



Audit and Risk Management Committee

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| Date: | Monday, 27 January 2020 |
| Time: | 6.00 p.m. |
| Venue: | Committee Room 1 - Wallasey Town Hall |

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

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AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

2. MINUTES (Pages 1 - 18)

To approve the accuracy of the minutes of the meeting held on 18 November 2019.

3. TRANSFORMATION PORTFOLIO UPDATE (Pages 19 - 28)

4. ENTERPRISE ARCHITECTURE MAP (Pages 29 - 36)

5. ENTERPRISE RESOURCE PLANNING (ERP) - SMART BUSINESS (Pages 37 - 58)

6. MINIMUM REVENUE PROVISION RE-PROFILING (Pages 59 - 68)

7. INTERNAL AUDIT UPDATE (Pages 69 - 86)

8. CORPORATE RISK MANAGEMENT UPDATE (Pages 87 - 100)

9. SPEND FREEZE PROGRAMME NO PO NO PAY COMPLIANCE (Pages 101 - 108)

10. **REGULATION OF INVESTIGATORY POWERS ACT 2000(RIPA)**
(Pages 109 - 130)
11. **EXTERNAL AUDIT - WIRRAL MBC ANNUAL AUDIT LETTER**
(Pages 131 - 150)

The Audit and Risk Management Committee is requested to consider the Grant Thornton Annual Audit Letter summarising the key findings arising from work carried out at Wirral Council for the year ended 31 March 2019.
12. **EXCLUSION OF THE PRESS AND PUBLIC**
13. **ENTERPRISE ARCHITECTURE MAP
(EXEMPT APPENDIX)** (Pages 151 - 166)
14. **ENTERPRISE RESOURCE PLANNING (ERP) SMART BUSINESS
(EXEMPT APPENDIX)** (Pages 167 - 186)
15. **CELTIC MANOR RESORT
(EXEMPT REPORT)** (Pages 187 - 238)

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AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 18 November 2019

Present: Councillor JE Green (Chair)

Councillors K Cannon K Hodson
A Gardner AER Jones
P Gilchrist S Whittingham
K Greaney G Wood

Deputies: Councillor I Lewis (In place of T Anderson)

21 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.

Councillors Ian Lewis and Stuart Whittingham declared personal interests in Item 6 (LGA Peer Review – Planning) by virtue of their having been interviewed in respect of this matter.

Councillor Stuart Whittingham sought advice from the Director of Governance and Assurance as to whether his role as Cabinet Member for Housing and would preclude him from taking part in discussion on planning related items on the agenda, namely Items 5 and 6 (LGA Peer Review – Planning and Thornton Manor – High Court Judgement). The Director advised that this was not a prejudicial interest and that Councillor Whittingham would not be debarred from contributing to discussions or voting when the matters were considered.

22 MINUTES

Resolved – That the minutes of the meeting held on 23 September 2019, be approved.

23 ARMC TERMS OF REFERENCE

Philip McCourt, Director of Governance and Assurance introduced his report that presented the Chartered Institute of Public Finance & Accountancy (CIPFA) publication Audit Committees: Practical Guidance for Local Authorities and Police (2018), and associated Position Statement, for review and comment.

The Position Statement emphasised the importance of audit committees being in place in all principal local authorities and police bodies and recognised that audit committees are a key component of governance, setting out guidance on the committee's function and operation. It also included suggested terms of reference and Members were asked to consider revising the Audit and Risk Management Committee's constitution and terms of reference to be in accord with this national guidance.

The Director of Governance and Assurance provided Members with a summary of the content of his report that detailed the CIPFA view on best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales.

The Director of Governance and Assurance highlighted two key elements of note, namely that:

- as part of Governance Review and the move away from audit and risk oversight of a one party executive model to a politically proportional committee based system of governance at Wirral Council (and resultant changes to the Constitution), more in depth consideration regarding changes to the Audit and Risk Management Committee responsibilities i.e. management of risk – to form part of each new Committee terms of reference – would be required; and
- the inclusion of an Independent Member on the new 'Audit Committee' be it a Constitution, Audit or Standards Committee - or any combination of these responsibility areas.

Such considerations / recommendations would be progressed as the Governance Review progressed, with recommendations presented to the Standards and Constitutional Oversight Committee at the appropriate time.

Chair expressed a view that he was not keen on seeing role of the current Audit and Risk Management Committee being 'diluted' and questioned the Director regarding future consultation on the matter.

Mr McCourt responded informing that all these matters were led by Member Working Group, who in turn report back to their political groups, prior to final agreement at Council.

Chair – thank Mr McCourt and encouraged Members from all political groups to make representations as the Governance Review progressed.

The Chair expressed the views of the Committee that the Director of Governance and Assurance be thanked for his report, and it was

Resolved – That:

- 1. the revised CIPFA’s Position Statement: Audit Committees in Local Authorities and Police (2018), be noted; and**
- 2.**
 - (a) an alteration to the make-up of the Audit and Risk Management Committee to include the appointment of an independent person as per the 2018 Position Statement, be agreed;**
 - (b) updating of the Committee’s current terms of reference to those suggested by the 2018 Position Statement (attached at Appendix A to the report), be considered as part of the Governance Review; and**
 - (c) the impact that a change to a committee system might have on the role and function of the committee, including the option to combine audit, governance and standards functions in one committee, taking into account example alternatives from other authorities (as attached at Appendix C to the report), also be considered as part of the Governance Review; and**
- 3. Members be requested to feed their views, observations or recommendations on any matters pertaining to the above matters and the Governance Review to the Standards and Constitutional Oversight Committee’s Governance Working Group.**

24 WHISTLE BLOWING PROCEDURE REVIEW

As requested by the Audit and Risk Management Committee at its meeting held on 23 September 2019 (Minute 12 refers) Nicholas O’Neill, Governance and Practice Manager introduced his report that set out how the Council currently managed its whistleblowing concerns.

The report additionally informed of the progress of the Council’s whistleblowing project, which had been commissioned by the Council’s Organisational Change & Design, Governance & Assurance and Audit, Risk & Business Continuity departments in October 2018 - to review and refresh the current process, with a view to aligning the same with national whistleblowing best practice.

The Governance and Practice Manager informed of progress of the Whistleblowing Project, commissioned in October 2018

The Chair expressed the view that there was a need for some form of oversight and highlighted that Members were not aware of how many cases there were, how long they had been in progress, what stages they were at. He

added that he also wished to ensure whistleblowers were appropriately treated during the process.

A Member informed that there had been issues relating to this subject in the past and he would seek assurance that what happened then will not happen again. These had included the individual having been delegated menial tasks, working in an isolated location. As a result the staff member did not return. The Member pointed out that staff should be able to raise matters of concern, and not suffer personally if a complaint was upheld or not.

The Chair stated he was keen to have a compliance risk included in respect of adherence to policies, and in the case of whistleblowing ensuring cases were properly investigated within a set time and monitored or 'tracked'.

The Chair noted that as detailed in the report Wirral had been liaising with PROTECT (an organisation that embraces the importance of whistleblowing) and that they had identified this Council's work on the matter as a model of best practice.

Members thanked the Governance and Practice Manager for his report.

Resolved – That the report be noted.

25 **THORNTON MANOR - HIGH COURT JUDGEMENT**

Further to Minute 13 (23 September 2019) David Ball, Assistant Director Major Growth Projects & Housing Delivery introduced the report of the Interim Director of Economic and Housing Growth that updated and advised Members on the present position in connection with the erection of three marquees at Thornton Manor. The report further provided Members with assurance that the Council was taking appropriate measures to address the criticisms set out in the recent Court of Appeal judgement.

The Assistant Director Major Growth Projects & Housing Delivery provided Members with a summary background to the matter and detailed the issues whereby Planning application APP/10/00445 (received by the Council on 9 April 2010) sought permission for the erection/retention of 3 marquees within Thornton Manor Estate (at The Dell, The Walled Garden and the Lake) to be used for private functions and conferences. He informed that following the Planning Committee decision, negotiations were begun about the detail of the Section 106 Agreement and on 11 November 2011, a Section 106 agreement was concluded. Schedule 2 of the Agreement detailed a draft notice of the grant of planning permission, which included all 11 conditions and the reasons for them, including the condition with the five-year time limit. At this point the Decision Notice containing all conditions should have been issued to the applicant thereby releasing the grant of Planning Permission. However, for reasons that it has just not been possible to understand, a decision notice was

not produced or issued on 11 November 2011 but was issued on 20 December 2011 and published to the Council's web. This Decision Notice had been issued without any conditions.

The Assistant Director Major Growth Projects & Housing Delivery informed that on 23 August 2017, a claim for judicial review of the Council's decision was brought to the High Court by Thornton Hall Hotel Limited. The claimant (Thornton Hall Hotel Ltd) maintained that the decision issued on 20 December 2011 was a mistake and that the planning permission should have been subject to the conditions approved by the Planning Committee but omitted in error from the decision notice that granted the planning permission. The Local Planning Authority accepted and asserted that it made the error and did not contest the claim.

Following further explanation of the legal process in respect of the judicial review, and confirmation that in August of this year an appeal was lodged with the Planning Inspectorate against the Council's decision to refuse planning permission - an appeal against the Enforcement Notice was also lodged on 17 September 2019. The Assistant Director Major Growth Projects & Housing Delivery confirmed that both matters were now with the Planning Inspectorate and were likely to be subject to a public inquiry in the coming months. He stated that he wished to assure the Committee that the issues that brought about this situation had been addressed, to ensure nothing like this happened again.

Members questioned the Assistant Director Major Growth Projects & Housing Delivery on matters relating to the reasons for delay in identifying the issue, the risk of potential compensation and why, when officers knew that the planning notice was incorrect, the matter had not been addressed at the time.

Additional questions were raised concerning quarterly reviews, monitoring of S.106 agreements and costs in respect of the legal action and legal representation.

A Member requested that a full summary of costs be presented to the Audit and Risk Management Committee in due course, once all expenditure had been confirmed.

Another Member informed the Committee that when acting as Chair of the Planning Committee on the night of the application in question, the Planning Committee had been advised that application would assist in the restoration of the grounds and although residents in attendance had objected the conclusions of Planning Committee had recommended approval subject to limiting of the application. Over time English Heritage had also moved to support a S.106 agreement and would expect this sensitive application to be 'closely monitored'.

The Audit and Risk Management Committee (ARMC) was apprised that systems had been reviewed – the IT system was new at time – and now each decision was recorded when produced. The applicant was working Council to discharge conditions (S.106 did include the 11 conditions), and although legal advice had been taken at the time and acted upon – Counsel and Wirral Legal – the Judge had disagreed.

The Director of Governance and Assurance informed that the report detailed what happened and when. The Council's legal department were in a position to advise 'what to do' and a novel approach had been taken in this instance. Council had encouraged a Judicial Review (JR) itself, with the most practical approach being for the 3rd party to JR the Council. As a result, in effect Council won, quashing the permission, with reduced costs, because the applicant had also been at fault. He added that policies and practices were now in place to ensure incidents of this nature did not happen again.

The Chair re-iterated the request that a further report be presented to the ARMC on costs. With a review working of policy practices to follow at an appropriate time in the future.

Further questions were asked of the Officers regarding the Council's business arrangements with the Thornton Manor, and if there were any conflicts of interest arising. Members were advised that no such conflicts existed.

Resolved – That

- 1) the report be noted; and**
- 2) a further report - detailing the legal findings, financial costs and resultant action plan - be presented to a future meeting of the Audit and Risk Management Committee.**

26 LGA PEER REVIEW - PLANNING

Further to Minute 13 (23 September 2019) Alan Evans, Director of Economic and Housing Growth introduced his report that provided Members with an overview on the implementation of recommendations from the Local Government Association led Peer Review of Planning which was undertaken on 25 - 27 June 2019.

The Director Economic and Housing Growth informed that the external review had been undertaken by a peer group of Local Government Officers, Elected Members and LGA Officers to provide an assessment of Wirral's Planning department, looking at all elements of the function including Local Plan preparations and strategic vision. Members were apprised of the 14 recommendations as set out at Appendix 1 to the report and associated implementation action plan at Appendix 2 to the report.

The Committee noted that one of the key recommendations arising from the peer review had been to establish a Place Directorate, to help aid and action regeneration in the Borough. This would include the design and production of a business plan for implementation in 2020. Each of the items listed in the action plan were cross referenced to the Peer Review recommendations.

Members thanked the peer review team and officers for their work and accepted the recommendations as contained within the report and further supported the work being done to address the points identified.

The Chair provided a brief comment on the related matter of general IT provision and core systems and suggested a future report and assurance on the Council's IT strategy.

Resolved – That the report be noted.

27 **CLIENT FINANCE SUPPORT UNIT REPORT**

Shaer Halewood, Director of Finance and Investment (S151) introduced her report that provide an update and assurance to members on an item of note regarding the Client Finance Support Team brought to the attention of the Members in the Chief Internal Auditors report (Section 3.3.5) for year ended 31 March 2019. The report informed that The Mental Capacity Act 2005 (MCA) provided for powers to be granted by the Court of Protection to a Local Authority Deputy in order for them to make best interests decisions about an incapacitated person, in any setting, in relation to their property and financial affairs. This Deputyship was applied in circumstances where there was no other person willing or able to act on their behalf. Where a person's income is state benefits, the team may also apply for an Appointeeship to the Department for Work and Pensions to manage these benefits and assist with a resident's day to day financial affairs. The Local Authority Deputy (Director of Adult Social Care & Health) delegates these responsibilities to the team workers in the Client Finance Support Team. The report further informed that all activities that the team undertake and are committed to meeting were set out in the service specification (Section 75 agreement) as part of the Wirral Health and Care Commissioning arrangements for health and adult social care integration.

The Director of Finance and Investment's report provided a summary of the following key areas:

- Process Review
- Improvement Plan
- Legacy Issues

Members were apprised that the project remained on plan with most of the actions required delivered by October 2019. At the time of writing, the areas of the improvement plan requiring completion were, new banking arrangements for Clients to replace inefficient processes, and the IT implementation of a Financial Protection Module to ensure records are electronic with greater visibility and management oversight of activity. This work had started, and the plan was that these will be in place no later than March 2020.

The Director of Finance and Investment provided assurance that no mismanagement had been identified and staff had been trying to do their best for clients, sometimes putting themselves at risk e.g. transporting valuable items from service user's homes to be secured safely in the office. This, and other identified matters were identified as part of the improvement plan attached at Appendix 1 to her report. The Director informed that a working group had been established and the initial action plan was being worked through.

In response to a Member question regarding the return of all possessions, the Director informed that the bulk of such items had all been returned to client or appointed executive, however where persons could not be identified these would be handled by HM Treasury.

A Member sought assurance that on methods used to ensure procedures were watertight and there was no financial mismanagement of Client's / Service User's affairs.

The Director of Finance and Investment responded, stating that in most circumstances 2 people handled Client's financial matters, and having spoken to the team, it was clear they were passionate about the people they managed, often visiting in their spare time, above and beyond their normal duties to ensure receipt of proper care - an extremely diligent team. New processes now included 2 people, taking pictures, assess level of vulnerability, items described and logged, and cash transport procedures arranged.

The Director of Finance and Investment provided further assurance regarding the clear roles and responsibilities of the client support team and social workers, and that significant advice had been taken from legal as part of the Support Unit review. Additionally, communication had also taken place with hospitals to ensure mapping of needs and criteria – with some flexibility built in.

The Chair thanked The Director of Finance and Investment for her report.

Resolved – That the report be noted.

28 INTERNAL AUDIT UPDATE

Iain Miles, Internal Auditor Manager introduced the report of the Chief Internal Auditor that identified and evaluated the performance of the Internal Audit Section and included four items of note arising from the actual work undertaken during the period 1 September to 31 October 2019. The items of note were:

- Wirral Health and Care Commissioning
- Personal Finance Unit
- Health Safety and Wellbeing
- Windows 10 Rollout Project
- Counter Fraud Publicity Campaign

Details of audit work undertaken in these areas and actions arising were provided to the committee.

The Internal Audit Manager provided a brief update on internal audit activity over the reporting period as attached at Appendix 1 to the report that detailed the audits completed, identifying opinions provided and a current BRAG rating indicating the current status of the report and progress being made by officers to address identified issues

The Chair informed Members that he, and the party spokespersons would be reviewing the audits in detail.

Resolved - That the report be noted.

29 ARMC ANNUAL SELF ASSESSMENT

Iain Miles, Internal Auditor Manager, introduced the report of the Chief Internal Auditor that informed that to comply with best professional practice the Audit and Risk Management Committee was required to complete an annual evaluation of its role and effectiveness as part of the systems of internal audit. The CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities 2018' recommended the use of a self-assessment checklist to achieve this task. Councillor Jeff Green, Chair of the Audit and Risk Management Committee had completed the checklist attached at Appendix 1 to the report, along with a corresponding Action Plan at Appendix 2.

The Internal Audit Manager reported that the Chair had utilised the checklist to complete the evaluation and prepared the associated action plan identifying areas for action and development. The views expressed in the Appendices were presented to the wider Committee to consider and agree a final conclusion as to the outcome and any actions arising.

The self-assessment and evaluation concluded that the Audit and Risk management Committee fulfilled its core objectives, all of which align with best practice. A number of areas had been identified for improvement and to assist the Committee going forward, in line with evolving best practice as identified in the CIPFA best practice publication.

The key actions arising were as follows:

- Review and update the terms of reference for the Committee in line with the CIPFA best practice publication identified in this report;
- Continue to review and challenge the role of the Committee and its interaction with Cabinet and other Committees particularly in relation to wider areas of business identified in the CIPFA publication;
- Ensure that all Members of the Committee are provided with relevant training and development in all disciplines appropriate for this Committee;
- Continue to assess the Committee against the core knowledge and skills required for Members to inform any future training plans;
- Introduce a system for evaluating performance and organisational value adding properties of the Committee on an ongoing basis.

Resolved - That

- 1) the report be noted; and**
- 2) the Self-Assessment Checklist and Action Plan (appendices 1 & 2 to the report) be approved.**

30 **ARMC ANNUAL REPORT 2018/19**

Iain Miles, Internal Auditor Manager introduced the report of the Chief Internal Auditor that informed that to comply with best professional practice the Audit and Risk Management Committee (ARMC) was required to complete an annual report to Cabinet on the work undertaken by the Committee.

To comply with best practice identified in the CIPFA publication 'Audit Committees - A Practical Guidance for Local Authorities 2018', Members were apprised that the annual report for 2018/19 has been prepared by Councillor Adrian Jones, past Chair of the ARMC in consultation with Internal Audit utilising the self assessment checklist provided by CIPFA in its publication 'Audit Committees – Practical Guidance for Local Authorities 2018'.

The report recorded the activities undertaken by the Committee across a wide range of control, risk and corporate governance matters. It informed that during the year, the Committee had met on six occasions and received reports in connection with the full range of issues that fell within its remit. The report indicated the breadth of the Audit and Risk Management Committee's

activities to ensure that every aspect of the council's work should be compliant with standards and transparent to its stakeholders.

The Annual Report demonstrated the value that the Committee brought to the Council and the public in ensuring that improvements to the governance arrangements of the authority were being delivered and to the improvement and development of operational standards and protocols across a wide range of governance areas during what had been a very challenging year.

The report also acknowledged the work of the Members of the Audit and Risk Management Committee and the supporting officers, during the past year.

Resolved – That the Audit and Risk Management Committee Annual Report be approved and submitted to Cabinet and Council for consideration.

31 SPENDING FREEZE

Shaer Halewood, Director of Finance and Investment (S151), provided the Audit and Risk Management Committee with a verbal update highlighting the reasons for the implementation of a Council review of spending and the compliance and scrutiny of current expenditure in line with existing policy and procedures.

