the utilisation of effective controls to mitigate. This will continue during 2019/20 as feedback indicates that this is well received and adds significant value to schools' operations.

4.3.8 External Work

Edsential

No audit reviews were requested by the Edsential Board for completion in 2018/19. The service continues to liaise with Edsential regarding the provision of Internal Audit services and understand Edsential are currently developing a brief for potential Internal Audit work during 2019/20.

Wirral Evolutions

Internal Audit work was performed at Wirral Evolutions during the year that involved visits to a number of Centres to evaluate the effectiveness of governance, financial and risk management controls in operation. In addition, targeted work

was also completed over the effectiveness of risk management arrangements in operation across the organisation as well as ongoing input to the development of more robust policies and procedures for Gifts and Hospitality, Honoraria, Delegated Authority, Procurement Rules and Stock Management.

Outcomes and reports from work undertaken was presented to the Audit Committee for Evolutions and agreement reached regarding the implementation of agreed actions required to address control issues within appropriate timescales. No issues of significance remain outstanding from work undertaken during 2018/19.

Wirral Evolutions have notified Wirral Internal Audit Services that they intend to retain our services for the 2019/20 year and subsequently a programme of work has been agreed with the Board that includes audits of the governance framework, payments processes, and a sample of Centres not visited during 2018/19.

4.3.9 Other Work

The Internal Audit team's resources have been applied in several other respects:

- Support to the Audit and Risk Management Committee including training provision;
- Attendance at monthly meetings with the Chair of the Audit and Risk Management Committee;
- Support to and attendance at the Corporate Governance Group;
- Support to and attendance at the Information Governance Delivery Group;
- Attendance at regular meetings with the Section 151 Officer;
- Regular attendance at the Strategic Leadership Team;
- Attendance at Departmental Management Team meetings;
- Regular meetings with Directors
- Grant claims;

Wirral Council Internal Audit Service

Annual Chief Internal Auditor's report for the year ended 31 March 2019

- Provision of ad-hoc advice;
- Annual planning and reporting,
- Support to and attendance at the EU Exit (no deal) Co-ordinators Group;
- Troubled Families claims (monthly in 2019/20);
- Ad hoc contract evaluation advice; Review of PRAD 6 documents within Procurement workflow.

5 Effectiveness of Internal Audit

5.1 Internal Audit Standards

Internal Audit are required to adhere to the Public Sector Internal Audit Standards (PSIAS) which require all public sector internal audit providers to be fully compliant from 2018. Regular update reports on this have been presented to the Audit and Risk Management Committee advising Members of the evolving requirements and progress being made by the service to become compliant.

The Public Sector Internal Audit Standards (PSIAS) note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The PSIAS require an external assessment of the service at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

Wirral Council adopted the peer challenge assessment approach developed by the North West Chief Audit Executive's Group. This approach is acknowledged and supported by the Chartered Institute of Public Finance Accountants (CIPFA), the Chartered Institute of Internal Auditors (CIIA) and External Audit colleagues as being a best practice method of satisfying the requirements of the Standards and ensuring that internal audit are providing a robust and effective service. The actual external assessment took place in March 2018 and provided Wirral Council Internal Audit Service with a '**full compliance**' assessment opinion, the highest rating across all required criteria.

Grant Thornton in its reporting continue to acknowledge that Internal Audit provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment to the Council.

5.2 Quality Assurance Improvement Programme

The Internal Audit Service operates a Quality Assurance Improvement Programme (QAIP) that is designed to provide all stakeholders with reasonable assurance that the service performs its work in accordance with the Internal Audit Charter and Strategy and is compliant with the Public Sector Internal Audit Standards and Internal Audit Code of Ethics. The QAIP is designed to cover all elements of internal audit activity in accordance with PSIAS Standard 1300 ensuring compliance,

adding value and helping improve organisational operations. The QAIP has a number of different elements that contribute towards an ongoing assessment of the nature and effectiveness of the service delivered and the performance of individual auditors, identifying areas for improvement and development on a continuous and ongoing basis. Included within the QAIP are the following and any improvement actions arising in year have been included within both Internal Audit Service and Personal development plans and reported to the Audit and Risk Management Committee:

Customer Satisfaction Surveys

Post Audit Assessments

Auditor Skills Appraisal

Core Competencies

5.3 Internal Audit Developments

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

- Enhanced reporting arrangements for Chief Officers and Members to reflect organisational change;
- Further development of audit approach to Schools for 2019/20;
- Continuous development of approach to the AGS work including enhanced liaison with Directors;
- Continuous ongoing improvements to engagement arrangements with Chief Officers, managers and Members;
- Developed reporting arrangements for ARMC members;
- New reporting arrangements introduced for the Merseyside Pension Fund including annual/quarterly reporting to the Pensions Board;
- Annual review of Internal Audit Strategy and Charter;
- Ongoing benchmarking against other audit service providers;
- Developed relations with Chief Audit Executives from across the Mersey and North West regions;
- Further development of the Mersey Counter Fraud Group including the establishment of more proactive collaborative cross boundary working;

- Ongoing development of the Intranet facility as a vehicle for communicating audit and risk related issues to clients;
- Ongoing restructuring of automated working folders to reflect GDPR requirements regarding information governance;
- Increased utilisation of mobile technology to enhance efficiency and effectiveness;
- Full compliance with the Public Sector Internal Audit Standards;
- Update and development of counter fraud strategy, policies and procedures;
- Developing our Internal Audit offer for Academy schools and an extended service offering for maintained schools, as part of Wirral Traded Services.

Many of these initiatives will continue to be the subject of ongoing review during 2019/20 to ensure that the very best use of all available resources is made and that Internal Audit continues to provide a value added service to the Council.

5.4 Performance Indicators

For 2018/19 the internal audit service continued to set some challenging targets for all of its key measures, but particularly 'plan delivery' and 'acceptance of High priority recommendations'.

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

For 2018/19 summaries of the post audit feedback forms indicate an overall satisfaction rate of 100% with the audit service, with 70% of those respondents actually noting that they were 'very satisfied' and none indicating any grading of dissatisfaction with the service provided.

The table below details the key performance measures relating to Internal Audit and actual performance for 2018/19:

IA Performance Indicator	Target	Actual
Percentage delivery of IA Plan 2018/19	100	100
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms indicating 'satisfaction' with the IA service.	90	100
Percentage of internal audit reports issued within 10 days of completion of fieldwork.	100	100

5.4.1 Completion of the Internal Audit Plan for 2018/19:

The plan was 77% complete as at the 31 March with 23% carried over into 2019/20 with completion during April/May 2019. This predominately related to audit work started late in the financial year and carried over for completion. At the time of writing this report the IA Plan for 2018/19 was 100% complete for all those audit areas identified to support the assurance opinion. All of the contingency days were utilised, predominately on referrals and investigations work, this equates to 9% of the total audit days available.

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

For all of the completed audits draft reports for discussion with clients were issued within 10 days of completion of the actual fieldwork unless specifically agreed due to client requests.

5.4.3 Some of the comments received on the Customer Survey Feedback Questionnaires:

“The audit was very professional and fair in its approach and judgements reached”

"The process was informative and extremely helpful"

"A very positive experience" "Highly professional"

5.5 Follow up Procedure

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

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

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

5.6 Working with External Audit

The Government introduced legislation for local audit during 2013. The legislation abolished the Audit Commission and in line with the government changes the Audit Commission appointed Grant Thornton as the Council's external auditors until 2017. During 2017, Public Sector Audit Appointments (PSAA) on behalf of local Council's undertook a procurement exercise to appoint external auditors to these bodies for a period of five years. Grant Thornton were appointed as the external auditors for Wirral Council.

Throughout 2018/19 the close links with External Audit continued to be important particularly given this change and Internal Audit have liaised closely during the year with External Audit to ensure that any unnecessary duplication has been avoided and resources have been utilised to the best effect. Close links with External Audit have been evidenced by:

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

5.7 Working Relationships

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

1 Scope, Responsibilities and Assurance

1.1 Approach

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

1.2 Responsibilities of Management and Internal Auditors

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

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

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

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

1.3 Basis of Our Assessment

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

1.4 Limitations to the Scope of Our Work

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

1.5 Limitations on the assurance that internal audit can provide

1.5.1 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Also there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.

1.5.2 Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

1.6 Access to this Report and Responsibility to Third Parties

1.6.1 This report is prepared solely for Wirral Council and forms part of a continuing dialogue between the Internal Audit Service, the Section 151 Officer, Chief Executive, Audit and Risk Management Committee and management of the Council. It is not therefore intended to include every matter that came to our attention during each internal audit review.

1.6.2 I acknowledge that this report may be made available to other parties, such as the external auditors. I accept no responsibility to any third party who may receive this report for any reliance that they may place on it and, in particular, I expect the external auditors to determine for themselves the extent to which they choose to utilise our work.



Audit and Risk Management Committee
Monday, 22 July 2019

REPORT TITLE:	UPDATE OF THE CORPORATE RISK REGISTER
REPORT OF:	DIRECTOR OF FINANCE AND INVESTMENT

REPORT SUMMARY

1.1 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 embed. Ensuring that the leadership has a clear shared and current understanding of those risks is fundamental to that aim. This report provides an update in relation to the arrangements that underpin the corporate risk register and appends a copy of the current version of the register.