The Director of Finance and Investment informed that a directive on spending had been imposed on 15 November, via a memo to the Corporate Management Team (CMT) and budget holders. They in turn, would be reviewing the departmental spend, to decide what was critical and vital to the running of their services.

Members were apprised of the need for essential spending in Adult and Children's Care Services, and other areas of the Council Budget that would be exempted from the review i.e. payroll, contracted works, benefits, and committed capital spend.

Members were also informed about the process of monitoring whereby all Purchase Orders (POs) were to be reviewed and every POs issued after the spending freeze were to be analysed. If a PO had not been agreed, staff who submitted them would be questioned.

The Director of Finance and Investment further informed that as part of the review process, investigation was underway with regard to items that had been invoiced to the Council without a PO. As of the previous Friday (15 November 2019) 236 such POs had been reviewed and it had been identified that many of the purchases related to items on the exemption list, some were essential spend and some related to school expenditure. The Director had queried over 100 items with the individual service areas and questioned

whether the spend was vital or critical to the service. She informed that responses had been requested by today the date of this meeting. Following additional review of the matter, Members were informed that there would be further discussions with budget managers, and further escalation to the Senior Management Team (SMT) would be the next stage if non-compliance continued.

The Chair expressed concern about the range of non-compliance to other policies, stating that it was the role of the Audit and Risk management Committee to support the Director of Finance and Investment and the Chief Executive to reinforce this point. He added that if a particular Service Area or Directorate be identified, he as Chair would be happy to invite them to explain why they circumvent the rules.

The Director of Finance and Investment informed that at present 15 POs had been identified as clearly being retrospectively issued, and she had written to managers identifying that contravention has occurred, and matter should be escalated through management action if it continued.

Members questioned the Director of Finance and Investment, and commented on past spending freezes, and were assured that the Director and the Chief Executive were now tackling this matter personally.

Additional discussion took place on the subject of cultural change, reduction in spending powers and authorisations – alongside the requirement for regular reporting of non-compliance to SLT.

The Director of Finance also informed that a review of credit cards – to be used for extreme emergencies – had been undertaken, and as a result most had been recalled. Only 2 cards would be in place in the future.

In summary, the Chair expressed the view of the Committee that the Council needed to move away from what had become cyclical ‘spending freezes’ towards a need to ensure proper practice was being followed.

Resolved – That the verbal report be noted.

32 **CORPORATE RISK MANAGEMENT UPDATE**

Helen Turner, Risk Continuity and Compliance Manager introduced the report of the Director of Finance and Investment (S151) that provided the Audit and Risk Management Committee with an update on current risk management arrangements and the plans for work to further embed the arrangements for managing risk across the Council, following the appointment of the Risk, Continuity and Compliance Manager on 1 October 2019. The latest version of the Corporate Risk Register was attached as an appendix to the report.

As reported at the ARMC meeting on 23 September (minute 18 refers), the Audit and Risk Management Committee was informed that the Corporate, Directorate and Programme Management Office risk registers were being regularly updated, and in the case of service departments, this had followed the linkage of risk management processes to the service planning process for 2019/20. Members were apprised that information on these risk registers was also included in the performance reporting available to directors and managers via the use of the Power BI tool. The Risk Management Support Officers (RMSO) Group had met on a monthly basis and helps to strengthen of the Council's risk management arrangements within directorates.

Members of the Audit and Risk Management Committee noted that the revised Corporate Risk Register (CRR) had been reported to the last two committee reports in June and September.

Members noted that a workshop with the subgroup of this committee had taken place on 14 October 2019 and a new Corporate Risk around the issues of compliance had been suggested. As a result, discussions had been taking place with key officers to develop an new addition to the management of risk, namely Risk 17:

- *Compliance – Non-compliance with corporate policies and procedures across disciplines such as HR, finance, information, procurement, health & safety, put the reputation of the Council and the health and safety of our staff and residents at risk, and may lead to financial penalty and ultimately loss of life.*

The element of compliance will continue alongside the review of all the Corporate Risks, and future review of the Corporate Risk Register utilising member workshops were also planned. This would also include further work involving 'horizon scanning' and 'risk tolerance' within the organisation.

The Chair thanked the Risk Continuity and Compliance Manager for her report.

Resolved – That the report be noted.

33 **DEEP DIVE - ADULT SOCIAL CARE CORPORATE RISKS**

Graham Hodkinson, Director Adult Care and Health introduced his report that informed of the three key areas of risk related to the provision of Adult Care and Health identified as Corporate risks to the Council as a whole - shown in Appendix 1 to the report. The report further informed that each area of risk had a number of mitigations in place to help reduce the level of risk exposure. The report aimed to support a more detailed in-depth exploration via Audit and Risk Management Committee of the identified risks and mitigations, in order to seek assurance that the risks are being appropriately managed.

Key duties had been set out in relation to the context for Adult Care and Health services. The report did not include any specific recommendations or actions as it described mitigations already in place or being progressed, and Members of the Audit and Risk Management Committee were requested to note the content of the report and the specific actions and mitigations already in place to reduce corporate risks.

At the request of the Chair, Councillor Jeff Green, a copy of the Local Government Ombudsman (LGO) report that had investigated a complaint made against the Council in respect of provision of a package of care and support at home for 'Mr Y', and had found the Council at fault was appended to this item. Members noted that the Cabinet report and the LGO report, as presented to Cabinet in June 2019 had made a number of recommendations that had been accepted in full.

The Director Adult Care and Health informed of the higher level corporate risks that would have an impact on the Council if not addressed. He further informed of the statutory requirements placed upon the service as set out in section three of his report, and how the service was demand-led whereby the Council must deliver on identified care needs (as opposed to being driven by budget) for individuals who need day to day support across the borough, currently 20,000 people.

The Director Adult Care and Health informed Members of the key risks within his report covering a variety of issues, namely:

- 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.
- 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.
- 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.

Members noted that the above risks as identified within the Corporate Risk Register for Adult Care and Health were continually monitored and mitigations were reported and addressed via the Audit and Risk Management Committee.

The Chair questioned the Director of Adult Care and Health as to whether the Council had we captured all the risks and if the various mitigations were effective, to ensure that such issues didn't happen, or if they did, it was addressed.

The Director of Adult Care and Health provided assurances that this was the case and that the service had organised and aligned itself with the NHS i.e. structure and working, and that the governance and contracted services mechanisms were in place to review the performance of these arrangements. In addition to the tight performance framework, arrangements were further monitored by the Cabinet Member portfolio holder.

The Chair expressed an interest in seeing a map of the mitigations and their effectiveness.

Resolved – That the report be noted.

34 **PROCUREMENT UPDATE**

Further to Minute 20 (23 September 2019) Keith Patterson, Head of Commercial Procurement, introduced his report that informed the Audit and Risk Management Committee of the range and number of contracts awarded which had been subject to Contracts Procedure Rules (CPR's) Rule 12 - Waiving the Rules and Rule 13 – Extension/Variation.

The Appendix to the report detailed the contracts subject to the Extension/Variation or Waiver rules for the period 1st April 2019 to 30th September 2019, which under Contracts Procedure Rule 17 required that all contracts which met the following criteria were reported to Audit and Risk Management Committee on a six monthly basis, namely:

- a) Contract awarded, where the total value of which exceeded £500k; or
- b) Variation or extension to a contract approved by the Director of Finance and Investment; or
- c) Waiver of the Contract Procedure Rules in relation to a contract which exceeded £50k in value.

The report also included a summary of the NOPONOPAY policy progress as requested at the Audit and Risk Management Committee meeting held on 23 September (minute 20 refers).

The Head of Commercial Procurement informed the Audit and Risk Management Committee (ARMC) that there had been 32 Exceptions approved for the period. Requests to waive the CPR's for under EU threshold contracts (or where the thresholds do not apply) had been authorised only in the following circumstances, supported in all cases by the appropriate evidence;

- Goods, services or the execution of works were obtainable from one source or contractor and there is no reasonably satisfactory alternative.
- Compatibility issues such that procurement from another source would be uneconomic given the investment in the previous infrastructure
- A waiver of the rules would be in the interests of the Council, be lawful, and provide value for money
- Where there was a legal requirement to deal with a particular supplier
- Contracts awarded to suppliers because of exclusive rights

The Head of Commercial Procurement further informed that the remainder of the approved documents were as follows:

- Contract extensions 8
- Contract variations 6
- Contract awards 12

He added that in respect of NOPONOPAY he could provide assurance to the ARMC that actions were taken early and significant training was being delivered across the Council.

Resolved – That the report be noted.

35 **EXTERNAL AUDIT - COMMITTEE PROGRESS REPORT**

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

The report contained information about the External Auditor's progress on the Financial Statements Audit 2018/19 Statement of Accounts and planning for the 2019/20 audit process in relation to the external audit of the Council's budgetary process, value for money risk assessment and delivery of their findings.

Mr Baker, External Auditor apprised Members of a number of key points as detailed in his report relating to the following:

- Budget tracking process
- NOPONOPAY
- Certification statement and Annual Return
- Update on reporting fees, key areas, and work required.
- General sector updates
- Central Government's review of Audit procedures in Local Government
- National Audit Office Code of Practice review – with the draft consultation currently live

A Member questioned the status of the External Auditor's involvement in Children's Services, and if there was a suggested checklist and benchmarking of costs of Wirral's overheads against other Local Authorities that might be available to Members.

The External Auditor stated that they would continue to track the Children's Services Directorate and that in terms of VFM, rather than benchmarking, the key fundamentals would remain to be sustainability of spending.

The Chair thanked the External Auditor for his report and re-affirmed the role of the Committee in monitoring of the use of 'One-Offs', understanding of current National Audit Office procedures, and the requirement for the Internal and External Auditors to continue to work with Members to assist them in making informed decisions.

Resolved – That the report be noted.

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AUDIT & RISK MANAGEMENT COMMITTEE

27 JANUARY 2020

| | |
|---------------------|---|
| REPORT TITLE | Transformation Portfolio Update |
| REPORT OF | Nicola Boardman (Director of Change & Organisation Design) |

REPORT SUMMARY

This report has been prepared in response to a request by the Chair of the Audit and Risk Management Committee to provide an update on the Council's Transformation Portfolio initiated in March 2016. The report provides an overview of the organisational context for this work, Portfolio design and set up, governance and funding arrangements, as well as the main projects and benefits delivered. The report goes on to set out current arrangements for the management of the Council's on-going Strategic Change Portfolio.

RECOMMENDATION/S

- **The Committee is recommended to note the contents of this report and highlight any comments or questions.**

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 To provide Members of the Audit & Risk Management Committee with an opportunity to review the Transformation Programme initiated in 2016.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The report is provided for information purposes in response to a direct request by the Chair of the Audit & Risk Management Committee. No other options have been considered.

3.0 BACKGROUND INFORMATION

Organisational Context

- 3.1 The Transformation Portfolio was initiated in March 2016 by the then Chief Executive. The Portfolio was developed in response to increasing financial pressures resulting from central government austerity measures and a reduction in the Council's Revenue Support Grant in conjunction with increasing demand for a number of critical Council Services. The five-year budget deficit forecast in the 2016 Medium Term Financial Strategy (MTFS) set out the scale of the challenge as shown below:

2016 Budget Deficit Forecast:

| 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | Total |
|---------|---------|---------|---------|---------|-------|
| £28m | £26m | £21m | £21m | £33m | £129m |

- 3.2 The Transformation Portfolio also formed part of the Council's response to a Corporate Peer Challenge in autumn 2015 which stated:

"To deliver on the pledges the Council will need much more focus on organisational development and a strong corporate transformation function. It will also need to examine the functions which sit in Business Support to enable transformation to be effective and undertaken at pace", (Corporate Peer Challenge 18 November 2015).

The approach adopted was set out in a report to Cabinet (21 March 2016, Minute No 120 refers) which specified two elements to be delivered concurrently: The implementation of a new operating model for the organisation and a Transformation Programme to drive forward new models of service delivery. This approach was strongly endorsed by colleagues from the Local Government Association.

Programme Design and Set Up

- 3.3 A Transformation Office was set up in March 2016 to take forward this work. Oversight was maintained by a Transformation Portfolio Board chaired by the Cabinet Member for Transformation and Improvement, former Councillor Ann McLachlan.

3.4 The former Chief Executive appointed an Interim Director of Transformation, Stephen Butterworth to oversee the mobilisation and delivery of the Transformation Portfolio. Work was commissioned at a cost of £392,580 from Capita PLC to set out the capabilities required of the Transformation Office to deliver a significant programme of change. A business case was produced setting out the Council's urgent need for substantial transformation capability and the broad range of skills required. The business case advised that without this new and flexible transformation capability, there was a risk to achieving defined objectives including realisation of savings. Whilst a number of key roles were filled, Wirral Council did not fulfil the transformation office structure as proposed in the business case. Key roles not filled, included Benefits Manager/ Programme Finance Analyst.

3.5 The Portfolio was aligned to the 2016 MTFS which set out savings assumptions against the following themes: Managing Demand; Delivering Differently; Service Change; Income and Growth; Resource Management and Commissioning Differently. The Transformation Portfolio became the vehicle for the Delivering Differently theme, supporting an agenda to explore new ways to provide services through alternative delivery models. Under this theme, a number of service change proposals were developed. These, along with their associated savings assumptions (as forecast in the 2016 MTFS) are set out in the table below.

3.6 Delivering Differently Savings Assumptions

| Service Change Proposal | 17/18 £m | 18/19 £m | 19/20 £m | 20/21 £m | Total £m |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Leisure & Cultural Services | 0.80 | - | - | 10.30 | 11.10 |
| Access Wirral | 0.30 | - | - | 4.30 | 4.60 |
| Community Safety | - | - | - | 0.10 | 0.10 |
| Adult Social Care Integration | 2.90 | 4.00 | 3.50 | 4.00 | 14.40 |
| Children's Services managing Demand | 1.40 | 3.70 | 3.70 | 1.20 | 10.00 |
| Total | 5.40 | 7.70 | 7.20 | 19.90 | 40.20 |

3.7 Two Strategic Programmes were defined and mandated to take forward these proposals as below:

Strategic Programmes

| Customer Experience Transformation Programme (CETP) | Assets Transformation Programme (ATP) |
|--|---|
| Purpose: To define and transform services to meet the needs of Wirral Residents. | Purpose: To reform the Wirral estate to be efficient and strategically constructed, to support the 20 pledges and increase income. |
| Scope: <ul style="list-style-type: none"> • Customer insight and segmentation • Customer contact • Community Safety • Adult Social Care Integration • Children's Services | Scope: <ul style="list-style-type: none"> • Consolidate office accommodation • Develop One Public Estate to encourage better use of buildings by partners • Commercialism • Service Transformation: Libraries, Leisure, Floral Pavilion, Parks and Open Spaces. |

Governance and Funding

- 3.8 As part of the programme design and set up referred to above, a transformation governance approach was developed following good practice in portfolio management to ensure consistency and control in the delivery of programmes and projects. The approach included: Business case gateway in line with the 'five case model'; defined project lifecycle and workflow; configuration index of PPM guidance and templates; defined roles and responsibilities.
- 3.9 Each programme was aligned to the Wirral Plan themes and pledges and a Senior Responsible Owner and Programme Manager were appointed. Programme Boards were set up to define the required projects and budgets to achieve overall Portfolio objectives. As Business Cases were brought forward, these were taken through an Overview and Scrutiny process to enable members to review and comment on proposals.
- 3.10 The Transformation Office and Portfolio were initially funded through the flexible use of capital receipts. In order to accelerate delivery, early appointments to the team were through the hiring of agency staff to initiate programmes and manage early projects. In time and to secure a more efficient delivery model, this moved to the establishment of a full-time, core team, with the option to bring in specialist skills or additional resources subject to demand.
- 3.11 In February 2017, Paul Sator was appointed as the permanent Director of Transformation. The new Director reviewed the status, issues and risks of all programmes and projects within the Transformation Portfolio. In addition, an assessment of the anticipated benefits and savings assumptions as defined in the MTFS was undertaken. This assessment highlighted that many of the original, forecast savings assumptions had been unrealistic or over-optimistic. This was reported to the then Chief Executive and Senior Leadership Team.
- 3.12 Wirral's Children's Social Care Service was deemed inadequate by Ofsted in September 2016. This led to the need to establish an improvement Board and plan to drive forward service improvement. In November 2017, Children's Services' was identified as having a significant budget gap. This led to the allocation of an additional £15m core budget with a further £10m through flexible use of capital receipts to transform the service onto a more financially stable model. This reduced the availability of capital receipts for qualifying transformation expenditure for the wider organisation.
- 3.13 Whilst the delivery of financial benefits through the Transformation Portfolio has proved challenging, there has been success in implementing new service delivery models, capabilities and improvement for the organisation. A summary of the projects delivered including aims, outputs, status and benefits is set out in Appendix 1 to this report.

Transition to Current Arrangements

- 3.14 In January 2018, the then Chief Executive implemented a further organisational restructure and the Transformation Office was re-focussed as a Programme Management Office (PMO) to support corporate consistency and provide assurance

for the delivery of strategic programmes and projects. Following the local election in May 2018, the Transformation Cabinet Portfolio holder role was discontinued by the Labour Group administration with the oversight of change being mainstreamed across all Cabinet portfolios to ensure Council-wide ownership of the transformation agenda.

- 3.15 It is acknowledged the Council has had to develop quickly from a position of having limited experience or capacity for implementing change. The scale of the work to modernise and transform services to meet the financial challenge remains significant. The experience of implementing the Transformation Portfolio has provided considerable learning which is now being used to inform the on-going development of the Strategic Change Portfolio.
- 3.16 In particular, the need for change to be service led but with strong corporate oversight, governance and control. This is now being developed through a corporate Programme Management Office (EPMO) model which will ensure:
- Governance and accounting of the investment in change is robust and separate from business as usual, with return on investment clearly defined,
 - Closer alignment with finance and the MTFS to define and realise the financial benefits of change.
- 3.17 New governance and programme management arrangements have been developed as set out below:
- 3.18 **Investment & Change Board** – this has replaced the Transformation Portfolio Board to provide oversight of the Strategic Change Portfolio. Chaired by the Director of Finance and Investment / Section 151 Officer, its membership is made up of selected members of the Strategic Leadership Team and relevant corporate service leads. Senior Responsible Owners of the Council's key strategic programmes are in attendance to be held to account for delivery. The Board scrutinises all emerging business cases to ensure business justification and alignment with strategic priorities.
- 3.19 **Corporate & Technical Design Authority** – chaired by the Director of Change and Organisational Design, this acts as a gateway for all new organisational design proposals and requests for new IT solutions. This ensures alignment with the Council operating model and digital strategy. Reports up to the Investment and Change Board.
- 3.20 **Capital & Assets Group** – Chaired by the Assistant Director for Finance and Investment, the group monitors and reports on the Council's Capital Programme. CAG also acts as a gateway for all new requests for capital programme funding and reports up to the Investment and Change Board.
- 3.21 **Strategic Programmes** – Programmes are mandated and reviewed by the Investment and Change Board to achieve specified outcomes and deliver against Council priorities. For each defined programme, a Senior Responsible Owner is appointed, and a Programme Manager assigned. The Chief Executive is currently reviewing Strategic Programmes, however, for information the current Portfolio governance arrangements are included in Appendix 2.