2.0 RECOMMENDATION

2.1 That the report be noted.

SUPPORTING INFORMATION

1. REASON FOR RECOMMENDATION

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

2. OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3. BACKGROUND INFORMATION

- 3.1 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.
- 3.2 My report of 11 March 2019 confirmed that a second workshop with the sub-group of this committee was held on 28 January 2019. Within that session further consideration was given to the definitions of the risks and their mitigation. 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.
- 3.3 The revised corporate risk register was appended to the 11 March 2019 Committee report.

Current Update

- 3.4 The risk register has been updated through consultation with corporate risk owners, and lead risk management support officers within departments. This has included updates as appropriate to existing mitigations, risk owner, planned additional mitigation and target dates.
- 3.5 The updated risk register has been reported to SLT. SLT have agreed that no changes to risk descriptions are required at this stage and the only changes to risk scores that are required, since the register was reported to the 11 March 2019 ARMC, are as follows:
 - Risk 7 - Governance – in recognition of the existing mitigations that now includes improved overall internal governance procedures, incorporating a revised Code of Corporate Governance and Annual Governance Statement and involving improved reporting and monitoring, it is acknowledged that the likelihood of the risk arising has actually reduced from 3 to 2, resulting in an overall risk score reduction from 16 to 12;

- Risk 14 – Health & Safety – after further consideration of the potential significance of the threat posed by this risk, it was felt that the unmanaged score should have been 16 rather than 12. Given the actual mitigations currently in place there is no actual change to the current risks score of 12.

Further action planned

- 3.6 Work to improve the Council's understanding of the key mitigation for each risk will continue.
- 3.7 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. 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.
- 3.8 Target scores for the corporate risks will be completed following an exercise planned for later in 2019/20 to draw out the risk appetite of political and executive leaders for each of the revised corporate risks.
- 3.9 Directorate and Programme Management Office risk registers have recently been updated, linked in the case of service departments to the service planning process for 2019/20. The Risk Management Support Officers Group continues to meet monthly and help contribute to the further strengthening of the Council's risk management arrangements. The arrangements for presenting risk management information to monthly DMTs and SLT are being further refined and will help contribute to the new monthly corporate risk review process where emerging or developing risks to programmes and business plans that have potential corporate significance will be escalated to SLT. SLT 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 risk registers.
- 3.10 At the ARMC meeting on 11 March 2019 it was resolved that Members would examine one of the revised corporate risks in detail at each future meeting of the committee. The Financial Resilience risk is the subject of a separate report on the 22 July ARMC agenda.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. RESOURCE IMPLICATIONS

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

7. RELEVANT RISKS

- 7.1 The work mentioned in section 3.0 is leading to the regular review and update of the revised corporate level risk register.

8. ENGAGEMENT/CONSULTATION

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

9. EQUALITY IMPLICATIONS

- 9.1 There are none arising directly from this report.

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APPENDICES

Corporate Risk Register 110719

BACKGROUND DOCUMENTS

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
Development of the Revised Corporate Risk Register	11 March 2019

Corporate Risk Register
11 July 2019

Portfolio / Priority	Risk Ref.	Risk Description	Unmanaged Scores			Risk Owner	Existing Mitigation	Owner	Current Scores			Planned Additional Mitigation	Owner	Target Date	Current Risk Status (▲ ▼ ◀ ▶)
			Likelihood	Impact	Total (LxI)				Likelihood	Impact	Total (LxI)				
Finance and Resources	1	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	5	5	25	Paul Sator - Corporate Director for Business Management	Refreshed Medium Term Financial Plan based on investment and income generation approved at Council in March 2019	Shaer Halewood - Director of Finance & Investment	3	5	15	MTFS updated on a quarterly basis and reported to Cabinet for early intervention and resolution of budget deficits	Shaer Halewood - Director of Finance & Investment	Jul-19	
							Continual (not annual) budget setting process with scrutiny and challenge to ensure future business cases for savings proposals are robust and deliverable					Community Wealth Building Strategy to keep wealth in the Borough		Jul-19	
							Robust and rigorous monitoring of budgets and savings plans in year					Complete mandatory Budget workshops for all Budget Holders		Jul-19	
							Scrutiny and challenge to ensure future business cases for savings proposals are robust and deliverable					Implement new Capital Budget arrangements with revised reporting and monitoring		Jul-19	
							Programme of service reviews considering the most financially sustainable models					Refreshed Financial Resilience Strategy including reducing reliance on reserves through a phased approach		Jul-19	
							Establishment of a Financial Governance Structure to improve Accountability, Management and Monitoring of Budgets					Implementation of new Agency arrangements to minimise reliance on and length of agency placements		Jun-19	
							Establishment of a Commercial Strategy and Commercial Ideas Panel					Develop a funding/investment strategy to identify internal finance pressures and external funding sources to support planned growth projects		Sep-19	
Adult Care and Health	2	Demand Management 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	5	4	20	Graham Hodgkinson - Director for (Adult) Care & Health	Better Care Fund investment in preventative and re-ablement services	Graham Hodgkinson	4	4	16	Implementation of the Wirral Together Strategy to minimise reliance on public services through a phased programme over the next decade	Rachel Musgrave - Consultant in Public Health	From April 19 - ongoing during 19/20	
							Domiciliary Care recommissioned to manage demand and responsiveness of the market					Implementation of the Home First Pathway		From 01/06/2019	
							Social Work services integrated with partners with a section 75 agreement for most services, focus on demand management, early intervention and prevention								
							Implementation of Healthy Wirral Strategy								
Jobs and Growth	3	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	3	5	15	Paul Sator - Corporate Director for Business Management	Robust financial modelling on business cases with external due diligence as required	Shaer Halewood	2	5	10	Ensure long term project milestone plan to determine capacity and capability to deliver so as not to over expose the council to risk	Shaer Halewood	Jul-19	
							Long-term strategic regeneration framework that articulates the Council's approach to economic growth and investment.					Improve horizon scanning through Local Economic Assessment production		Sep-19	
							A collaborative relationship with the LCR Combined Authority has been established to engage Strategic Investment Fund investment in Wirral growth projects					Develop detailed place specific 'blueprints/masterplans' to articulate a phased approach to growth projects		From April 19 - ongoing during 19/20	
							Risk exposure analysis undertaken of immediate growth projects					Assessment of financial impact of market risk included in MTFS relevant to the year of risk exposure		Jul-19	

Corporate Risk Register
11 July 2019

Portfolio / Priority	Risk Ref.	Risk Description	Unmanaged Scores			Risk Owner	Existing Mitigation	Owner	Current Scores			Planned Additional Mitigation	Owner	Target Date	Current Risk Status (▲ ▼ ◀ ▶ □)			
			Likelihood	Impact	Total (LxI)				Likelihood	Impact	Total (LxI)							
Leader	4	Employee Engagement & Capacity for Change	4	4	16	Paul Satoor - Corporate Director for Business Management	People Strategy & OD plan (attracting and retaining talent leadership, values behaviours and performance, embracing change, workplace wellbeing) The People Strategy is designed to deliver a suite of initiatives to raise the capability and capacity of the organisation. This will be delivered by a systematic programme of work over the next 18 months which is robustly governed by a People Strategy Board, chaired by Director C&OD, underpinned by a cultural change programme and communications plan. Engagement so far has included residents, staff and councillors, and is consistently driven at leadership conferences and CMT meetings. Feedback is excellent and the culture change is positive. Also developed a performance framework to provide measurable evidence of capacity, capability and culture change	Nikki Boardman - Director of Change & Organisation Design	4	4	16	Behavioural framework and Talent Management Programme	Suzanne Moore - Head of Organisational Design and Development	Dec-19				
		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 through an organisational diagnostic and a new workforce planning process	Nikki Boardman		Dec-19											
			Staff engagement sessions	Further improve managers' ability to address under-performance. A project to introduce a new performance management framework is underway	Nikki Boardman		Ongoing programme during 19-20											
Housing and Planning	5	Local Plan	4	5	20	Paul Satoor - Corporate Director for Business Management	Programme management approach to Local Plan implementation. In February 2019, the Council brought in a consultant to assist with the Programme Development and implementation.	Tim Games - Head of Bus Change & Prog Management	4	5	20	Conduct green belt review	David Ball	Ongoing during 19/20				
		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					David Ball - AD Major Growth Projects & Hsg Delivery				Consultation process for the Local Plan	David Ball	Ongoing - From Sep 2018
							Recruitment of additional capacity to Forward Planning Team and this is being supported by specialist consultancy support in relation to the evidence base.									Administrative support provided to the Forward Planning Team to assist with Local Plan	David Ball	Ongoing during 19/20
							LGA, Planning Officers Society and Planning Advisory Service supporting the work on the Local Plan											
							There is a Programme Board meeting with the Senior Responsible Officer, Paul Satoor, every two weeks and a technical Programme Board on the week in between. There are monthly meetings with MHCLG to monitor progress against the timeline set out in the MHCLG Action Plan. These meetings are constructive and allow discussion not only in relation to the Local Plan production but also how it will be delivered.											
2019/20 Priority Local Plan																		