Member Engagement

- 3.22 In terms of current arrangements, Portfolio Holders are regularly briefed on proposals within their Cabinet Portfolios. Key decisions are planned into the work programmes of scrutiny committees to ensure opportunities for pre-decision scrutiny are realised. Moving into the new municipal year, it will be critical to align the governance of change with the emerging committee system to ensure there is assurance of the Council's evolving Strategic Change Portfolio by the appropriate Committee.
- 3.23 It is proposed that regular reporting of progress is designed and embedded into the new Council governance arrangements. As a minimum, a quarterly update report should be provided for review by the relevant committees.

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are no financial implications arising as a direct result of this report.

5.0 LEGAL IMPLICATIONS

- 5.1 There are no legal implications arising as a direct result of this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 There are no resource implications arising as a direct result of this report.

7.0 RELEVANT RISKS

- 7.1 There are no risks arising from this report. In line with good programme and project management practice, detailed risk registers are maintained and regularly reviewed in support all defined programmes and projects.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 For all programmes and projects, stakeholder mapping is undertaken and used to inform communication plans.

9.0 EQUALITY IMPLICATIONS

- 9.1 There are no equality implications arising as a direct result of this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 There are no environment / climate implications arising as a direct result of this report. Climate implications in relation to specific projects and programmes will be included through future reporting arrangements.

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APPENDICES

Appendix 1 – Summary of Transformation Portfolio Projects and Benefits

Appendix 2 – Strategic Portfolio Governance

BACKGROUND PAPERS

N/A

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|---|---------------|
| Cabinet – Outline Transformation Approach | 21 March 2016 |
| Audit & Risk Management Committee – MTFS Looking Back Looking Forward | 11 March 2019 |

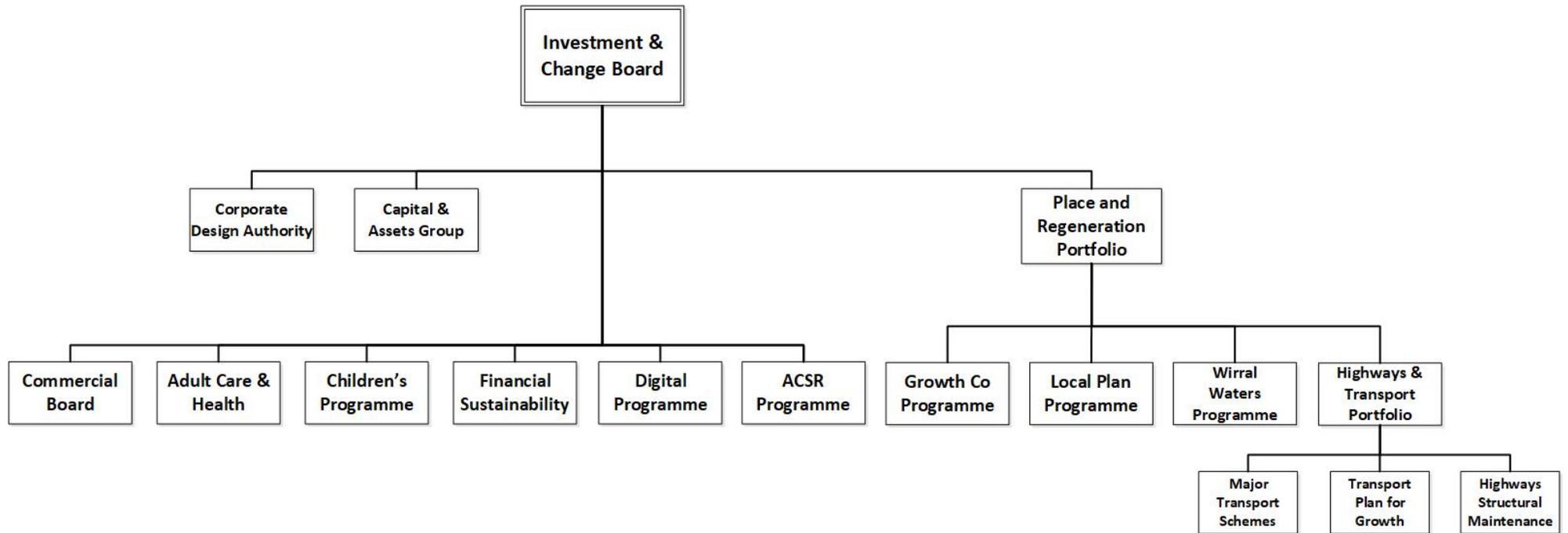
Appendix 1: Summary of Transformation Portfolio Projects and Benefits:

| Programme / Theme | Project | Start Date | End Date | Status | Budget | Commentary and Benefits |
|--|--|------------|----------|--------|----------------|---|
| CETP / Customer insight and segmentation | Power BI project | 10/12/18 | 17/12/19 | Live | £420,000 | Phase 1 of Power BI implementation has led to improved performance reporting and analysis prioritised around services for vulnerable children and adults. The financial benefits forecast in the business case for capital investment are £1,764,000 delivered through service efficiencies or improvements within a context of increasing demand. |
| CETP / Customer contact | Advanced Digital Portal Project | 01/11/16 | 30/06/18 | Closed | £240,000 | The project has led to digitisation of Council Tax and Housing Benefit transactions to improve efficiency including: <ul style="list-style-type: none"> • 84% of all Housing Benefit and Council Tax claims now online. • 30% of all Change in Circumstance applications now online. • 34% of New Claims are processed via automation. |
| | Customer Access Solution | 01/01/18 | 31/03/21 | Live | £2,873,910 | <ul style="list-style-type: none"> • Over 22,000 customers signed up to 'My Wirral' user account. • Programme to shift legacy forms onto new customer access platform. • Implementation will deliver an increase in internal capacity. |
| CETP / Community Safety | Safer Wirral Project | 03/09/16 | 27/07/17 | Closed | £70,000 | <ul style="list-style-type: none"> • Integrated, service established with Police at Solar Campus • Improved intelligence, planning and deployment of services. • Reduction in crime and ASB levels. |
| CETP / Adult Social Care Integration | Adult Social Care Integration Project | 08/08/16 | 28/06/17 | Closed | £1,400,000 | This project delivered the initial integration of NHS and Council social care services under a single service model. The development of the service continues and contributes to meeting additional service demands. On target over a 4 year profile to deliver net financial savings totalling £14.4m. |
| | Integrated Commissioning Project | 23/03/17 | 01/05/18 | Closed | £112,218 | Better demand management and market development. Single point of commissioning reducing duplication and improving outcomes. Contributes to Adults Social Care integration savings of £14.4m. |
| | All Age Disability & Mental Health Project | 01/09/17 | 30/09/18 | Closed | £70,000 | Delivery of a single integrated children and adult disability and mental health service located at Millennium House, Leasowe. Contributes to Adults Social Care integration savings of £14.4m. |
| CETP / Children's Services | Children's Improvement | 01/10/16 | 31/03/20 | Live | See 3.13 above | <ul style="list-style-type: none"> • Ofsted Report: Inspection of Children's Social Care Services - judgement 29/07/19 |

| | | | | | | |
|---|--|----------|----------|------|------------|---|
| | | | | | | <ul style="list-style-type: none"> In the 2018/19 budget an additional £25m investment was provided for Children's Services. This was to support the Transformation of the Service and stabilise the budget against significant demand pressures. Revised savings from the Children's Services Improvement Programme were forecast in the March 2019 ARM Committee paper (MTFS Looking Back, Looking Forward) of £12.5m |
| ATP / Partnership for Growth (JV) | Wirral Growth Company Programme | 27/02/17 | 31/03/20 | Live | £2,800,000 | <ul style="list-style-type: none"> Procurement and mobilisation of Wirral Growth Company through Joint Venture with Muse. Secure local economic growth, job creation and training and skills development opportunities for Wirral residents. Make a positive contribution towards delivery of the local authority's Asset Transformation Programme. Contribute to ensuring that businesses encouraged to invest in the Wirral have access to property that meets their needs and delivers business rate growth. Better utilise the Council's assets to drive socio-economic change to secure a sustainable future for the benefit of the community. Maximise the Council's financial return from the disposal of its land and property assets, with a preference to generate secure revenue income streams. To encourage additional private sector investment, capacity and capability is enabled to support the broad regeneration objectives of the Council. |
| ATP / Consolidate Office Accomm. | Asset Consolidation / Staff Relocation Programme | 27/02/17 | 30/09/22 | Live | £1,000,000 | <ul style="list-style-type: none"> Programme on course to relocate c1,300 staff to fewer sites Service improvement through co-location and increased collaboration Optimisation of vacated sites and buildings for reuse/capital receipts Programme benefits forecast as £3.3m. |
| ATP / Libraries, Leisure, Floral Pavilion, Parks and Open Spaces. | Review of Libraries Leisure & Cultural Services Review | 01/10/16 | 31/03/20 | Live | £567,000 | <p>Original approach developed business case for alternative delivery model for Libraries, Leisure and Cultural Services. Business benefits identified did not sufficiently meet expectations, service outcomes and efficiencies. Subsequent projects have considered service transformation.</p> <ul style="list-style-type: none"> Golf – Procurement exercise completed for Arrowe Park & The Warren. Proposals not progressed. Floral Pavilion – procurement exercise in progress (decision pending) Libraries – Strategy developed and consultation completed. Programme of individual library proposals in development. <p>Financial benefits to be confirmed pending outcomes of above initiatives.</p> |

Appendix 2: Strategic Portfolio Governance

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AUDIT & RISK MANAGEMENT COMMITTEE

27 JANUARY 2020

| | |
|---------------------|---|
| REPORT TITLE | Enterprise Architecture Design |
| REPORT OF | Nicola Boardman (Director of Change & Organisation Design) |

REPORT SUMMARY

This report has been prepared in response to a request by the Chair of the Audit and Risk Management to provide an update on the Council's Enterprise Architecture to provide assurances that the Council's application estate is integrated and not standalone.

RECOMMENDATION/S

- That the report be noted.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 To provide Members of the Audit & Risk Management Committee with an opportunity to review the Enterprise Architecture of the Council.

2.0 OTHER OPTIONS CONSIDERED

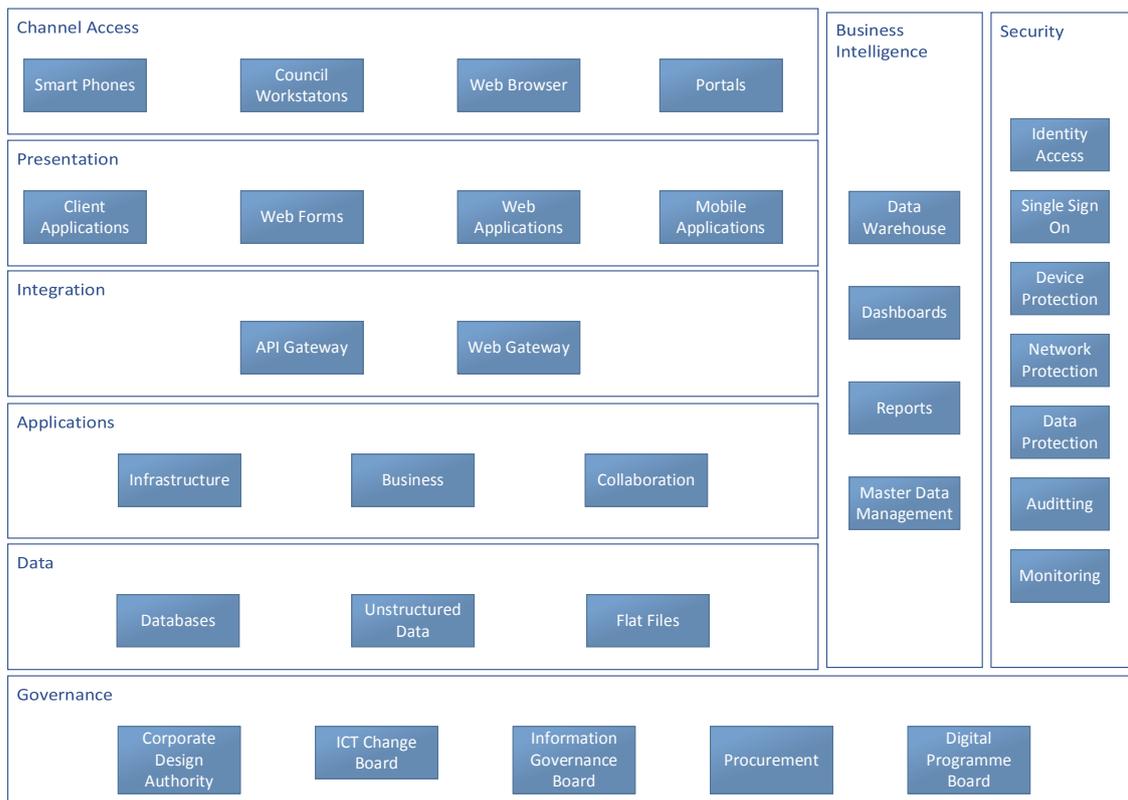
- 2.1 The report is provided for information purposes in response to a direct request by the Chair of the Audit & Risk Management Committee. No other options have been considered.

3.0 BACKGROUND INFORMATION

- 3.1 There are 197 applications utilised across the council.
- 3.2 Applications range from small systems used by a specific team to systems used across the whole Council.
- 3.3 Some applications provide forward facing services for residents and businesses or hold data that needs to be accessed by external partners.
- 3.4 The data held within these applications support decision making and may also contain data of interest to the public.
- 3.5 Applications may be installed on the Council's internal infrastructure or may be hosted external to the Council.
- 3.6 Enterprise Architecture generally consists of 4 architecture domains:
- Technology Architecture – the servers, storage and network upon which the applications are run.
 - Application Architecture – the applications used to deliver the services, how they integrate and securely accessed by the users.
 - Data Architecture – how data is stored, secured while at rest and in transit. How the data is utilised to support decision making
 - Business Architecture – how business functions and processes map onto the applications and the data they need.
- 3.7 This report will focus on the integration of applications and data. The report will also detail the governance in place to ensure ongoing integration and the strategy to further improve the integration.

Enterprise Architecture

- 3.8 The below Reference Model details the Enterprise Architecture at a high level.



Channel Access

- 3.9 To support the integration of applications, consideration needs to be given to how the application will be accessed. There are five groups of people who require access to Council applications: Councillors, Residents, Businesses, Council staff and partners. Applications will be accessed from either a smart phone, Council workstation, through a web browser or an application portal.

Presentation

- 3.10 The Presentation layer of the Reference Model details the User Interface for the application.
- 3.11 The application may be accessed via several different methods and therefore consideration needs to be given to the User Interface to ensure integration is simplified.
- 3.12 Client applications, for example Microsoft Outlook client, are installed onto a workstation, either a Laptop, Desktop or Tablet. They are feature rich clients but require the workstation to be connected to the Council network to work so limit how the application can be accessed.
- 3.13 Web-based applications are applications that are accessed via a web browser, for example Microsoft Outlook online. They can be accessed from anywhere there is a connection to the internet (Wi-Fi or cellular) and on any device that has a web browser.
- 3.14 Mobile applications, for example Microsoft Outlook mobile, are applications that are installed onto Smart Phones or Tablets. They can generally be installed from a

publicly accessible application store and can provide access to the application from any smartphone or tablet with a connection to the internet (Wi-Fi or cellular).

- 3.15 Web Forms are similar to web-based applications in that they are accessible via a web browser but are used to raise a request, incident or complaint rather than accessing a backend application.
- 3.16 The above examples of Microsoft Outlook client, Microsoft Outlook online and Microsoft Outlook mobile all provide a user interface to the same backend application, Microsoft Exchange Online, but provide it via different channels.
- 3.17 The Digital Design Principles, detailed in Appendix 2, state that all applications must be accessible from anywhere on any device. This does not limit the application to a single user interface but like Microsoft Outlook must provide the Council with flexibility on how it is to operate.

Integration

- 3.18 The Integration Layer provides the translation and routing from the Presentation Layer to the backend application and data.
- 3.19 The Application Programming Interface (API) gateway is an in-house developed solution for providing the integration between backend application and some customer facing applications. As an example, the API gateway takes the information from a web form within the MyWirral account, translates it and inputs it into a backend application for processing. The API gateway also acts as the gateway for updating the MyWirral account on the progress of the call.
- 3.20 The development of the API gateway will continue as this reduces the reliance the Council has on vendor applications.
- 3.21 The Digital Design Principles require that all future applications have open APIs to enable integration with the API gateway.

Applications

- 3.22 The Application Layer details the applications that support the Service Delivery.
- 3.23 Applications may be hosted on the internal council infrastructure or hosted externally (Software as a Service).
- 3.24 Appendix 1 details all the applications hosted on the Council infrastructure, which server they are installed on, and the database server (and databases) the application connects to.
- 3.25 Regardless of whether the application is hosted internally or externally, the Digital Design Principles apply.
- 3.26 The applications can be divided into three areas.
- 3.27 Infrastructure applications are those that support the underlying technology and provide the platform on which the Business and Collaboration applications can be

run. Examples of such applications are the applications that support the Council network and storage.

- 3.28 Business applications are those that directly support the service delivery. They may provide customer facing services or need to be accessed via partners. An increasing number of business applications are being hosted externally.
- 3.29 Collaboration applications support the collaboration across the Council and with partners. Examples of such applications are Microsoft Exchange which provides email services and Microsoft Teams which provides a variety of collaboration services including conferencing calling and document sharing.
- 3.30 In-house development of applications prevents ongoing license costs. As part of the Digital Programme a roadmap is being created for all applications taking a make, buy or rationalise approach.

Data

- 3.31 The Data Layer details the data storage for files and application data.
- 3.32 Applications hold structured data in databases or flat file structure. This is held against a data model to organise and standardise the data. Examples of unstructured data include Microsoft Office documents.

Business Intelligence

- 3.33 Business Intelligence provides the integration of data to support decision making. There are a number of applications within the council that provide this function but there is an ongoing project to rationalise the majority of these applications into a single application.
- 3.34 The Council is also currently exploring Master Data Management. Master Data Management is about bringing all critical data together to provide a single point of reference.

Governance

- 3.35 Corporate Design Authority – chaired by the Director of Change and Organisational Design, this acts as a gateway for all new IT solutions. This ensures alignment with the Council's Digital Design Principles and digital strategy. Reports up the Investment and Change Board.
- 3.36 ICT Change Board – chaired by the Head of ICT and Digital, the ICT Change Board ensures all changes to the ICT infrastructure have no detrimental impact on the IT infrastructure or distribution to service.
- 3.37 Information Governance Board – chaired by the Head of ICT and Digital also attended by the Deputy Senior Information Risk Officer (SIRO). This board is responsible for overseeing the data security, governance and integrity.

3.38 Digital Programme Board – chaired by the Director of Change and Organisational Design, this board oversees all projects within the Digital Programme.

3.39 Procurement – The Procurement Initiation Approval (PIA) requests whether the procurement includes any IT application or IT hardware and, if so, asks for confirmation the solution has been approved by the Corporate Design Authority. ICT and Procurement also have a monthly review all procurement exercises involving IT applications or IT hardware.

4.0 FINANCIAL IMPLICATIONS

4.1 There are no financial implications arising as a direct result of this report.

5.0 LEGAL IMPLICATIONS

5.1 There are no legal implications arising as a direct result of this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 There are no resource implications arising as a direct result of this report.

7.0 RELEVANT RISKS

7.1 All risks associated with the Enterprise Architecture are captured within either the Information, Digital Programme or ICT risk register.

8.0 ENGAGEMENT/CONSULTATION

8.1 A cross party Digital Members Consultation group has been setup to update and review the Digital Programme with Councillors.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising as a direct result of this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 One of the Digital Design Principles is to have applications available from anywhere on any device. This will prevent people having to travel to specific locations to access applications.