Corporate Risk Register
11 July 2019

Portfolio / Priority	Risk Ref.	Risk Description	Unmanaged Scores			Risk Owner	Existing Mitigation	Owner	Current Scores			Planned Additional Mitigation	Owner	Target Date	Current Risk Status (▲ ▼ ◀ ▶)
			Likelihood	Impact	Total (LxI)				Likelihood	Impact	Total (LxI)				
		Local Plan (continued)	4	5	20	Paul Sator - Corporate Director for Business Management	The Council is working with major landowners and developers in Wirral with a focus of bringing forward and maximizing development in key regeneration areas, for example Wirral Waters, and on brownfield land and employment designated sites where there is little or no demand for future employment uses. A number of these are moving into the planning process and once full planning permission is granted this will enable them to be included in the five year housing supply which is a critical piece of work for the Local Plan. Work is also progressing on the housing trajectory for years 6 to 15 of the plan.	David Ball - AD Major Growth Projects & Hsg Delivery	4	5	20	Peer review	David Ball	Sep-19	
Leader	6	Partnership Working	4	4	16	Graham Hodgkinson - Director for (Adult) Care & Health	Co-ordination of all engagement and interaction with LCR partnerships	Rose Boylan - Policy and Strategy Manager - External	3	4	12	Refreshed approach for engagement and briefings to ensure Wirral plays an effective and influential role in wider Partnerships. New process for communications will include monthly updates to SLT, regular briefings for the Leader and improved sharing of relevant informations with officers.	Rose Boylan	Jun-19	
		Officer cross LCR working					Refresh approach to Wirral Partnership					Rose Boylan	Ongoing during 19-20		
		The Wirral Partnership					Planned meetings with Chamber of Commerce					Shaer Halewood Alan Evans	Dec-19		
		Integration of health and social care													
		Engagement with City Region Partnerships eg: LEP, LCRCA Investment Team, LCR ESB, Local Industrial Strategy, LCR One Front Door													
		Inability to take advantage of collaborative opportunities locally and nationally, limiting improvement in economic conditions for the community and the Council's funding position													
2019/20 Priority Strategic Long Term Financial Plan for Wirral	7	Governance	4	4	16	Paul Sator - Corporate Director for Business Management	Internal governance procedures (DMT, Leadership, SLT, Call over Board, Cabinet/SLT, portfolio holder briefings)	Philip McCourt - Director of Governance and Assurance	3	4	12	Complete the review of the Constitution	Philip McCourt	2020 (subject to possible change to committee system from May 20)	
		Council Constitution.					Implement the new Scheme of Delegation					Philip McCourt	2020 (subject to possible change to committee system from May 20)		
		Code of Corporate Governance					Deliver Member development sessions					Philip McCourt	From April 19 - ongoing during 19/20		
		Member / Officer Protocol					Establish Chief Executive's office					David Armstrong - Corporate Director Delivery Srvs	From April 19 - ongoing during 19/20		
		Corporate Policies (e.g. Whistleblowing)													
		Ethical Framework for Members													
		Oversight provided by Corporate Governance Group													
		Improved Annual Governance Statement													
		Compliance Group													
												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			

Corporate Risk Register
11 July 2019

Portfolio / Priority	Risk Ref.	Risk Description	Unmanaged Scores			Risk Owner	Existing Mitigation	Owner	Current Scores			Planned Additional Mitigation	Owner	Target Date	Current Risk Status (▲ ▼ ◀ ▶)
			Likelihood	Impact	Total (LxI)				Likelihood	Impact	Total (LxI)				
Jobs and Growth	8	Brexit	5	5	25	Paul Satoor - Corporate Director for Business Management	Maximising extensions for remainder of EU Funding programmes and engagement in negotiations for replacement/alternative sources of funding.	Alan Evans - AD Growth, Regeneration & Place	5	5	25	Monitor the international and national financial climate and to include any potential negative financial impact in the MTFS	Shaer Halewood	Oct-19	
2019/20 Priority Creating Jobs, Driving Regeneration		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	Identification and evaluation of potential implications and development of strategic responses.	Rose Boylan			Take legal advice on the impact of any changes to legislation affecting the council	Philip McCourt	Ongoing during 19/20						
		Delivery of Brexit Action Plan	Rose Boylan	Ongoing during 19/20											
		Corporate Resilience Officer (Brexit Co-ordinator) to be appointed	Mark Camborne	Oct - Dec 19											
Adult Care and Health Children & Families	9	Upstream / Preventative Activity	4	4	16	Graham Hodkinson / Paul Boyce	Health and Social Care Integration	Jacqui Evans - AD - Integrated Commissioning Programme	4	4	16	Improved business intelligence arrangements and tools for Population Health management.	Nancy Clarkson	Mar-20	
		Early Help and Prevention Strategy					Elizabeth Hartley, Assistant Director - Early Help and Prevention	Partnership for children				Carly Brown - Asst Director - Modernisation & Support	Aug-19		
		Public Health Commissioning					Julie Webster - Director for Health and Wellbeing	Joint Commissioning Forum/Framework				Carly Brown - Asst Director - Modernisation & Support	Mar-20		
		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.					Planned work in Adult Social Care to review the referral/single point of access arrangements, to enhance strength based approaches to assessment and support planning, to develop a neighbourhood model ensuring that people can access the right support at the right time.	Jason Oxley/Jacqui Evans/Graham Hodkinson.				Mar-20			
Jobs and Growth	10	Wirral Growth Company	4	5	20	Paul Satoor - Corporate Director for Business Management	Weekly Programme Steering Group Meetings, monthly Programme Board meetings and 2 weekly meetings with Muse. Supporting governance and programme structure & monitoring in place.	Sian Hartley - Programme Manager	3	5	15	Establishment of shareholder board	Philip McCourt	Ongoing during 19/20	
2019/20 Priority Creating Jobs, Driving Regeneration		Clearly documented legal framework and partnership agreement					Philip McCourt	All key decisions to be underpinned with robust business cases.				Daniel Kirwan & Alan Evans	Ongoing during 19/20		
		Existing relationships and historic knowledge with Muse and partners					Paul Satoor	Partnership Business Plan being produced				Sian Hartley	Nov-19		
		Funding model					Shaer Halewood	Public Consultation				Sian Hartley	Jun-19		
							All- Member workshop	Sian Hartley	Jun-19						

Corporate Risk Register
11 July 2019

Portfolio / Priority	Risk Ref.	Risk Description	Unmanaged Scores			Risk Owner	Existing Mitigation	Owner	Current Scores			Planned Additional Mitigation	Owner	Target Date	Current Risk Status (▲ ▼ ◀ ▶)
			Likelihood	Impact	Total (LxI)				Likelihood	Impact	Total (LxI)				
	11	<p>Significant safeguarding incident</p> <p>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</p>	4	4	16	Graham Hodkinson - Director for (Adult) Care & Health and Paul Boyce - Corporate Director for Children's Services	<p>Multi-agency Safeguarding Arrangements for Children (formerly Wirral Safeguarding Children Board) activity including audit, scrutiny, training and publication of policies, procedures and guidance. Children and Families Overview and Scrutiny Committee. Integrated children's safeguarding performance management arrangements.</p> <p>Merseyside combined Safeguarding Adult Board. Care and Health Overview and Scrutiny Committee/Care and health Panel.</p>	Simone White - Deputy Director for Children	3	4	12	<p>New multi-agency safeguarding arrangements for children led by the LA, health economy and police including robust local audit and case review procedures</p> <p>Review of referral and handling processes for safeguarding adult alerts, LCR benchmarking.</p>	Paul Boyce	Sep-19	
	12	<p>Business Continuity Planning</p> <p>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</p>	2	4	8	Paul Satoor - Corporate Director for Business Management	<p>Business Continuity Policy</p> <p>Compliance audits</p> <p>BC Tests</p>	Shaer Halewood	2	4	8	Risk, Continuity and Compliance manager to be appointed	Mark Niblock	Sep-19	
	13	<p>Cyber Security</p> <p>IT security is insufficient to deter, detect and prevent unauthorised access to IT systems, resulting in loss of data and disruption to Council services.</p>	5	5	25	Paul Satoor - Corporate Director for Business Management	<p>Cyber Security Policy</p> <p>Weekly review of security incidents</p> <p>New threats communicated to staff and Members</p> <p>Technical controls: 1) Endpoint security software, 2) Network firewall 3), Prevention of</p> <p>Implementation of 'patching' policy</p> <p>Responsibility for Information' training</p>	Pete Moulton - Head of ICT & Digital	2	5	10	<p>Programme of migration from Windows 7 to Windows 10</p> <p>Responsibility for Information' training</p> <p>Staff and Members Cyber Awareness Training</p> <p>Creation of Cyber Security Board to review alignment against security best practice on monthly basis</p>	Peter Moulton	Jan-20	
	14	<p>Health & Safety Management</p> <p>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</p>	4	4	16	Paul Satoor - Corporate Director for Business Management	<p>Corporate health and safety policy</p> <p>Implementation of health and safety management arrangements.</p> <p>Essential H&S training for managers available. Specific Hazard related training available for managers and staff. Health surveillance monitoring in place and Occupational Health.</p>	Andy McMillan - Health, Safety & Wellbeing Manager	3	4	12	<p>Paper planned for SLT in June 2019 setting out issues and proposed actions in relation to H&S</p> <p>Policy reviewed annually to be agreed by SLT</p> <p>Improvements in SLT/DMT oversight of compliance. Development of e-learning modules for key H&S processes</p> <p>Formation of a Strategic health, safety and wellbeing group. Setting of objectives to mitigate H&S risks</p>	Tony Williams	Jun-19	

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Audit and Risk Management Committee Monday 11 July 2019

REPORT TITLE:	Corporate Risk – Deep Dive
REPORT OF:	Director of Finance & Investment

REPORT SUMMARY

The Corporate Risk Register was published in March this year following an extensive consultation exercise with Departmental Staff, Senior Leadership Team, Cabinet and a sub-group of this committee to ensure it was fit for purpose and captured the relevant corporate risks.