10.2 Developing the Council's Collaboration applications is a deliverable of the Digital Programme, this will support the Council to increase the usage of video and audio conferencing for meetings and collaborate on documents without having to meet face to face. This will reduce travel requirements.

REPORT AUTHOR: Peter Moulton
Head of ICT & Digital
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BACKGROUND PAPERS

N/A

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|-----------------|------|
| | |

Appendix 1: Application Mapping between Application Servers and Databases - CONFIDENTIAL

Appendix 2: Digital Design Principles

To support the council's digital transformation a number of design principles have been developed against which systems will be reviewed:

- Agility
 - Systems should be securely available from anywhere on any device
 - Is the system web based?
 - Is the application available in public app stores?
 - Can the system be used when the device is offline?
 - The council utilises Microsoft InTune for Mobile Device Management, if data can be downloaded from the system, how can this be prevented on non-compliant (e.g. unencrypted) devices?
- Simplicity
 - Simple to support and administer
 - What monitoring is available? The council utilises System Centre Operation Manager for monitoring some applications, is a management pack available?
 - How can the system support the council's drive to increase automation?
 - What Artificial Intelligence is built into the system?
 - Does the system support single sign-on? What protocols?
 - Customisation can add to support complexity and therefore must be simple, for example, utilising low code.
- Integration and Collaboration
 - Partner organisations may require access to the information
 - Can the system support guest access (e.g. non council employees)? How is access granted and controlled?
 - Integration with the council's customer portal maybe required
 - Does the system have open Application Programming Interfaces (APIs)?
 - Does the system provide direct access to the council's data?
 - Business Intelligence
 - The council utilises Microsoft's PowerBI for business intelligence, can the system integrate with PowerBI?



AUDIT & RISK MANAGEMENT COMMITTEE

27 January 2020

| | |
|---------------------|---|
| REPORT TITLE | SmartBusiness Project Update |
| REPORT OF | Nicola Boardman (Director of Change & Organisation Design) |

REPORT SUMMARY

This report has been prepared in response to Audit and Risk Management Committee requesting more information on the SmartBusiness Project. The report sets out the context for initiating the project, the overall scope, timeline and progress to date. It is proposed that regular reporting on progress will continue as the project develops.

The SmartBusiness Project aims to implement a suite of core financial systems to replace the obsolete Oracle 1 Business Platform with a full system Enterprise Resource Planning (ERP). ERP systems integrate key business processes across finance, human resources, procurement and other areas. The SmartBusiness approach standardises and streamlines procedures and approaches to the administration of several key business activities. The Council’s current ERP system, (Oracle - 1 Business) has been in operation since April 2006.

ERP systems have evolved rapidly over the last 10 years in response to changing regulatory compliance, technical confirmations and software/hardware approaches. New systems normally present a cost-effective way to replace older systems with greater standardisation and integration in-built in the packages. It is envisaged that by replacing the current system the Council will take full advantage of recent developments to make a step change to its operational effectiveness.

Choosing an ERP system will be a challenging process and decision. It will involve all Council services and there are anticipated to be several selection criteria as well as a wide range of features and capabilities to consider.

RECOMMENDATIONS

That the Committee notes the current status of the project and the planned activity for the next two years and highlights any questions or requests for further information.

1.0 REASON FOR RECOMMENDATIONS

- 1.1 For Members of the Audit and Risk Management Committee to gain an understanding of the project and have the opportunity to scrutinise progress to date and going forward.

2.0 OTHER OPTIONS CONSIDERED

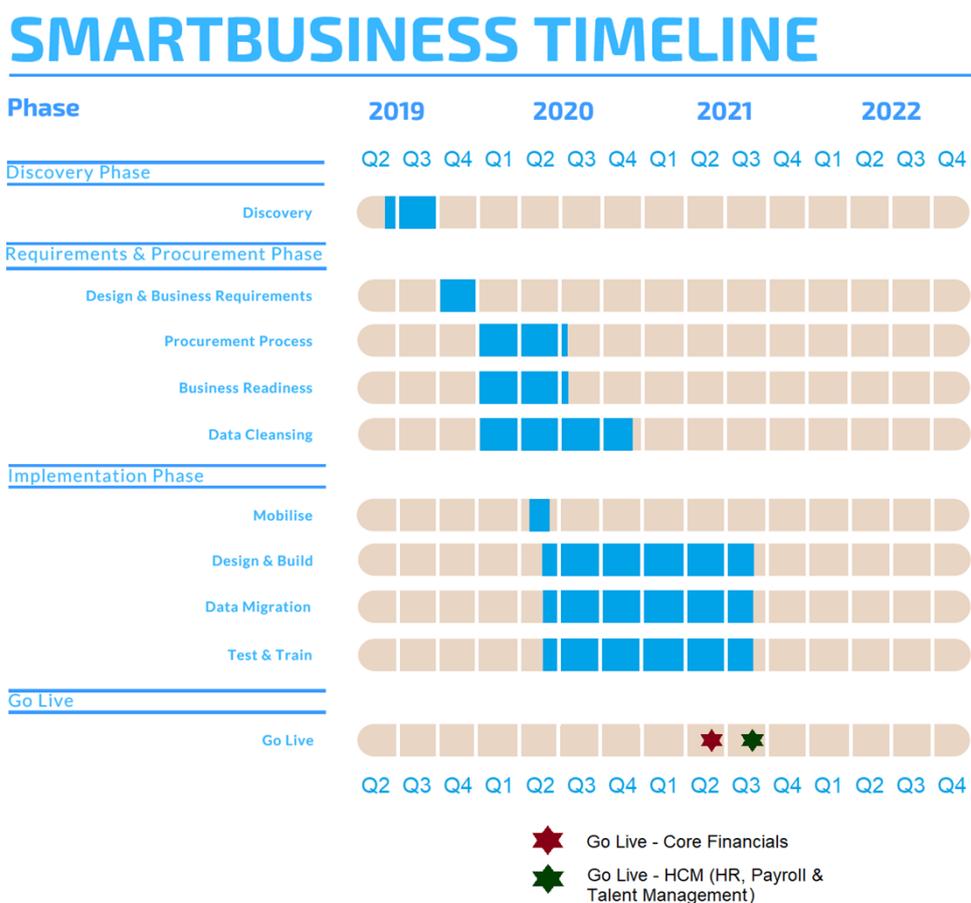
- 2.1 Alternative options have been considered and are contained in the Strategic Outline Case at Appendix 1 to this report. A number of options will be considered further as part of the next steps in replacing the existing ERP system, including the option of 'do nothing' and maintain the current approach.

3.0 BACKGROUND INFORMATION & PROGRESS TO DATE

- 3.1 It is usual for organisations such as the Council to manage its people and finances through an ERP system. This is through processes such as HR administration, the purchasing of goods and services, income recording and accounting for finance.
- 3.2 Within the Council, these functions are currently carried out through a mixed approach of ERP and stand-alone systems. The current ERP system Oracle 1 Business was implemented in April 2006 and is now out-dated and in need of significant upgrade or replacement to take full advantage of the digital changes that have occurred over the last 13 years.
- 3.3 In August 2018, a review of the ERP system was requested by the Head of Business Change and Programmes and agreed by the Director of Finance & Investment. The review was to provide an independent opinion of the overall effectiveness and efficiency of the system. The audit report of the review undertaken, is included at Appendix 1.
- 3.4 In April 2019, work began on developing a Strategic Outline Case to scope out the requirements and assess the options open to the Council for finding a new ERP solution. A project was initiated to take forward this work, to ensure clarity of organisation, roles and responsibilities and provide the required planning, resourcing and assurance.
- 3.5 The complexity of implementing a new ERP solution is significant and requires strong governance and control to ensure the business benefits are appropriately defined and delivered. Resources from the Council's Programme Management Office (PMO) have been deployed to initiate and drive forward the early stages of this work. The outline project plan defines 4 key phases to the project:
 - Discovery – Completed
 - Design – Current phase
 - Implementation
 - Post Go-Live
- 3.6 The timetable for the project is anticipated to be up to 3 years but will be dependent on the preferred option selected, the number of modules implemented, scope of business process change, level of customisation and service preparation required. It is anticipated

the implementation phase will be staged with measurable results at the end of each stage. An outline delivery timeline based on the 4 phases is set out below.

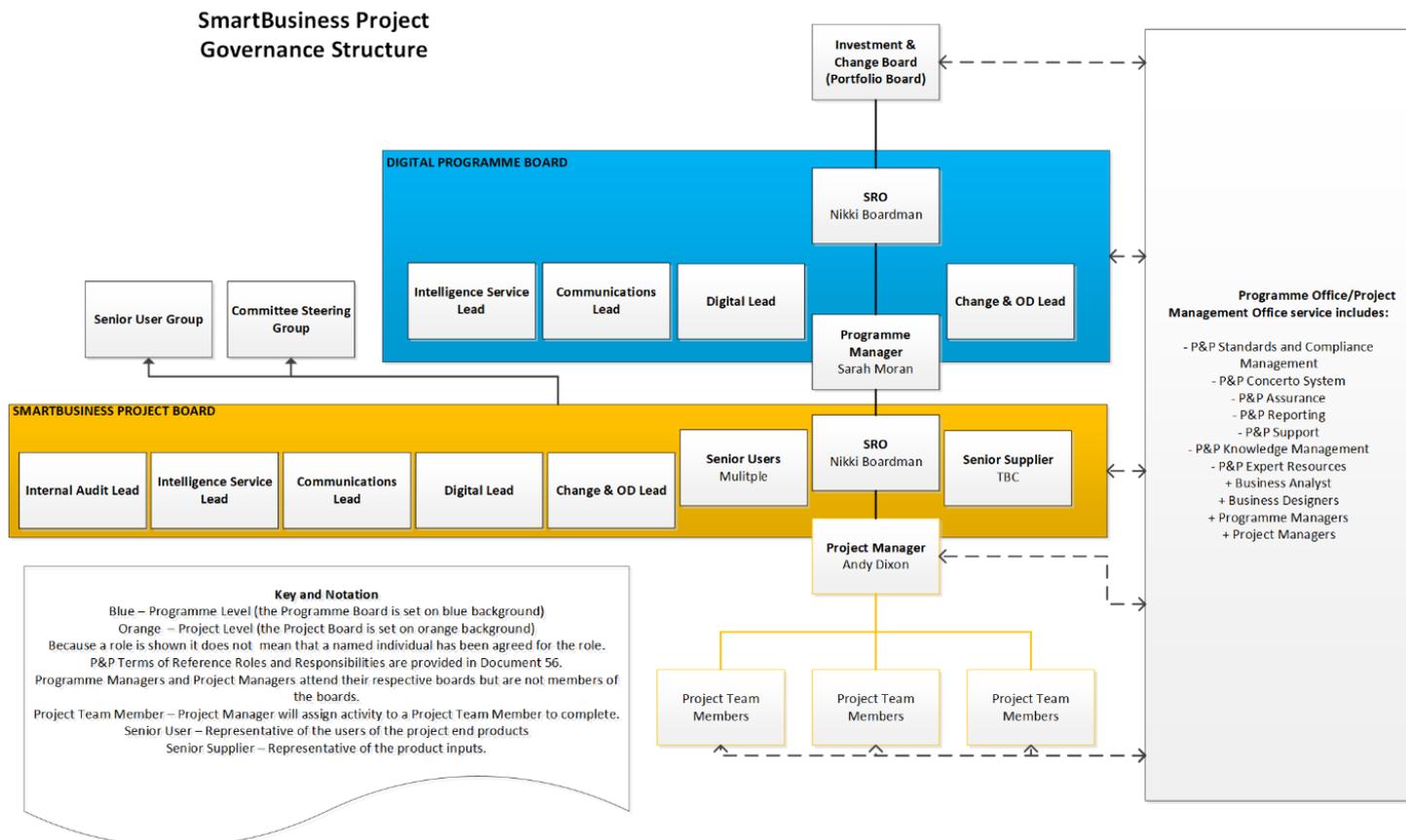
Diagram. 1: SmartBusiness Timeline



- 3.7 The *discovery phase* is the first activity to assess our business needs and the key drivers to inform the project. It reviews our current ‘as is’ state process mapping, business data, resources, customisation, interfaces, contracts and reports. This allows us to build a clear picture of the current issues facing the Council in terms of finance and resource management by analysing, defining and documenting our current state of operations; identifying where processes/systems intersect across different operational units to pin down and identify opportunities to enhance our business through system improvement and process enhancement.
- 3.8 The *design phase* reviews all the evidence gathered in the discovery phase to assess what is needed from the new system. This is done in conjunction with benchmarking from other local authorities and a soft market testing exercise. This leads to the development of a statement of requirements which will ultimately inform the Invitation to Tender document. The design phase also informs development of the Outline Business Case, assessing the various options towards an identified preferred option. The project is currently in the design phase with the Outline Business Case nearing completion. The draft Outline Business Case is included as Appendix 2 to this report.
- 3.9 In terms of governance, the project is managed within the portfolio and programme governance arrangements established by the Council’s Programme Management Office. The Project falls within the Council’s Digital programme with assurance provided by that Programme Board as well as the Investment and Change Board which oversees all

Council Change Programmes. Nikki Boardman, Director for Change and Organisational Design has been appointed Senior Responsible Owner (SRO). The SRO acts as champion for the project and is accountable for delivery to the defined time, quality and cost parameters. The diagram below sets out the project governance arrangements.

Diagram 2: Project Governance Arrangements



3.10 The Project Board has representation from all essential parts of the business including Finance, HR and Audit. Meetings are held monthly. Separate risk management reviews are also held monthly. A senior user group has been established to ensure the required engagement from the relevant service areas. The user group ensures there is continuity from those services right through the four phases of project delivery.

3.11 A full time Project Officer, Senior Business Designer and Business Analyst have been deployed on the project to date. There will be a need to deploy further resources in line with the project plan requirements. Resource requirements are regularly reviewed by the Project Manager and will be included in future update reports.

4.0 FINANCIAL IMPLICATIONS

4.1 The financial implications of this project (costs and benefits) are set out in the draft Outline Business Case included as an Appendix 2.

5.0 LEGAL IMPLICATIONS

5.1 The provision of a new ERP solution will establish greater capability and rigour in the Council's core financial systems and resource management. This will improve the Council's ability to meet its statutory and legal obligations as well as complying with regulatory frameworks such as the General Data Protection Regulation (GDPR).

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

6.1 A summary of the current project staffing implications is included in 3.10 above. The implementation of a new ERP system is expected to deliver significant improvements in business systems which will result in reduced staff processing times. It is anticipated that efficiencies would be achieved over time with staff being re-focussed towards more value-added activities.

7.0 RELEVANT RISKS

7.1 A project risk register is maintained and updated monthly as set out in 3.10 above. A summary of key risks is included in section 4.1.6 of the Outline Business Case included as Appendix 2.

8.0 ENGAGEMENT/CONSULTATION

8.1 The Council's Strategic Leadership Team have been engaged from the outset of the SmartBusiness Project. A user group has been set up to ensure the required engagement of the business areas in scope for the new solution.

9.0 EQUALITY IMPLICATIONS

9.1 An Equality Impact Assessment is in progress and is due to be completed by 31 January 2020.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 Implementation of the SmartBusiness Project will lead to improved operational effectiveness that will have a positive impact on the environment. This will be achieved through better harnessing of IT capabilities that will lead to reductions in the use of paper and the requirement for travel.

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BACKGROUND PAPERS

Appendix 1 – Final Internal Audit Report ERP 21 Aug 2018

Appendix 2 – OBC ERP DRAFT V2 ARMC

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|------------------------|-------------|
| N/A | |

Internal Audit Report

Enterprise Resource Planning (ERP) System Review

August 2018

| Distribution List: | | |
|---------------------------|-----------------|--|
| 1. | Paul Satoor | Corporate Director for Business Management |
| 2. | Liz Hammond | Director of Change & Organisation Design |
| 3. | Shaer Halewood | Director of Finance & Investment |
| 4. | Tim Games | Head of Business Change & Programme Management |
| 5. | Jeff Ashworth | Interim Head of Digital |
| 6. | Ray Williams | Head of Procurement |
| 7. | Michele Duerden | Head of Transformation |
| 8. | Peter Wallach | Director – Merseyside Pension Fund |
| 9. | Donna Smith | Head of Finance & Risk |
| 10. | Andy Dixon | Project Officer |

| Report produced by: | Report authorised by: |
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Wirral Internal Audit Service

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| 10. | Customer Feedback | Page 15 |

The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

We emphasise that the responsibility for a sound system of internal control rests with management, and work performed by Internal Audit may not be relied upon to identify all system weaknesses that may exist. Neither should Internal Audit be relied upon to identify all circumstances of fraud or irregularity should there be any, although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of control may not be proof against collusive fraud. Internal Audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

From 1st April 2013, new Public Sector Internal Audit Standards came into effect. These replace previous guidance and provide a coherent and consistent internal audit standards framework for the whole of the public sector. Local authorities are required to demonstrate full implementation and compliance with the Standards by 31 March 2018.

1. Executive Summary

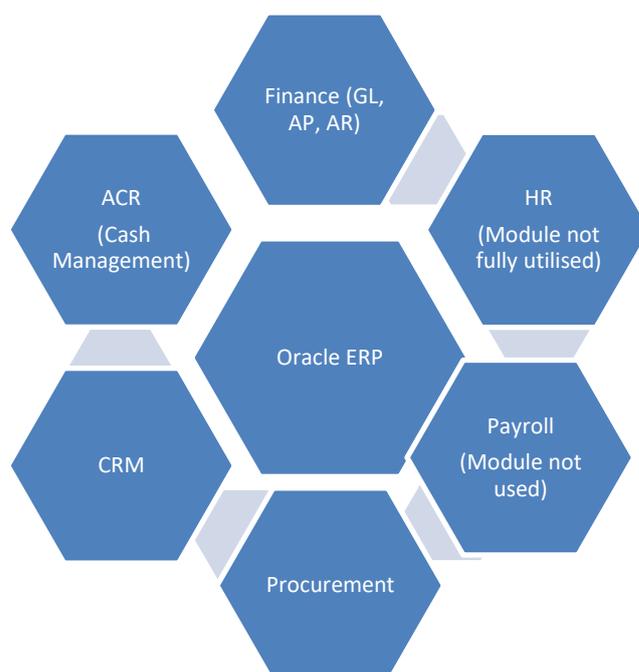
- 1.1 A review of the Enterprise Resource Planning (ERP) system was requested by the Transformation Team as agreed by the Director of Finance & Investment. The review was to provide an independent opinion of the overall effectiveness and efficiency of the system.
- 1.2 In our opinion the system is out dated and unable to provide services as expected in a Digital age. In addition, system functionalities do not comply with General Data Protection Regulation (GDPR), as data cannot be deleted nor can it be assured to be accurate.
- 1.3 We therefore conclude that the system is not fit for purpose and consideration should be given to replacing it or, upgrading to the latest version.
- 1.4 We appreciate that replacing it would be a significant cost to the Authority and resource intensive to cleanse the data, install the system and train the users. However, customer and user expectations have changed, new legislation requirements cannot be met, and the risk of a potential successful cyberattack is high given that patches are not routinely applied.
- 1.5 However, we consider the potential impact of the risks outweigh the costs. A new system should ensure leaner processes (minimise duplication), and provide more efficient services to members of the public, users, partners and suppliers. In addition, we expect it will be compliant with current legislation and provide more data transparency.
- 1.6 Our main concerns with the current system are;
- The inability to delete data.
 - Inaccurate legacy data.
 - Data requires manipulation.
 - The system drives some processes.
 - Inability to raise electronic invoices.
 - Budget managers are unable to run their own reports.
 - Limits some Council services being provided to the public.
 - Processes are duplicated.
 - Resource intensive (managing, maintaining, lengthy processes, training).
 - Non-compliant with Legislation.
 - Security concerns.
 - Reliance on other systems.
 - Unable to make changes.
- 1.7 Therefore, our overall organisational risk opinion is:

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

2. Introduction

- 2.1 A review of the Enterprise Resource Planning (ERP) system was requested by the Transformation Team as agreed by the Director of Finance & Investment. The review was to provide an independent opinion of the overall effectiveness and efficiency of the system.
- 2.2 This report provides our independent opinion on the ERP 1Business System on whether it;
- Is fit for purpose and effective
 - Provides accurate and consistent management information
 - Provides value for money
- 2.3 ERP refers to systems and software packages used by organisations to manage day to day business activities such as accounting, procurement and HR. ERP systems tie together and define a plethora of business processes and enable the flow of data between them. By collecting an organisation's shared transactional data from multiple sources, ERP systems eliminate data duplication and provide data integrity with a "single source of truth."
- 2.4 The E-Business Suite that comprises of CRM & ERP is an Oracle system. Oracle is a multi-model database management system produced and marketed by Oracle Corporation. The Oracle version currently in operation in Wirral is version (V11.i) and no longer supported by Oracle. We understand that around five years ago, a decision was made not to migrate to the latest version as it was believed that better value for money could be achieved if an alternative supporter was investigated. As a business critical system the cost/contract information is licensed in perpetuity.

Figure 1



3. Audit Opinion

- 3.1 The significant nature of some of the risks including the financial penalties for non-compliance with GDPR lead us to an organisational risk opinion of Major.

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

4. Review of Effectiveness

- 4.1 We found the system does not utilise resources effectively and is not being utilised to its full potential.

5. Audit Observations

- 5.1 PDG Consulting Ltd currently has the contract to support the ERP system. The end contract clause with PDG Consulting Ltd is January 2019.

6. Findings

Background

- 6.1 The ERP system was installed in 2004 and is currently running on version 11.1 but this version is now unsupported by Oracle. ERP has the modules as detailed in Figure 1, however not all modules are currently being used by Wirral, for example Payroll uses ResourceLink. The Human Resources module is not fully utilised and this can cause issues with the hierarchy set up in the financial and CRM modules. If the HR was fully integrated then users would be removed automatically from the hierarchy when they change roles or leave the Authority. This would also eliminate the need for double entering of HR information into Oracle HR.
- 6.2 At the time the data was provided there are 3771 user accounts. This is a large amount of user accounts to manage when the system should be able to recognise a leaver and notify the relevant system administrator or remove them automatically.
- 6.3 A competitive tender exercise using the Crown Commercial Services Framework to support the system was undertaken. 12 suppliers were invited to participate. Only 2, on time, submissions were evaluated and as a result, the contract was awarded to PDG Consulting Ltd. We did not review this process as part of this review. The contract costs Wirral £75k per annum although; this figure does not include Wirral staffing resources. The contract commenced on 01/01/2016, (the

contract was provisionally set up to run for four years to be reviewed on an annual basis), and the end date of call off extension period is 19/01/2020.

- 6.4 Despite the contract with PDG Consulting Ltd there is also a small team within Digital who support the system. Per discussion with the team this equates to additional resource cost of approximately three days per week.
- 6.5 There are around 200 interfaces used to allow systems to link to the ERP all of which require constant monitoring and management. Interfaces can be subject to cyber-attack and therefore require robust controls to mitigate the risk. Software requires regular patching to fix security concerns and known bugs in the system. Patches are not routinely applied, but are provided by PDG Consulting Ltd when available.
- 6.6 Merseyside Pension Fund has used 'Mutli-Org' Oracle ERP system since 2009. Multi-org architecture is an application server-side enhancement that allows multiple operating units and their relationships to be defined within a single installation of Oracle Applications products. This keeps each operating unit's transaction data separate and secure. The 'Multi-Org' set up was critical in the decision making process for the Pension Fund.

Customer Relationship Management (CRM) Module

- 6.7 CRM is provisionally used by the customer services team for logging complaints, recording requests for bin problems/collections, and other council related services. Some information is sent directly to inspectors and Biffa via CRM to mobile devices, however, if an update note is to be added the team has to send an email as the CRM system doesn't send automatic notifications, therefore reliance is placed on Microsoft Outlook.
- 6.8 Manual notes can be added to the CRM system but once entered they cannot be deleted. This could lead to personal information being given to another person should a subject access request be received. In addition, under GDPR information should be able to be erased under the right to be forgotten principle. We understand as data cannot be deleted CRM is not GDPR compliant. However, there is a project underway to replace it with Firmstep. Firmstep is an e-form solution that is a flexible, intuitive workflow and integration tools that enables the complete automation and administration of internal processes and services.
- 6.9 We were also advised that some of the data is manipulated to give the required results. This could lead to decisions being made using incorrect management information.

General Ledger (GL) Module

- 6.10 This module is used by the Accountancy Team. An exercise was conducted by a member of the team in December 2017 to obtain the views of the system's functionality from other members of the team. Overall, the consensus is that the system is reliable and provides real time information. Although, it is not user friendly and requires lots of 'drilling down' to obtain information on transactions

that is time consuming. In addition, budget holders are unable to run their own reports, this, in our opinion, is fundamental to effective budget management.

- 6.11 Due to its limited functionality spreadsheets are used alongside it for forecasting information, instead of using the reports generated from the system. Reports can easily be run but they required formatting so they are understood and the team spend a lot of time each month producing transactions and formatting them in Excel. The risk of errors and mistakes when using spreadsheets can lead to incorrect financial information being used for decision making that could result in financial and reputational damage to the Authority. The GL module does not link in to the Payroll System and reliance is placed on managing table between systems.
- 6.12 Merseyside Pension Fund (MPF) also use GL under a 'Multi-Org' set up. The 'Multi-Org' set up was critical in the decision to move to Oracle in 2008, due to the requirement to maintain control over the system, maintain separate records and prepare its own statutory Financial Statements. The system went live in 2009 and the benefits of reviewing and revising its chart of accounts resulted in a more user friendly system than their previous system (Axis). Merseyside Pension Fund recognises that whilst benefits have been gained the system is still with frustrations. The GL interfaces with the Pensions Administration System.

Accounts Payable (AP) Module

- 6.13 This module is used by the Payments Out team in Customer Services. Again, the system prevents deletion of data and as a result supplier names, addresses and bank details remain on the system some of which dates back to the date the system was installed.
- 6.14 We were also advised that some processes are extremely time consuming and as such are a resource drain, particularly as the team consists of a high number of fixed term members of staff and therefore has a high turnover of staff. In addition, the team are unable to provide some services to the public such as being able to provide ten monthly instalments for the garden waste bin fee. It is believed should this service be available more residents would sign up to the service and this could result in more income being generated for the Authority.
- 6.15 We understand that training new members of staff and maintaining of the user manual is undertaken by the senior managers. Again, this can be very time consuming and it is not a cost effective use of senior managers' time.
- 6.16 Merseyside Pension Fund procures goods via Wirral's iProcurement module and as such these invoices are paid by Wirral's Payment Team, but there is no electronic interface with MPF Oracle GL. MPF pay contractual invoices through their electronic banking system. As a result MPF Oracle GL 'Multi-Org' is the only complete record for MPF expenditure; however MPF is subject to a separate external audit.

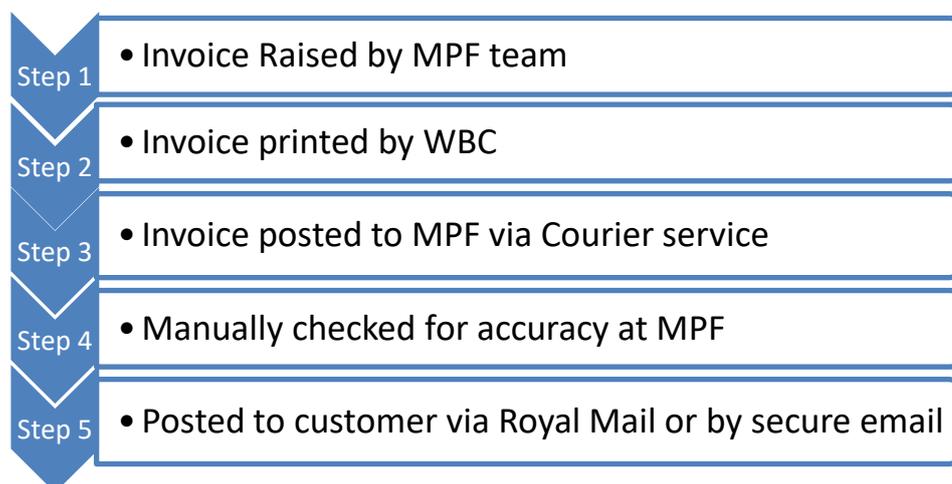
Accounts Receivable (AR) Module

- 6.17 This module is used by the Income and Debt Management Team for raising invoices for Wirral Council services such as Social Care, Allotments etc. The

system doesn't interface with the web services available to members of the public. In addition, requests for an invoice to be raised are done using a proforma, emailed to the team and saved on the shared drive. The system should be able to do this process internally. Some processes are system driven and require a number of workarounds. Data also requires manipulating to obtain the required results and manual over-rides are necessary. Processes are time consuming and resource intensive. In addition, the system does not have the capability to issue electronic invoices that would speed up the process as expected in the Digital era.

- 6.18 Merseyside Pension Fund also use this module, however, there is no electronic interface with MPF Oracle GL. Cash collected for invoices into Wirral Council bank account relating to MPF is paid to MPF's bank account weekly. Invoices require manual holds to prevent a reminder being issued as the current recovery periods are not appropriate for the business; there is also a risk a reminder will be issued before the invoice is issued as there are additional steps in the process.

Figure 2



- 6.19 A proforma is completed by a member of the MPF team and sent to another MPF team to apply the hold. We understand discussions have been conducted between MPF, AR and the Digital team to modify the system, including setting up recovery periods appropriate for MPF debt; these discussions have been put on hold with the knowledge of change. With 784 invoices raised during 1 April 2017-31 March 2018 this is a very resource intensive and time consuming process. If the proforma takes two minutes to complete, then a further two minutes for another person to apply the hold, this could use around 52 hours of resource time a year.
- 6.20 The system is unable to issue electronic invoices as expected by most companies. The payment of the invoices is also confusing and resource intensive as payments must be made to Wirral Council and not direct to the MPF (who legally are required to have their own bank account and funds separate from Wirral). Payments to Wirral's bank account is indicated on the invoice however, some companies that pay MPF direct, for example, for pension contributions, pay MPF direct for invoices raised too, in error. Should the payment of invoices be paid into MPF then a payment is made to Wirral Council,

then the following Wednesday the payment is made back to MPF. This is not efficient or effective. MPF has also expressed concern that monies paid to Wirral in relation to MPF invoices have been allocated to Wirral invoices in the past.

MPF have expressed the importance of them being included when deciding on a new system as they have specific unique requirements to ensure the system meets regulatory requirements.

iProcurement Module

6.21 This module is used by the Procurement Team, purchase order requisitioners, approvers and purchase coordinators out in the business. At the time of the review there are:

- 510 requisitioners,
- 239 approvers,
- 30 purchase coordinators

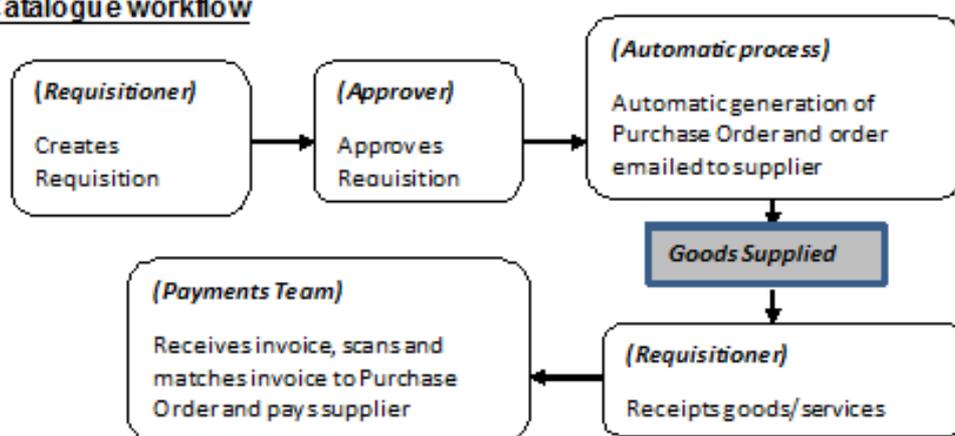
The purchase coordinator function is currently being centralised within the Procurement team and will no longer be conducted by the departments.

6.22 There are two types of orders available:

1. **Catalogue** – Items in the catalogue appear on iProcurement’s online catalogue when the Corporate Procurement Team has already established a contract with the individual supplier, and these are generally called either a corporate contract or a framework contract.
2. **Non-Catalogue** – For items not available in the online catalogue.

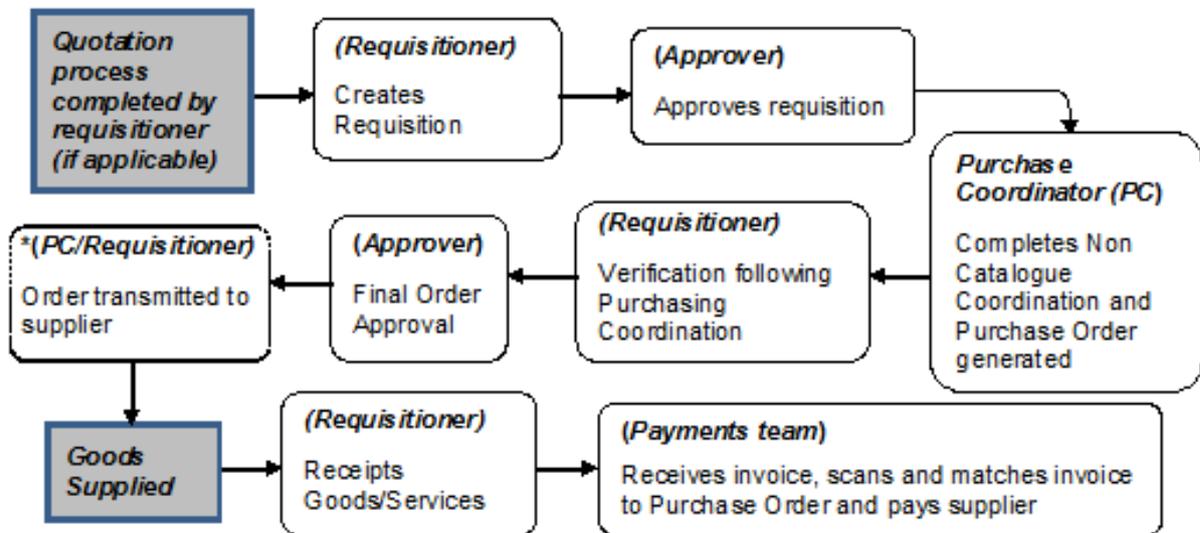
6.23 The process maps below show the stage of each of the two types of order.

Catalogue workflow



6.24 The process for ordering catalogue items is as expected. The system is set up to send email notifications to approver once the requisition is completed. Once the order is approved by the approver the order is emailed to the supplier, the system is pre-set to send a reminder for goods to be received in 7 days. The system allows this date to be amended when required. Once goods are received by the requisitioner and the supplier has sent the invoice in, the Payments team is able to undertake their checks, matching the invoice against the receipted order and pay the supplier when due.

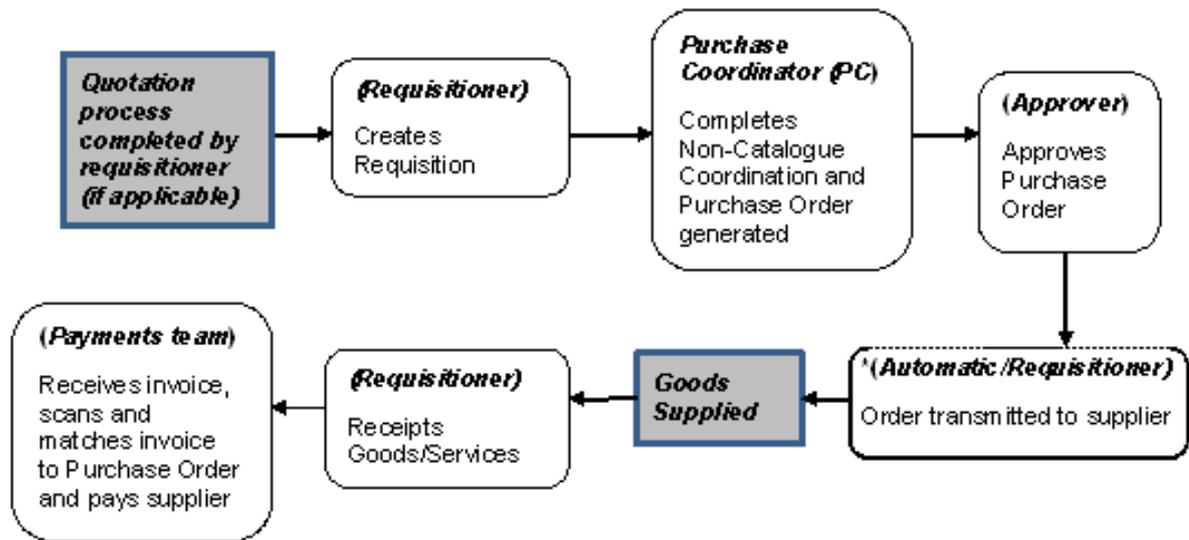
Non-catalogue workflow



- 6.25 The process for ordering non-catalogue orders is longer than necessary. Orders are requested by a requisitioner, a notification is sent to the approver via email. The approver either logs into the system or approves the order via the email notification. An email is then sent to the purchase coordinator who checks compliance with the Contract Procedure Rules (going forward, this role will be completed by the Procurement Team rather than in Departments), once confirmed, the order is sent back to the requisitioner then the approver and the process is repeated.
- 6.26 With 13,224 non-catalogue orders in the financial year 2017/8 the process is resource intensive. For each order, the requisitioner raises the requisition via iProcurement, the approver must in effect approve the transaction twice, once as a requisition and then again when the order has been created after coordination. The requisitioner is also involved in the second approval process as they verify the order before final approval by the approver. The main reason for the second approval process is because the purchase coordinator can amend the order details. The system cannot be amended to change the processes. In context, should the approver and requisitioner process take 2 minutes for each this would result in 881 hours for the year that, in our opinion, is excessive and unnecessary.

6.27 The ideal workflow would be as detailed below, however, as mentioned earlier the system cannot be configured to change it currently.