The register is dynamic with changes being recommended via the Departmental Risk Officers and Departmental Management Teams and agreed at Strategic Leadership Team. There is an expectation that risks may increase or decrease in scoring, be transient in nature and be removed or added to the register depending on the current National and Local situation.

The committee agreed to take a deep dive look into one of the risks at each committee to test whether the risk is relevant and valid and whether the mitigations provide the Committee with the assurance that the risk is being managed. The deep dive will look at each risk sequentially however, committee are encouraged to select the risk to be the subject of a deep dive at each committee depending on the current landscape. For this committee Risk 1 – Financial Resilience has been selected to reflect the current uncertain state of public sector finances.

RECOMMENDATION

Members note the deep dive into Corporate Risk 1 – Financial Resilience and consider whether any additional planned controls could be implemented to mitigate the risk further.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 To provide the Members with assurance that the Corporate Risks as relevant and valid and are being owned and managed effectively.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND

- 3.1 On 11 March the Corporate Risk Register was presented to the Committee after being published with the Medium Term Financial Strategy in February 2019.
- 3.2 The register had been produced in conjunction with a sub-group of the Committee and will be updated and reported on in full to the Committee quarterly.
- 3.3 A recommendation in the report was for Members to scrutinise each of the risks in the register via a 'deep dive' whereby one risk would be reported in more detail to each Committee.
- 3.4 The Committee are encouraged to select a risk for the deep dive however as this is the first detailed look at the Corporate Risks, Risk 1 – Financial Resilience has been selected as the first risk for the deep dive.

4.0 RISK 1 – FINANCIAL RESILIENCE

- 4.1 Risk 1 – Financial Resilience risk details are:

4.1.1 Risk Description

'Failure to develop and implement effective plans to respond to future government spending reductions 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'

4.1.2 Risk Owner

Director of Finance & Investment – Shaer Halewood

4.1.3 Existing Controls in place:

- *A refreshed Medium Term Financial Plan 2019 – 20223*
- *New continuous budget setting process*
- *Robust and rigorous monitoring of budgets and savings plans each year*
- *Scrutiny and challenge to ensure future business cases for savings proposals are robust and deliverable*
- *Programme of Service Reviews in place*
- *New Commercial Strategy and Commercial Ideas panel*

4.1.4 Planned additional Controls:

- *Establishment of a Community Wealth Building Board and Strategy*
- *Mandatory Budget Holder training*
- *Refreshed Financial Resilience Strategy*
- *New Agency staff arrangements*
- *Development of a funding/investment strategy*
- *Financial Resilience Audit*

4.1.5 An assessment of each of the risk features is described below to provide assurance to the Committee that the risk is being owned and managed effectively.

Why is this risk on the Corporate Risk Register?

- 4.2 The risk has arisen as a result of the uncertain national financial situation following a period of continued austerity since 2010, which has seen the Council's general revenue budget decrease by over £250m. This is a combination of reduced government funding and increasing pressures. From 2020 the Council has assumed that it will be expected to be self-funding, with the final grant loss of £19m in 2020/21.
- 4.3 The Government has been undertaking a fair funding review which is due to report in the autumn. This has been ongoing for over 18 months and as a result any additional funding the Council has received by the Government for demand pressures e.g. Adult and Children's Social Care has been temporary in nature which makes future planning very difficult.

Existing Controls in Place

- 4.4 A refreshed Medium Term Financial Strategy (MTFS) 2019/2023 – the MTFS is a dynamic document that will change depending on a variety of factors. It is important that it is kept up to date and refreshed on a regular basis to ensure the most up to date information is available for robust decision making. During 2018/19, all the savings and pressures in the MTFS were reviewed for accuracy and timing. This led to some pressures being revised both upwards and downwards and some original savings being removed as no longer deliverable. As a result, the budget gap for 2019/20 was well known in advance and enabled time for public budget consultation sessions which had not been undertaken for a number of years, the outcome of which was able to be fed into the decision making process.
- 4.5 New continuous budget setting process – historically budget setting has always taken place in a block with Directorates asked to submit proposals to a set Officer Star Chamber and followed up with a set Member Star Chamber so that all proposals can be agreed together for November Cabinet. This is a concentrated time-consuming and intense process often with the majority of business cases being requested by an end of summer holiday deadline. For 2020/21 however each time a proposal is identified it will be submitted to SLT as Officer Star Chamber and then taken to Cabinet for approval once ready. This means any consultation required can be undertaken immediately once approved. The MTFS will be updated and reported to Cabinet on a quarterly basis. The annual budget will still be required to be approved by Council before March but will alleviate the bottleneck of work that takes place in autumn in readiness for full Council approval.