Non-catalogue workflow



7. Detailed Findings and Recommendations

| Ref | Risk and Potential Implications | Findings | Recommendation | Priority Level |
|-----|--|---|---|----------------|
| 7.1 | Failure to engage with all stakeholders in a timely manner could lead to user requirements not being met. In addition, mandatory processes require sufficient time to be undertaken. | <p>Based on our findings and risks identified in this report we consider the potential impact of the risks outweigh the cost of replacing or upgrading the system.</p> <p>We are aware that some business areas are keen to implement a new system in the next financial year. Whilst there is still time, we must emphasise that all stakeholders, including the Technical Design Authority (TDA) and Procurement are fully engaged in a timely manner.</p> <p>Discussions around the new system have not yet been considered by the Technical Design Authority, nor have some stakeholders been approached.</p> | <p>The findings and risks included in the report should be taken into consideration when deciding on upgrading to the current version of software available from Oracle, or, replacing it with a new one.</p> <p>A cost benefit analysis should be conducted followed by a feasibility study. The Technical Design Authority, Procurement and all relevant stakeholders should be engaged in a timely manner to identify requirements prior to procuring a new system. This will allow sufficient time to undertake mandatory process in accordance with the Contract Procedure Rules.</p> <p>In addition a business case should be completed that captures the business 'problems', all risks, costs, impacts etc.</p> | Medium |

8. Next Steps

8.1 Please do the following in response to the report:

- Evaluate the risks identified and consider whether these need to be included within one of the Council's Risk Registers (at Programme, Directorate or Corporate level).
- Consider your available resources in light of these risks and formulate an achievable plan for implementing the recommendations. This must be an effective method of reducing the identified risk to a level that is acceptable to, and approved by your Directorate Management Team.
- Reflect your plan and any other comments in the relevant columns the Action Plan document in section 10. Return your completed report electronically to Kelly Lacy no later than **21st September 2018**.
- Your feedback is very important to us. Please complete the Customer Feedback form in section 11, and return this with your completed report. We may contact you to discuss this.

8.2 Internal Audit is obliged to:

- Report to the Audit and Risk Management Committee and the Chief Executive any recommendations of high or medium priority that you choose not to agree. The Committee may wish you to attend to explain your reasons for this.
- Undertake a follow-up audit within four months of the date of this report, to obtain evidence of your progress in implementing the recommendations. If you have not implemented recommendations within a reasonable timescale, the Audit and Risk Management Committee and Chief Executive will be notified. It is likely that you will be asked to attend the Committee to explain your reasons for this.

8.3 Thank you for your help and co-operation during the audit. Please contact Kelly Lacy if you wish to discuss the report further.

9. Action Plan - Recommendations

| Ref | Recommendation | Priority Level | Agreed Y/N | Plan for Implementation | Expected Implementation Date | Name of Responsible Officer |
|-----|--|----------------|------------|-------------------------|------------------------------|-----------------------------|
| 9.1 | <p>The findings and risks included in the report should be taken into consideration when deciding on upgrading to the current version of software available from Oracle, or, replacing it with a new one.</p> <p>A cost benefit analysis should be conducted followed by a feasibility study. The Technical Design Authority, Procurement and all relevant stakeholders should be engaged in a timely manner to identify requirements prior to procuring a new system. This will to allow sufficient time to undertake mandatory process in accordance with the Contract Procedure Rules.</p> <p>In addition a business case should be completed that captures the business 'problems', all risks, costs, impacts etc.</p> | Medium | | | | |

10. Customer Feedback

| How satisfied were you with the overall service received from Internal Audit? (please ✓ to indicate) | | | | | | | |
|--|--|-----------|--|--------------|--|-------------------|--|
| Very Satisfied | | Satisfied | | Dissatisfied | | Very Dissatisfied | |
| Please provide any additional comments: | | | | | | | |
| | | | | | | | |

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If you would like to discuss any aspect of this audit, please contact the Chief Internal Auditor.

Completed by: Signed: Date:.....

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Audit and Risk Management Committee Monday, 27 January 2020

| | |
|----------------------|--|
| REPORT TITLE: | Minimum Revenue Provision Re-profiling |
| REPORT OF: | Director of Finance & Investment (S151) |

REPORT SUMMARY

Proactive Treasury Management activity, working in conjunction with external advisors, has recently resulted in an approved change to the way that the Council calculates its Minimum Revenue Provision (MRP).

The attached report, approved by Cabinet on 25 November 2019 (minute No.63 refers) outlines the background to this change and is provided to the Audit & Risk Management Committee in response to a request for clarification of the nature of the change. The Cabinet report, included as Appendix 1, also clarifies the adjustments to accounting entries made in the first draft of the 2018/19 Statement of Accounts.

RECOMMENDATION

That the Audit & Risk Management Committee note the approved change to the calculation of the Council's Minimum Revenue Provision and the explanation of its impact on the Council's Statement of Accounts.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 This report has been prepared in response to a request from the Audit & Risk Management Committee for information on the Council's Minimum Revenue Provision (MRP) and its treatment.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Other options considered in relation to MRP are outlined in report attached at Appendix 1.

3.0 BACKGROUND INFORMATION

- 3.1 Further details of the accounting treatment of the Council's Minimum Revenue Provision were specifically requested by the Audit & Risk Management Committee during the process of approval of the 2018/19 Statement of Accounts.
- 3.2 As a result of this, the attached Cabinet report, seeking approval for the re-profiling of MRP, was adapted to include full disclosure of the initial accounting entries made in the first draft of the 2018/19 Statement of Accounts, as well as an explanation of the impact of the change, which has since been approved.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The financial implications of the re-profiling of MRP are detailed in the Cabinet report at Appendix 1.

5.0 LEGAL IMPLICATIONS

- 5.1 The legal implications of the re-profiling of MRP are detailed in the Cabinet report at Appendix 1.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

- 7.1 The risks are as detailed in the Cabinet report at Appendix 1.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 See section 8 of Appendix 1.

9.0 EQUALITY IMPLICATIONS

- 9.1 There are none arising directly from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The content and recommendations contained within this report are expected to have no impact on emissions of CO2.

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APPENDICES

Appendix 1 – Minimum Revenue Provision Re-profiling (Cabinet report)

BACKGROUND PAPERS

None

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|-----------------|------|
| | |



CABINET

25 NOVEMBER 2019

MINIMUM REVENUE PROVISION RE-PROFILING

Councillor Janette Williamson, Cabinet Member for Finance and Resources, said:

“We continue to face huge financial pressures, as increasing demand, rising costs and ongoing austerity policies combine to place unprecedented strain on our budget, and services. This is an excellent example of how, when we need to look to new and innovative ways to provide services, we are able to continue to find new ensure this Council is in a position to protect our most vulnerable.”

REPORT SUMMARY

The Authority’s treasury management activity is underpinned by CIPFA’s Code of Practice on Treasury Management (“the Code”).

Proactive Treasury Management activity – working in conjunction with external advisors - has resulted in a proposal to change the way that the Council calculates its Minimum Revenue Provision (MRP).

This proposal to change the method of calculation results in a re-profiling of MRP charges - rather than a permanent reduction in MRP charges - and flows from the inclusion of long-term debtors and deferred charges in the calculation for the first time, as now permitted under statutory guidance.

RECOMMENDATION/S

That Cabinet endorse the proposal to re-profile MRP charges resulting in a reduction of MRP charges by over £2m pa over the next ten years, recouped via higher charges in subsequent years - and recommends it to the Council for approval.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 Under statutory guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003, a Local Authority may change the method(s) that it uses for calculating part or all of its MRP at any time.
- 1.2 Where a Council changes the method used to calculate MRP, this should be explained in an Annual Minimum Revenue Provision Statement, submitted to full Council for approval at the start of the financial year, explaining why the change will better allow it to make prudent provision.
- 1.3 The proposal included in this paper, to effectively re-profile MRP charges, was only finalised in October 2019 due to the timing of external advice received on this matter and the need for discussion with Grant Thornton, the Council's auditors during the 18/19 audit process. As such, this report is in addition to the Annual Minimum Revenue Provision Statement presented at the start of the financial year.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Other options considered include:
 - Leaving the MRP calculation unchanged; and
 - Spreading the benefit of re-profiling over an alternative time period to the ten years recommended in this report.
- 2.2 Given that the Council can legitimately change the method of MRP calculation to one which, in this case, results in lower MRP charges in earlier financial years than had previously been anticipated, the option of leaving the MRP calculation unchanged has been discounted.
- 2.3 Spreading the benefit of re-profiling over the next ten years – enabling taxpayers to benefit in earlier years - is considered to be reasonable and prudent and aligns with time periods selected by other Councils.
- 2.4 Recognising the full benefit of re-profiling MRP charges immediately (ie in a single financial year), rather than spreading the benefit over the next ten years is not an option. This would effectively create a negative MRP charge which would not be in line with statutory guidance.
- 2.5 In producing the first draft of the Statement of Accounts, it was initially proposed to hold the whole amount of MRP available for re-profiling in a separate Earmarked Reserve within General Fund Reserves, for gradual release in future years. This treatment effectively transferred £26.36m from the Capital Adjustment Account (forming part of Unusable Reserves) into General Fund Reserves (forming part of Useable Reserves). However, this treatment was reversed in the second draft of the Statement of Accounts following discussion with the auditors. This means that the whole balance of MRP available for re-profiling will remain within the Capital Adjustment Account, from where it is proposed that it will be released over the next ten years.

3.0 BACKGROUND INFORMATION

- 3.1 Where the Council finances capital expenditure by debt, resources must be put aside to repay that debt in later years. The amount charged to the General Fund for the repayment of debt is known as Minimum Revenue Provision (MRP) and is based on the Capital Financing Requirement (CFR) of the Council.
- 3.2 The Minimum Revenue Provision is an annual charge that Councils which are not debt free are required to make in their accounts for the repayment of debt (as measured by the underlying need to borrow, rather than actual debt). The underlying debt is needed to finance the capital programme. It is, therefore prudent to charge an amount for the repayment of debt (usually over the life of the asset), allowing borrowing to be matched to asset lives. Setting aside an amount for the repayment of debt, through an annual Minimum Revenue Provision, allows for future borrowing to be taken out to finance assets when they need to be replaced at no incremental cost.
- 3.3 Under Regulation 27 of the 2003 Regulations, Local Authorities are required to charge MRP to their revenue account in each financial year. Before 2008, the 2003 Regulations contained details of the method that Local Authorities were required to use when calculating MRP. This has been replaced by the current Regulation 28 of the 2003 Regulations, which gives local authorities flexibility in how they calculate MRP, providing the calculation is 'prudent'. In calculating a prudent provision, Local Authorities are required to have regard to Ministry of Housing, Communities and Local Government (MHCLG) guidance, entitled 'Capital Finance: Guidance on Minimum Revenue Provision (Fourth Edition) - as last updated on 2 February 2018.
- 3.4 The broad aim of the MHCLG guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 3.5 The Council commissioned a review of its MRP provision by Link Asset Services in March 2019. The purpose of this review was to consider the appropriateness of the MRP calculation for the repayment of the underlying debt liability and to assess any options that could generate a short to medium term benefit to the General Fund. Only options considered prudent and fully compliant with statutory guidance would be considered.
- 3.6 Based on calculations provided by Link Asset Services, the Council has estimated that it has an historic amount of MRP available for re-profiling of c £26.36m, primarily due to the exclusion of long-term debtors and deferred charges from Capital Financing Requirements. This is made up of:
- £21.451m – in respect of transferred debt liability, taken over by the Authority in 1988 following the demise of the Merseyside County Council. This calculation is based on an annual saving of £4.469m pa at 4% pa on an accumulating basis; and

- £4.909m – in relation to other long-term debtors and deferred charges of £8.182m at 4% pa for 15 years.

3.7 Changes to MRP charges resulting from the above cannot be made retrospectively. As such, future charges will be reduced to reflect re-profiling of this £26.36m over a proposed ten-year period starting in 2019/20.

3.8 While the amount of MRP required will not change in total over the life of current capital investments, the profile will change as a result of this proposal. This results in lower charges in the next ten years than would otherwise have been experienced, followed by higher charges in later years.

3.9 The first reduction in MRP charges will be made in 2019/20, at a value of £2.63m. Thereafter the amount of the annual reduction will gradually reduce over the ten year period to £2.17m by year 10 – as set out in the table in Appendix 1. This gradual reduction in the expected benefit is due to the MRP re-profiling reduction leading to a higher Capital Financing Requirement in future years than would otherwise have been the case. MRP charges beyond the initial ten year period then start to increase but the total MRP charge remains unchanged at £26.36m. Over the next 43 years, the total amount of MRP charges remains unchanged, as it is only the profiling of the charges that alters.

3.10 The annual MRP charge is calculated from the Capital Financing Requirement by applying a rate of 2% on an annuity basis, to which no change is proposed.

4.0 FINANCIAL IMPLICATIONS

4.1 The re-profiling of MRP will be released to the General Fund over the next 10 years as set out in the table in Appendix 1, creating a reduction in MRP charges of over £2m pa. Thereafter, MRP charges will gradually increase each year over the next 33 years.

4.2 Over the total 43 year period, the total charge for MRP remains unchanged, with only the profile of the annual charges affected.

5.0 LEGAL IMPLICATIONS

5.1 Under Regulation 27 of the 2003 Regulations, Local Authorities are required to charge MRP to their revenue account in each financial year. Before 2008, the 2003 Regulations contained details of the method that Local Authorities were required to use when calculating MRP. This has been replaced by the current Regulation 28 of the 2003 Regulations, which gives local authorities flexibility in how they calculate MRP, providing the calculation is 'prudent'. In calculating a prudent provision, Local Authorities are required to have regard to Ministry of Housing, Communities and Local Government (MHCLG) guidance, entitled 'Capital Finance: Guidance on Minimum Revenue Provision (Fourth Edition) - as last updated on 2 February 2018.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.2 There are none arising directly from this report.

7.0 RELEVANT RISKS

7.1 Following an assessment of external advice received from Link Asset Services Limited, the Council's view is that the MRP proposal included in this report represents a prudent assessment, in line with MHCLG guidance. The risk of challenge to this view is considered low.

8.0 ENGAGEMENT/CONSULTATION

8.1 Information contained in this report has been shared with the Council's auditors, Grant Thornton LLP.

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising directly from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The content and/or recommendations contained within this report are expected to have no impact on emissions of CO2.

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APPENDICES

APPENDIX 1 – Impact on Annual MRP Charges

BACKGROUND PAPERS

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|------------------------|-------------|
|------------------------|-------------|

APPENDIX 1 – Impact on Annual MRP Charges

| Year | Year ending 31st March | Opening Capital Financing Requirement | Annuity based MRP | Closing Capital Financing Requirement | Proposed Re-Profiling Adjustment | Additional MRP resulting from the higher Capital Financing Requirement (created by lower MRP charges) | Net MRP Adjustment |
|--------------|------------------------|---------------------------------------|-------------------|---------------------------------------|----------------------------------|---|--------------------|
| | | £'m | £'m | £'m | £'m | £'m | £'m |
| 1 | 2020 | 170.05 | 2.53 | 167.52 | (2.64) | 0.01 | (2.63) |
| 2 | 2021 | 167.52 | 2.58 | 164.93 | (2.64) | 0.05 | (2.59) |
| 3 | 2022 | 164.93 | 2.63 | 162.30 | (2.64) | 0.09 | (2.55) |
| 4 | 2023 | 162.30 | 2.69 | 159.61 | (2.64) | 0.13 | (2.50) |
| 5 | 2024 | 159.61 | 2.74 | 156.87 | (2.64) | 0.18 | (2.45) |
| 6 | 2025 | 156.87 | 2.80 | 154.08 | (2.64) | 0.23 | (2.40) |
| 7 | 2026 | 154.08 | 2.85 | 151.23 | (2.64) | 0.29 | (2.35) |
| 8 | 2027 | 151.23 | 2.91 | 148.32 | (2.64) | 0.34 | (2.29) |
| 9 | 2028 | 148.32 | 2.97 | 145.35 | (2.64) | 0.40 | (2.23) |
| 10 | 2029 | 145.35 | 3.03 | 142.32 | (2.64) | 0.46 | (2.17) |
| 11 | 2030 | 142.32 | 3.09 | 139.24 | 0.00 | 0.52 | 0.52 |
| 12 | 2031 | 139.24 | 3.15 | 136.09 | 0.00 | 0.53 | 0.53 |
| 13 | 2032 | 136.09 | 3.21 | 132.88 | 0.00 | 0.55 | 0.55 |
| 14 | 2033 | 132.88 | 3.28 | 129.60 | 0.00 | 0.56 | 0.56 |
| 15 | 2034 | 129.60 | 3.34 | 126.26 | 0.00 | 0.57 | 0.57 |
| 16 | 2035 | 126.26 | 3.41 | 122.85 | 0.00 | 0.58 | 0.58 |
| 17 | 2036 | 122.85 | 3.48 | 119.38 | 0.00 | 0.59 | 0.59 |
| 18 | 2037 | 119.38 | 3.55 | 115.83 | 0.00 | 0.60 | 0.60 |
| 19 | 2038 | 115.83 | 3.62 | 112.22 | 0.00 | 0.61 | 0.61 |
| 20 | 2039 | 112.22 | 3.69 | 108.53 | 0.00 | 0.63 | 0.63 |
| 21 | 2040 | 108.53 | 3.76 | 104.77 | 0.00 | 0.64 | 0.64 |
| 22 | 2041 | 104.77 | 3.84 | 100.93 | 0.00 | 0.65 | 0.65 |
| 23 | 2042 | 100.93 | 3.91 | 97.01 | 0.00 | 0.66 | 0.66 |
| 24 | 2043 | 97.01 | 3.99 | 93.02 | 0.00 | 0.68 | 0.68 |
| 25 | 2044 | 93.02 | 4.07 | 88.95 | 0.00 | 0.69 | 0.69 |
| 26 | 2045 | 88.95 | 4.15 | 84.79 | 0.00 | 0.71 | 0.71 |
| 27 | 2046 | 84.79 | 4.24 | 80.56 | 0.00 | 0.72 | 0.72 |
| 28 | 2047 | 80.56 | 4.32 | 76.23 | 0.00 | 0.73 | 0.73 |
| 29 | 2048 | 76.23 | 4.41 | 71.83 | 0.00 | 0.75 | 0.75 |
| 30 | 2049 | 71.83 | 4.50 | 67.33 | 0.00 | 0.76 | 0.76 |
| 31 | 2050 | 67.33 | 4.59 | 62.74 | 0.00 | 0.78 | 0.78 |
| 32 | 2051 | 62.74 | 4.68 | 58.07 | 0.00 | 0.79 | 0.79 |
| 33 | 2052 | 58.07 | 4.77 | 53.29 | 0.00 | 0.81 | 0.81 |
| 34 | 2053 | 53.29 | 4.87 | 48.43 | 0.00 | 0.83 | 0.83 |
| 35 | 2054 | 48.43 | 4.96 | 43.46 | 0.00 | 0.84 | 0.84 |
| 36 | 2055 | 43.46 | 5.06 | 38.40 | 0.00 | 0.86 | 0.86 |
| 37 | 2056 | 38.40 | 5.17 | 33.23 | 0.00 | 0.88 | 0.88 |
| 38 | 2057 | 33.23 | 5.27 | 27.96 | 0.00 | 0.89 | 0.89 |
| 39 | 2058 | 27.96 | 5.37 | 22.59 | 0.00 | 0.91 | 0.91 |
| 40 | 2059 | 22.59 | 5.48 | 17.11 | 0.00 | 0.93 | 0.93 |
| 41 | 2060 | 17.11 | 5.59 | 11.52 | 0.00 | 0.95 | 0.95 |
| 42 | 2061 | 11.52 | 5.70 | 5.82 | 0.00 | 0.97 | 0.97 |
| 43 | 2062 | 5.82 | 5.82 | 0.00 | 0.00 | 0.99 | 0.99 |
| Total | | | | | (26.36) | 26.36 | (0.00) |

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**Audit and Risk Management Committee
Monday 27th January 2020**

| | |
|----------------------|-------------------------------|
| 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 November to 31st December 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

That Members of the Audit and Risk Management Committee 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 by CIPFA and the CIIA.

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 a 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 November to 31st December 2019.

3.2. Items of Note

3.2.1 VAT System

- 3.2.2 An audit has been carried out of the corporate VAT system to determine whether the controls within the VAT processes provide reasonable assurance of effective compliance with statutory regulations. The audit focussed on the risks which could be realised with the retirement of the VAT Compliance Officer; focussing principally on confirming that:

- The existing and proposed working processes do and will continue to provide an appropriate separation of duties and checking regime for the management of the VAT account which enables the VAT Return to be made; and

- There are agreed and documented procedures, which satisfy statutory requirements; and are known to and used by knowledgeable staff.
- 3.2.3 The audit did not include a review of the accuracy of VAT transactions in year, as this work is scheduled for later in the year as part of a regularity audit.
- 3.2.4 The conclusion drawn was that the proposed processes will continue to provide a separation of duties and checking regime, but that there are opportunities to enhance the control environment for the system. The audit resulted in 12 recommendations, relating to: improving the knowledge and understanding of VAT matters, both at a general level for non-specialist staff in the Authority and for the proposed specialist team within Corporate Finance; improving the level of detail provided by all sources to inform the VAT return; and confirming all transactions are appropriately coded to ensure adherence to future, but imminent, required changes to VAT recording and returns.
- 3.2.5 Northern Local Government Pension Scheme Collective Asset Pool – Governance
- 3.2.6 An audit has been conducted to review the effectiveness of the Merseyside Pension Fund's governance arrangements in respect of their participation within the Northern LGPS Collective Asset Pool. The Northern LGPS is a partnership between the Greater Manchester (GMPF), Merseyside (MPF) and West Yorkshire (WYPF) Local Government Pension Scheme (LGPS) funds. It was formed (initially as the 'Northern Pool'), after the Government published its investment reform criteria and guidance to reduce LGPS investment management costs and to encourage infrastructure investment to help drive growth in the UK economy. Collective asset pooling is a significant undertaking and will result in fundamental changes to the oversight of LGPS assets.
- 3.2.7 It is essential that appropriate governance arrangements are in place and the developing arrangements for the Northern Pool were previously reviewed as part of an audit in December 2017 of MPF Governance. This latest audit provided comment on the current position with the objective to provide management and stakeholders with reasonable assurance that governance arrangements are effective for MPF in respect of their participation within the Northern LGPS Collective Asset Pool. The review identified that good progress has been made in the development of the Northern LGPS governance with a framework that demonstrates effective compliance with the principles of good practice and relevant guidelines.
- 3.2.8 Enterprise Resource Planning - Follow Up
- 3.2.9 In late 2018 Internal Audit undertook a review of the Enterprise Resource Planning (ERP) system and, provided opinion that, the system was dated, unable to provide some services expected in a digital age and was not compliant with GDPR. A number of actions were agreed with management regarding replacement of the system as detailed in the table below with corresponding progress update and RAG rating. In addition, a comprehensive report prepared on this by responsible officers is being presented elsewhere on the agenda for this meeting:

| Recommendation | Progress Update | RAG Status |
|--|--|-------------|
| The findings and risks included in the report should be taken into consideration when deciding on upgrading to the current version of software available from Oracle, or, replacing it with a new one. | A risk log has been documented and includes the findings and risks included in the report, including the risk of non-compliance with GDPR. The risk log includes a description of the risk, the impact, the score and probability, risk owner, risk category along with options, costs. It is discussed at the monthly project board meetings. The project team consists of senior management and includes all relevant stakeholders, and to strengthen the Governance arrangements Internal Audit will be attending future meetings. A list of options is included in the Strategic Outline Case including a “do nothing” option. Each option is appraised by strengths and weaknesses. | Implemented |
| A cost benefit analysis should be conducted followed by a feasibility study. | Indicative costs for each option are included in the draft Outline Business Case and are based upon a three-year programme. Once the solution is decided and the project moves into implementation stage then a feasibility study is to be conducted. | Implemented |
| A business case should be completed that captures the business ‘problems’ all risks, costs, impacts etc. | A draft Outline Business Case has been documented and a Full Business Case is to be completed prior to the project implementation phase. | In Progress |

In addition, Internal Audit obtained a copy of the draft report entitled ‘SmartBusiness Report’ and based on a review of the project document, concur with the content.

3.2.10 Digital – Follow Up Work

Internal Audit have been working closely with Digital to ensure the completion of all outstanding recommendations in this area. The table below provides an update of those items reported to ARMC in November 2019.

| Audit | Summary of recommendations | Position Statement |
|-----------------------------|---|---|
| Digital Information Storage | <ul style="list-style-type: none"> Procedures should be documented to support the Records Management Policy. Routine compliance | <p>There is currently around 66 terabytes of unstructured data held on the H drive that is the responsibility of each business area across the Authority.</p> <p>IA made five recommendations, of those three have been implemented. Procedures</p> |

| | | |
|------|---|---|
| | <p>checks should be undertaken and formally reported.</p> <ul style="list-style-type: none"> • Information Asset Owners should understand the importance of deleting data when no longer required. • Data storage costs should be investigated • Procedures for managing the data on the shared drive within Digital should be documented. | <p>to support the Records Management Policy and compliance checks have not yet been implemented. This is due to the Council not yet having in place a corporate contents management system. However, a project has been initiated that is working with business areas across the Authority for them to review their data. This is likely to take some further time to fully implement. Microsoft Teams has recently been developed but it is not a long term solution for a corporate contents management system.</p> <p>The risk of unmanaged information - lack of a corporate content / records management system potentially leads to services buying/using their own systems, conflicting approaches, information stored in emails, the email system not being managed effectively, inability to locate and retrieve information/poor knowledge of information held resulting in increased costs, difficulty defending enforcement action e.g. HSE, insurance claims, duplication of effort, inability to fulfil GDPR's Accountability Principle, is included in the draft information risk register that is to be managed and monitored by the IGB going forward.</p> <p>SharePoint has recently been set up and business areas advised to migrate their data.</p> <p>Digital Information Storage is on the agenda for the Information Governance Board, who are tasked with deciding the way forward and determining policy and procedure for managing the risk of holding data for longer than necessary.</p> |
| GDPR | <ul style="list-style-type: none"> • Obtain confirmation from IAO's that data can be deleted from systems containing personal data. • Subject Access Request data should be closely monitored to identify any increase in trajectory. This data could be presented to IGDG in a balanced scorecard style method. • Include any lawful basis for the processing | <p>Five recommendations were made, three have been implemented and two are to be followed up after IAO training and resource changes have been implemented. Subject Access Request data is monitored, and figures presented to the Information Governance Board. In addition, the number of security incidents is presented at the IGB and going forward will be in a format that will allow the board to review details such as trends and actions taken.</p> <p>An update will be provided to ARMC at the March 2020 meeting.</p> |

| | | |
|--------------------------|---|--|
| | <p>activity on the information asset register and obtain clarification from Legal.</p> <ul style="list-style-type: none"> • The Children's Department should liaise with the project manager to investigate this further. • Details of security incidents should be presented to IGDG in a balanced scorecard style method. | <p>In addition, the risk of the ability demonstrate GDPR compliance is now included on the draft Information Risk Register that is monitored by the Information Governance Board.</p> |
| Information Asset Owners | <ul style="list-style-type: none"> • A SIRO should be appointed • Information Asset Owners (IAOs) and Administrators should be trained • Guidance should be updated • Data sharing agreements should be communicated • IAOs to provide SIRO with annual written assessment. | <p>In total, 11 recommendations were made, to date 5 have been implemented, 2 are partially implemented/in progress and 4 remain outstanding. A SIRO has been appointed and, it is encouraging that 25 out of 46 Information Asset Owners and 110 out of 138 Information Asset Assistants have recently been trained. Guidance for IAOs/IAAs require updating that should include the requirement to provide the SIRO with an annual written assessment and guidance on data sharing. Going forward the Information Governance Board are expected to provide further ongoing instruction and guidance.</p> |

3.3 Internal Audit Recommendations

3.3.1 A list of internal audit activity over the reporting period is attached at Appendix 1 detailing the audits completed and identifying opinions provided and a current RAG rating indicating the current status of the report and progress being made by officers to address identified issues.

3.3.2 There are currently a number of actions identified in audit reports for this period that have not yet been fully implemented. Many actions are in progress and some implementation timescales have been extended to accommodate operational issues identified by clients. These reports including a position/progress update statement are included at Section 3.2.4 of this report.

3.4 Internal Audit Performance Indicators

3.4.1 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 | Annual Target | Actual % Delivery to date |
|--|---------------|---------------------------|
| Percentage delivery of Internal Audit Plan 2019/20. | 90 | 68 |
| 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 |

3.4.2 There are currently no significant issues arising.

3.5 Internal Audit Developments

3.5.1 Continuous Improvement

3.5.2 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 is in operation 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 including the appointment of a Risk, Continuity and Compliance Manager from October 2019 reporting to the Chief Internal Auditor;
- 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;
- Ongoing development of the corporate business continuity function following the appointment of the Risk, Continuity and Compliance Manager reporting to the Chief Internal Auditor;

- 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 development of performance management and reporting database with enhanced reporting;
- Ongoing improvements to the audit reporting format;
- Development of Traded Services offer to Academy Schools for Internal Audit services and the subsequent purchase of the IA service by a number of prominent Academy Schools;
- Ongoing development of reciprocal arrangement with neighbouring authorities for audits of 'owned' non 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: STAFFING, ICT AND ASSETS

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.

10. ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The content and/or recommendations contained within this report are expected to:

Have no impact on emissions or CO2..

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APPENDICES

Appendix 1: Internal Audit Activity Summary

BACKGROUND PAPERS

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. |

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**INTERNAL AUDIT ACTIVITY SUMMARY FOR ARMC
NOVEMBER 2019 TO DECEMBER 2019**

| <u>Summary</u> | Total | R | A | G | B |
|--------------------------------------|-------|---|----|---|----|
| 1. Completed Audits | 18 | 0 | 15 | 0 | 3 |
| 2. Follow Up Audits Completed | 16 | 0 | 2 | 2 | 12 |
| 3. Advice And Guidance / Consultancy | 1 | 0 | 1 | 0 | 0 |

1. Completed Audits

| Audit | Date | Business Area | Organisational Risk | Total Recs (H,M) | Implementation timescale for all actions Responsible Officer | Status | RAGB Status |
|--|------------|---|---------------------|------------------|---|---|-------------|
| Partnerships 18/19 | 01/11/2019 | Business Management *no longer C&OD* [Change & Organisation Design] | Moderate | 4 (2,1) | May 2020 Policy & Strategy Manager | Final report issued, recommendations agreed and action plan returned. | A |
| Castleway Primary 19/20 | 05/11/2019 | Children's Services [Schools] | Moderate | 13 (0,8) | April 2020 Headteacher | Final report issued, recommendations agreed and action plan returned. | A |
| Troubled Families grant certification - October | 06/11/2019 | Children's Services [Modernisation & Support] | Minor | 0 (0,0) | N/A | Completed | B |
| South Wirral High School 19/20 | 08/11/2019 | Children's Services [Schools] | Minor | 5 (0,4) | Awaiting returned action plan Headteacher | Final report issued and recommendations agreed. Awaiting action plan and customer feedback. | A |
| Management Information Reports | 19/11/2019 | Children's Services [Modernisation & Support] | Moderate | 6 (1,2) | Awaiting returned action plan Deputy Director for Children | Final report issued and recommendations agreed. Awaiting action plan and customer feedback. | A |
| Eastway Primary School 19/20 | 20/11/2019 | Children's Services [Schools] | Minor | 7 (4,0) | Awaiting returned action plan Headteacher | Final report issued and recommendations agreed. Awaiting action plan and customer feedback. | A |
| Kingsway Primary 19/20 | 22/11/2019 | Children's Services [Schools] | Minor | 6 (0,5) | Awaiting returned action plan Headteacher | Final report issued and recommendations agreed. Awaiting action plan and customer feedback. | A |
| Riverside Primary School 19/20 | 22/11/2019 | Children's Services [Schools] | Minor | 5 (0, 5) | Awaiting returned action plan Headteacher | Final report issued and recommendations agreed. Awaiting action plan and customer feedback. | A |
| Capital Financing | 25/11/2019 | Business Management [Finance and Investment] | Moderate | 5 (0,4) | Feb - Dec 2020 Senior Manager Corporate Finance | Final report issued, recommendations agreed and action plan returned. | A |
| Bedford Drive Primary 19/20 | 03/12/2019 | Children's Services [Schools] | Minor | 3 (0, 3) | Awaiting returned action plan Headteacher | Final report issued and recommendations agreed. Awaiting action plan and customer feedback. | A |
| Income Control | 05/12/2019 | Business Management [Finance and Investment] | Minor | 1 (0,0) | N/A Head of Customer Services | Final Report issued, recommendation agreed and implemented during the audit. | B |
| Troubled Families grant certification - November | 06/12/2019 | Children's Services [Modernisation & Support] | Minor | 0 (0,0) | N/A | Completed | B |
| Contributions Payable - Knowsley Council | 10/12/2019 | Merseyside Pension Fund | Minor | 3 (0,2) | March 2020 Employee Services Manager | Final report issued, recommendations agreed and action plan returned. | A |
| Lifeguard Qualifications | 11/12/2019 | Delivery Services [Community Services] | Minor | 6 (0, 6) | May 2020 AD - Community Services | Report issued in response to commission from Governance and Practice Manager | A |
| Leasowe Early Years 19/20 | 12/12/2019 | Children's Services [Schools] | Minor | 10 (0,9) | Awaiting returned action plan Headteacher | Final report issued and recommendations agreed. Awaiting action plan and customer feedback. | A |

| Audit | Date | Business Area | Organisational Risk | Total Recs (H,M) | Implementation timescale for all actions Responsible Officer | Status | RAGB Status |
|---|------------|---|---------------------|------------------|--|---|-------------|
| VAT system | 12/12/2019 | Business Management [Finance and Investment] | Moderate | 12 (0,11) | August 2020 Senior Manager Corporate Finance | Final report issued, recommendations agreed and Action Plan returned. | A |
| Brookdale Primary School 19/20 | 18/12/2019 | Children's Services [Schools] | Minor | 5 (0,4) | Awaiting returned action plan Headteacher | Final report issued and recommendations agreed. Awaiting action plan. | A |
| Northern LGPS Collective Asset Pool - Governance Review | 20/12/2019 | Merseyside Pension Fund | Minor | 1 (0,1) | Awaiting returned action plan Director of Merseyside Pension Fund | Final report issued and recommendations agreed. Awaiting action plan and customer feedback. | A |

2. Follow Up Audits Completed

| Audit | Date | Original Report date | Business Area | Organisational Risk Position as at the date of the original audit | Original Total Recs (H,M) | Implementation timescale for all actions Responsible Officer | Status | RAGB Status - Current position | Organisational Risk - Current Position |
|--|------------|----------------------|---|--|---------------------------|---|---|--------------------------------|--|
| Investments - Internal Factor Portfolio | 01/11/2019 | Jan 19 | Merseyside Pension Fund | Minor | 2 (0,1) | N/A Director of Merseyside Pension Fund | Assurance and evidence has been received that the recommendations have been implemented. | B | Negligible |
| Woodchurch Road Primary 19/20 | 15/11/2019 | Jun 19 | Children's Services [Schools] | Moderate | 13 (3,10) | N/A Headteacher | Assurance has been received from the Headteacher that all recommendations will have been implemented by the end of December 2019. | G | Minor |
| Accounts Payable pre NFI data matches review | 18/11/2019 | Mar 19 | Business Management [Finance and Investment] | Moderate | 3 (1,2) | February 2020 Head of Customer Services | Further follow up to be carried out in March 2020. | A | Moderate |
| MPF Civica Pensions5 migration | 19/11/2019 | Jul 19 | Merseyside Pension Fund | Negligible | 1 (0,0) | N/A Director of Merseyside Pension Fund | Assurance and evidence has been received that the recommendation has been implemented. | B | Negligible |
| Thornton Hough Primary 19/20 | 20/11/2019 | Jul 19 | Children's Services [Schools] | Minor | 1 (0,1) | N/A Headteacher | Assurance and evidence has been received that the recommendation has been implemented. | B | Negligible |
| PRAD6 Data collation and review - quarter 2 | 28/11/2019 | Oct 19 | Business Management [Commercial Management] | Moderate | 4(0,4) | N/A Corporate Governance Group/SLT | Assurance and evidence has been received that the recommendations are in the process of being implemented. | B | Minor |
| St Joseph's Catholic Primary School (Wallasey) 19/20 | 29/11/2019 | Jul 19 | Children's Services [Schools] | Minor | 8 (0,6) | N/A Headteacher | Assurance and evidence has been received that the recommendations have been implemented. | B | Negligible |
| Annual Allowances | 03/12/2019 | Mar 19 | Merseyside Pension Fund | Minor | 2 (0,2) | N/A Director of Merseyside Pension Fund | Assurance and evidence has been received that the recommendations have been implemented. | B | Negligible |
| MPF Debt Recovery Review | 03/12/2019 | Mar 18 | Merseyside Pension Fund | Minor | 4 (0,3) | N/A Head of Pensions Administration | Assurance and evidence has been received that the recommendations are in the early stages of implementation, and officers have been asked to keep Internal Audit informed of progress in fully embedding the recommendations. | G | Minor |
| Holy Cross Catholic Primary School 19/20 | 06/12/2019 | Oct 19 | Children's Services [Schools] | Minor | 1 (0,1) | N/A Headteacher | Assurance has been received that this recommendation has been implemented. Formal approval by the FGB will take place on 27/02/2020, and a copy of the Committee minutes will be provided to Internal Audit once approved. | B | Negligible |
| Overchurch Junior School 19/20 | 16/12/2019 | Jun 19 | Children's Services [Schools] | Moderate | 12 (3,9) | N/A Headteacher | Assurance and evidence has been received that the recommendations have been implemented. | B | Minor |

| Audit | Date | Original Report date | Business Area | Organisational Risk Position as at the date of the original audit | Original Total Recs (H,M) | Implementation timescale for all actions Responsible Officer | Status | RAGB Status - Current position | Organisational Risk - Current Position |
|--|------------|----------------------|---|--|---------------------------|---|--|--------------------------------|--|
| Dawpool CE Primary 19/20 | 23/12/2019 | Oct 19 | Children's Services [Schools] | Minor | 8 (0,7) | N/A Headteacher | Assurance and evidence has been received that the recommendations have been implemented. | B | Negligible |
| Wirral Hospitals' Schools 19/20 | 23/12/2019 | Jul 19 | Children's Services [Schools] | Minor | 12 (1,10) | N/A Headteacher | Assurance and evidence has been received that the recommendations have been implemented. | B | Negligible |
| Data Centre Physical Security | 24/12/2019 | Jul 18 | Business Management [Change & Organisation Design] | Moderate | 6 (0,5) | N/A Head of ICT & Digital | Assurance and evidence has been received that the recommendations have been implemented. | B | Minor |
| Change Management | 24/12/2019 | May 17 | Business Management [Change & Organisation Design] | Minor | 5 (0,4) | N/A Head of ICT & Digital | Assurance and evidence has been received that the recommendations have been implemented. | B | Negligible |
| Enterprise Resource Planning (ERP) System Review | 24/12/2019 | Aug 18 | Business Management [Change & Organisation Design] | Major | 1 (0,1) | April 2020 Head of Business Change and Programme Management / Director of Finance and Investment | | A | Major |

3. Advice And Guidance / Consultancy

| Audit | Date | Business Area | Internal Audit input / improvement activity | Outcome and timescale (if appropriate) | RAGB Status |
|------------------|------------|---|---|---|-------------|
| HB Subsidy Claim | 17/12/2019 | Business Management [Transactional Management] | Advice on the possibility / opportunity to review HB subsidy loss in respect to rent referrals for certain Supported Accommodation claims referred to the rent officer and paid under the old scheme. | Audit assurance provided regarding the proposed procedure based on the information presented but would recommend: a) referral to Legal Services for comment; and b) dialogue with the other authorities within the Mersey Region regarding this issue. The IA response is based on limited knowledge of this complex area of Housing Benefits legislation so requested to be kept informed of future developments, and an audit examination of the developed benchmark database when convenient. | A |

KEY:

| Organisational Risk | | |
|--------------------------------|---|--|
| MAJOR | A major organisational risk opinion indicates that the likelihood/impact of the risks identified during the review, should they materialise, would leave the Council open to major risk of a fundamental or material nature. This opinion suggests that there are some potentially serious weaknesses in the design and/or operation of the control environment that may have a significant impact on the achievement of systems and or corporate objectives if not | |
| MODERATE | A moderate organisational risk opinion indicates that the likelihood/impact of the risks identified during the review, should they materialise would leave the Council open to moderate risk of a fundamental or material nature. This opinion suggests that there are some weaknesses in the design and/or operation of the control environment that may have varying degrees of impact on the achievement of the systems and/or corporate objectives. | |
| MINOR | A minor organisational risk opinion indicates that the likelihood/impact of the risks identified during the review, should they materialise, would leave the Council open to minor risk. | |
| NEGLIGIBLE | A negligible organisational risk opinion indicates that there were no weaknesses identified during the review and that the Council is not exposed to any risks directly associated with the findings. | |
| RAGB status | | |
| B | Audits | All actions agreed and implemented, with no further Internal Audit action necessary. |
| | Follow Ups | All actions implemented, with no further Internal Audit action necessary. |
| G | Audits | Most actions agreed and implemented, e.g. low priority recommendations are outstanding, with no further Internal Audit action planned. |
| | Follow Ups | Most actions implemented, e.g. low priority recommendations are outstanding, with no further Internal Audit action planned. |
| A | Audits | Actions agreed and officers committed to implement within agreed timescale. |
| | Follow Ups | Actions in process of being implemented within agreed timescale with some implemented. |
| R | Audits | Actions agreed |
| | Follow Ups | Little or no progress made to implement actions within agreed timescale. |
| Recommendation Priority Rating | | |
| HIGH | A matter that is fundamental to the control environment for the specific area under review. The matter may cause a system objective not to be met. This needs to be addressed as a matter of urgency (suggested timescale: within one month). | |
| MEDIUM | A matter that is significant to the control environment for the specific area under review. The matter may threaten the achievement of a system objective. | |
| LOW | A matter that requires attention and would improve the control environment for the specific area under review. The matter may impact on the achievement of a system objective. | |

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**Audit and Risk Management Committee
Monday, 27 January 2020**

| | |
|----------------------|---|
| REPORT TITLE: | Corporate Risk Management Update |
| REPORT OF: | Director of Finance and Investment |

REPORT SUMMARY

This report provides an update on the Corporate Risk Register and current risk management arrangements.