- 4.6 Robust and rigorous monitoring of budgets and savings plans each year – The Finance and Income Portfolio Board, implemented last year will be reviewed and improved. This Board chaired by the Portfolio Holder for Finance and Income is to challenge the other Portfolio Holders on the monitoring and management of budgets in year. This was successful last year in ensuring that Portfolio Holders were accountable for their Portfolio budgets and provided assurance to the Finance and Income Portfolio Holder that the council's finances were being managed well. This starts a top down approach to the management of budgets and savings targets that cascades through all levels of the organisation. New financial reporting methods have been implemented for 2019/20 and all monthly monitoring positions are reported to Departmental Management Team's (DMT's) via a monthly performance dashboard. Once agreed the corporate position is reported to the Strategic Leadership Team (SLT) each month.
- 4.7 Scrutiny and challenge to ensure future business cases for savings proposals are robust and deliverable - a new process, implemented last year will continue with improvement for 2019/20. Before any proposal can be presented to Star Chamber for review, it will need to pass a series of additional tests. This process was implemented last year to help facilitate the information that was available to scrutiny in advance of the budget scrutiny sessions. A further scrutiny consultation is planned for 2020/21 budget setting whereby an all Scrutiny workshop will be planned in the summer enabling earlier engagement of Scrutiny members. This will be in addition to the usual Scrutiny workshops held in the autumn.
- 4.8 During 2019/20 a programme of Service Reviews were commenced to review all the 200 services the Council provides as an iterative process. This enables a deep dive into each service area to determine whether the service is providing value for money, how it is benchmarked against other local authorities, the dependencies with other services and an efficiency review to determine where improvements can be made.
- 4.9 The Commercial Strategy was launched last year and a Commercial Ideas Panel was established. These are tools and a forum for all staff to submit ideas for new income generation, to test whether their services provide value for money and to be able to demonstrate that services are commercially comparable if they were to be offered on the open market. This enables new income to be used to offset lost grant to continue services to be provided.

Planned Additional Controls

- 4.10 For the past 12 months the Council has been working on a Community Wealth Building Strategy to support local communities to be more independent, self-sufficient and keep the wealth of the Borough local. This will result in communities doing more for themselves and contribute to improving the local economy, which in turn will encourage more new or larger businesses which should encourage more housebuilding. This is important for financial sustainability as new income will be realisable from business rates and council tax.
- 4.11 A programme of mandatory budget holder financial awareness and training has been underway since the start of the calendar year. This is to ensure budget holders know what their responsibilities are for management and monitoring of their finances and the

governance process around authorisations and approvals. This will improve accountability for financial management and enable a more robust approach to spending.

- 4.12 The financial resilience strategy arose from a number of key documents and milestones e.g. LGA Peer Review, Northampton section 114 statement, CIPFA FM model review, use of reserves statement, and has been presented to this committee on two previous occasions. A plan is in place to review this strategy during the summer to ensure the previous actions have been implemented and the strategy is kept up to date to reflect current market conditions, and changes to the Council's operating model.
- 4.13 A report was presented to this Committee following an audit of agency staff arrangements in April. This described the more robust processes in place to engage, monitor and measure the performance of agency staff. These new processes will be monitored and reported on during 2019/10 to ensure they are being adhered to. This will further reduce the commitment and financial pressure on the Council.
- 4.14 Since austerity set in the Council's government revenue support funding has been reduced and will cease from April 2020. However, there are many other sources of funding available to the Council to draw down to supplement council finances. A funding/investment strategy is being compiled to determine our intention to access this funding taking into account the capacity required to submit bids, the extent of the match funding required and the availability of revenue funding to support the council's budget.
- 4.15 To ensure an objective and independent view of the Council's financial resilience, an Internal Audit has commenced and the outcome will be reported and actioned as part of the refreshed financial resilience plan.

5.0 FINANCIAL

- 5.1 There are none arising from this report.

6.0 LEGAL IMPLICATIONS

- 6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS

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

8.0 RELEVANT RISKS

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

9.0 ENGAGEMENT/CONSULTATION

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

10.0 EQUALITY IMPLICATIONS

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

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