RECOMMENDATION/S

That the report be noted.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 To enable the Committee to understand the Authority's most significant risks, the associated mitigating controls and the risk management framework in order to fulfil its role of providing independent assurance of the Council's Risk Management Framework.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND INFORMATION

- 3.1 The Corporate Risk Register has been reported to each Audit and Risk Management Committee since it was finalised in March 2019.

- 3.2 The latest version is attached as Appendix 1 to this report

Update of the Corporate Risk Register (CRR)

- 3.3 Updates on the Corporate Risks have been gathered from all of the Risk Owners in December.

- 3.4 The Risk Owners were asked to consider 6 key steps when reviewing their risks to ensure the risk register remains relevant and up to date.

- **Review the Risk Description** – is the risk worded accurately to reflect the current concerns? The description should articulate the possible cause and consequence of a potential threat or opportunity which could affect the achievement of the Council's objectives and priorities within the Council Plan.
- **Update Existing Mitigation / Controls** – are they still in place and having an effect on the risk? Any additional measures that have been implemented? Perhaps planned actions been completed and need to be transferred over?
- **Review the "Current" score** – is it appropriate in light of the controls in place? Can the score drop because actions have been completed or perhaps it needs to increase due to external pressures or changes in circumstances?
- **Set a Target Score** – is enough being done? Is the Current score acceptable or is it too high? What actions are to be taken to reduce the score and what score is being aimed for? If the current level is acceptable then the Target and Current can be the same. See Appendix 2 for the scoring definitions chart.
- **Add any new actions** – review the planned additional mitigation and add any new actions or if circumstances have changed amend those already recorded. Remember to include an owner and a timescale for completion.
- **Provide a Risk Update / Commentary** – if scores are changed, or the target date and progress on actions has slipped use this additional field to add some context and commentary to explain what is happening. This is particularly important where actions have a timescale of "ongoing 19-20".

- 3.5 Further work is required on setting of Target scores for each risk and a commentary. This will continue over the coming months in line with preparations for the alignment with the new Council Plan.
- 3.6 As a result of this review 5 risks have seen a change in score with 4 risks dropping in score.

Risk 7 Effective Governance – likelihood score reduced to reflect changes across the Council in relation to focus and appetite as well as the review and strengthening of arrangements over the past 12 months. The planned changes to the committee system and associated changes to the Constitution in the next financial year will be significant and take time to be embedded.

Risk 9 Upstream/Preventative Activity in Health and Care Services (likelihood score dropped) and *Risk 11 Significant Safeguarding Incident* (score has dropped from red to amber) - following the Ofsted inspection in June an Accountability Board has been established to oversee continuous improvement across children's services. Recommendations on the Ofsted Improvement Plan and Care Quality Commission Action Plan have been aligned.

Risk 15 Information Management – there has been a slight drop in score. This is the first review since the risk was identified in September 2019.

- 3.7 One risk has seen an increase in score; *Risk 12 Business Continuity Planning – Response to Disruptive Incidents*. This is to reflect the fact that business continuity planning is not common across all services. In addition, the plans developed for critical services have not all been maintained and updated to reflect the numerous structure and service delivery changes, as well as the increase in agile working practices and rationalisation of office space.
- 3.8 Several of the Corporate Risks have seen specific work involving the Risk, Continuity and Compliance Manager:

Risk 14 Health and Safety (H&S) Management – a health and safety risk management framework has been developed. A request to senior managers to undertake a risk assessment and develop a H&S risk register for their service area was issued in January. These will be used by the H&S Team to undertake targeted audit work and identify common areas of improvement and focus. This allows an informed summary risk register to be held and monitored by the Health, Safety and Wellbeing Board.

Risk 15 Information Management – an Information Risk Register has been developed with the Information Governance Board (IGB) in December 2019. It will continue to be finessed over the coming months with the development of mitigating actions into the new year 2020/21. It will be a standing item for review by the Board and along with the proposed new Senior Information Risk Owner (SIRO) report structure will drive the IGB's future agenda.

Heatmap

- 3.9 To assist with the reporting and visualisation of the CRR a heatmap has been developed. The heatmap shows the Current Score of each risk and if there has been

any change in score this is also plotted with an arrow to show the movement of the risk. A key to the right provides the risk headlines which can be cross referenced to the risk register for more detail.

Directorate Risk Registers (DRRs)

- 3.10 The Third Quarter Review of DRRs has just been completed. An update on these will be provided at the next Committee.

Member Risk Workshop

- 3.11 Regular workshops with the subgroup of this committee are being scheduled at regular intervals through the year. This is to allow members more time to review the risk register and add value to the discussion and a voice in the decision-making process.

4.0 FINANCIAL IMPLICATIONS

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

5.0 LEGAL IMPLICATIONS

- 5.1 There are no immediate legal implications arising directly from this report.
- 5.2 The Authority has a statutory responsibility under Part 2 – Internal Control of the Accounts and Audit Regulations (England) 2015 to have arrangements in place for the management of risk. It also forms part of the seven new core principles within the best practice guidance, 'Delivering Corporate Governance in Local Government: Framework' published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

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

7.0 RELEVANT RISKS

- 7.1 Without robust risk management procedures in place there is a danger that the Council will fail to identify, understand and monitor key strategic and operational risks. An ineffective and poorly established risk management framework prevents the optimisation and balanced approach between risk taking and control, leading to ineffective assurance and missed opportunities. The consequence of both is that risks are not considered in decision-making which could have serious financial, reputation and resource implications.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

- 9.1 There are none arising directly from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The content and/or recommendations contained within this report are expected to:
Have no impact on emissions of CO2

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APPENDICES

Appendix 1 - Corporate Risk Register – updated December 2019
Appendix 2 - Risk Register Scoring Definitions Chart

BACKGROUND PAPERS

None

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|---|--------------------------------|
| Audit & Risk Management Committee | |
| Improvements to the Corporate Risk Management Framework | 23 July 2018 |
| Development of the Revised Corporate Risk Register | 24 September 2018 |
| Development of the Revised Corporate Risk Register | 19 November 2018 |
| Development of the Revised Corporate Risk Register | 28 January 2019 |
| Development of the Revised Corporate Risk Register | 11 March 2019 |
| Update of the Corporate Risk Register | 22 July 2019 |
| Update of the Corporate Risk Register | 23 September 2019 |
| Update of the Corporate Risk Management Arrangements | 18 th November 2019 |

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| Portfolio / Priority | Risk Ref. | Risk Description | Unmanaged Scores | | | Risk Owner | Existing Mitigation | Owner | Current Scores | | | Planned Additional Mitigation | Owner | Target Date | Target Scores | | | Current Risk Status (▲ ▼ ↔ ▢) | New field to be used to capture commentary of update Risk Update / Commentary | |
|---|-----------|--|------------------|--------|-------------|--|--|------------------|----------------|--------|-------------|--|---|----------------------|---------------|--------|-------------|-------------------------------|--|----------------------|
| | | | Likelihood | Impact | Total (LxI) | | | | Likelihood | Impact | Total (LxI) | | | | Likelihood | Impact | Total (LxI) | | | |
| Finance and Resources 2019/20 Priority Strategic Long Term Financial Plan for Wirral | 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 | Shaer Halewood - Director of Finance & Investment | Refreshed Medium Term Financial Plan based on investment and income generation approved at Council in March 2019 | Shaer Halewood | 3 | 5 | 15 | Mapping new and potential businesses and houses in pipeline to quantify new income from business rates and council tax | Alan Evans | Ongoing 19-20 | | | | ↔ | Dec 2019 During the last Quarter a Financial Sustainability Programme (FSP) has been established that includes 5 workstreams to ensure all financial activity can be captured and monitored in one Programme. A turnaround activity as part of the FSP has also been established to ensure the robust options can be recommended to Cabinet to consult on the 2020/21 budget. The FSP is being reported on and discussed at SLT on a weekly basis to ensure proposals are on track. As a result of Purdah for the General Election, the launch of the Community Wealth Building Strategy has been postponed and is now due to be launched in February 2020 as we have taken the opportunity to include a Financial Inclusion Strategy within it. Work on the new capital budget and reporting arrangements is progressing with a new ToR and Governance process compiled, work is still ongoing on the way the new Capital and Assets Group will function to gain the best benefit for the organisation. | |
| | | | | | | | 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 | Shaer Halewood | Feb-20 | | | | | | |
| | | | | | | | Robust and rigorous monitoring of budgets and savings plans in year | | | | | Develop a funding/investment strategy to identify internal finance pressures and external funding sources to support planned growth projects | Shaer Halewood | Feb-20 | | | | | | |
| | | | | | | | Scrutiny and challenge to ensure future business cases for savings proposals are robust and deliverable | | | | | Implementation of new Capital Budget arrangements with revised reporting and monitoring - agreement of terms of reference at next meeting | Daniel Kirwan | Mar-20 | | | | | | |
| | | | | | | | Budget workshops held for Budget Holders | | | | | Refreshed Financial Resilience Strategy including reducing reliance on reserves through a phased approach | | Feb-20 | | | | | | |
| | | | | | | | Programme of service reviews considering the most financially sustainable models | | | | | Financial Sustainability Programme - picking up on consolidated revenue, capital and reserves management and monitoring. | Shaer Halewood | Ongoing 19/20-21/22 | | | | | | |
| | | | | | | | Establishment of a Financial Governance Structure to improve Accountability, Management and Monitoring of Budgets | | | | | Assessment of the risk of loss of Public Health grant and proposals to mitigate the loss | Julie Webster | Mar-20 | | | | | | |
| | | | | | | | Establishment of a Commercial Strategy and Commercial Ideas Panel | | | | | | | | | | | | | |
| | | | | | | | Implementation of new Agency arrangements to minimise reliance on and length of agency placements | | | | | | | | | | | | | |
| | | | | | | | MTFS updated on a quarterly basis and reported to Cabinet for early intervention and resolution of budget deficits | | | | | | | | | | | | | |
| Adult Care and Health 2019/20 Priority Improve Health & Wellbeing by Joining Up Services for Residents | 2 | Demand Management in Health and Care Services Failure to improve the quality of health and care services through integrated commissioning and delivery arrangements, could lead to demand particularly in the winter period continuing to increase, leaving the Council exposed to increased financial pressures in relation to meeting social care assessed need. | 5 | 4 | 20 | Graham Hodkinson - Director for (Adult) Care & Health | Better Care Fund investment in preventative and re-ablement services. NHS providers have agreed review targets to meet growth in demand. LD savings plan rolled forward under new commissioning lead. Funds within the Better Care Fund also allocated towards winter pressures however this is not sufficient based on the demand in quarter 3. | Graham Hodkinson | 2 | 4 | 8 | Implementation of the Wirral Together Strategy to minimise reliance on public services through a phased programme over the next decade | Rachel Musgrave | Ongoing during 19/20 | | | | ↔ | Funds within the Better Care Fund also allocated towards winter pressures however this is not sufficient based on the demand in quarter 3. There is also the risk that the pay rate is not sufficient to recruit the number of staff required for the demand. | |
| | | | | | | | Social Care Precept used to fund increases in provider costs | | | | | | | | | | | | | |
| | | | | | | | Domiciliary Care recommissioned to manage demand and responsiveness of the market. Responding effectively and in a timely manner now exceeding residential care | | | | | | | | | | | | | |
| | | | | | | | Home First Pathway implemented | | | | | Jacqui Evans | | | | | | | | |
| | | | | | | | Social Work services integrated with partners with a section 75 agreement for most services, focus on demand management, early intervention and prevention | | | | | Jason Oxley | Scrutiny Review | Graham Hodkinson | | | | | | Mar-20 |
| | | | | | | | Implementation of Healthy Wirral Strategy | | | | | Graham Hodkinson | | | | | | | | |
| Jobs and Growth 2019/20 Priority Strategic Long Term Financial Plan for Wirral | 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 | Alan Evans - Corporate Director of Economic & Housing Growth | 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 | Tim Games | Ongoing during 19/20 | | | | ↔ | Dec 2019 | |
| | | | | | | | Long-term strategic regeneration framework that articulates the Council's approach to economic growth and investment. | | | | | Sally Shah | Improve horizon scanning through Local Economic Assessment production | Nancy Clarkson | | | | | | Ongoing during 19/20 |
| | | | | | | | A collaborative relationship with the LCR Combined Authority has been established to engage Strategic Investment Fund investment in Wirral growth projects | | | | | Sally Shah | A Birkenhead Regeneration Framework is being developed to set out the strategic context for key growth projects. In addition more detailed place specific 'blueprints/masterplans' are coming forward to articulate a phased approach to development. | Sally Shah | | | | | | 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 | | | | | Shaer Halewood | Medium Term Financial Strategy update | Shaer Halewood | | | | | | Feb-20 |

| Portfolio / Priority | Risk Ref. | Risk Description | Unmanaged Scores | | | Risk Owner | Existing Mitigation | Owner | Current Scores | | | Planned Additional Mitigation | Owner | Target Date | Target Scores | | | Current Risk Status (▲ ▼ ↔ a) | New field to be used to capture commentary of update Risk Update / Commentary |
|--|-----------|--|------------------|--------|-------------|--|--|--|----------------|--------|-------------|--|--------------------------------------|---|---------------|--------|-------------|-------------------------------|---|
| | | | Likelihood | Impact | Total (LxI) | | | | Likelihood | Impact | Total (LxI) | | | | Likelihood | Impact | Total (LxI) | | |
| Leader | 4 | Cultural Change for an Effective and Efficient Organisation Failure to implement the cultural change necessary to become an efficient and effective organisation, which is financially sustainable in the long term. 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 | 4 | 4 | 16 | Nikki Boardman - Director of Change & Organisation Design | Delivery of People Strategy and underlying employee engagement strategy. - Well established people strategy timeline and roadmap on track, Launch of values and behaviours complete, People Strategy Programme Board in place providing strong governance - Launch of employee engagement multiple programme and Performance appraisal pilot and quality approach commenced - Performance framework under development to provide measurable evidence of capacity, capability and change Health and wellbeing strategy Staff engagement sessions | Nikki Boardman | 3 | 4 | 12 | Ensure clarity over the skills that are needed for the future through an organisational diagnostic and a new workforce planning process Further improve managers' ability to address under-performance. A project to introduce a new performance management framework is underway On going developments as per People Strategy timeline | Nikki Boardman Suzanne Moore | Mar-20 Ongoing programme during 19-20 Apr 2020 for review against timeline | | | | 0 ↔ | Dec 2019 Staff Roadshows held in December 2019, attended by over 700 staff, at which the Chief Executive set out the key priorities within the new Wirral Plan 2020-2025. Confirmation of the appointment of the Chief Executive and changes to senior management. |
| Housing and Planning 2019/20 Priority Local Plan | 5 | Development and Implementation of the Local Plan 2020-2035 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. | 4 | 5 | 20 | Alan Evans - Corporate Director of Economic & Housing Growth | Programme management approach to Local Plan implementation. Consultant used to assist with the Programme Development and implementation (Feb 2019). Council has an agreed timeline for production of the Local Plan Recruitment of additional capacity to Forward Planning Team and this is being supported by specialist consultancy support in relation to the evidence base. LGA, Planning Officers Society and Planning Advisory Service supporting the work on the Local Plan Fortnightly Programme Board meeting with the Senior Responsible Officer, Paul Satoor, and a technical Programme Board on the week in between. 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. The Council is working with major landowners and developers in Wirral - a focus of bringing forward and maximizing development in key regeneration areas, e.g. Wirral Waters. Developments moving into the planning process. Work is also progressing on the housing trajectory for years 6 to 15 of the plan. | Tim Games David Ball | 3 | 4 | 12 | Conduct green belt review Consultation process for the Local Plan (following report to Council 13/01/2020) Administrative support provided to the Forward Planning Team to assist with Local Plan Final draft of Local Plan to Council (July 2020) followed by its submission Implement recommendations of LGA Peer Review (June 2019) | David Ball | Ongoing during 19/20 27/01/2020 to 23/03/2020 Ongoing during 19/20 Nov-20 2020/21 | | | | 0 ↔ | Dec 2019 |
| Leader | 6 | Partnership Working Inability to take advantage of collaborative opportunities locally and nationally, limiting improvement in economic conditions for the community and the Council's funding position | 4 | 4 | 16 | Graham Hodgkinson - Director for (Adult) Care & Health | Co-ordination of all engagement and interaction with LCR partnerships Officer cross LCR working Refreshed approach for engagement and briefings to ensure Wirral plays an effective and influential role in wider Partnerships & Liverpool City Region. New process for communications will include monthly updates to SLT, regular briefings for the Leader and improved sharing of relevant information with officers. The Wirral Partnership Integration of health and social care. Continued development of the integrated commissioning approach. Active LCR Strategic Board including single strategy for LD commissioning and joint LD programme. Effective utilisation of joint funds through the Pooled Fund Executive Group Engagement with City Region Partnerships e.g.: LEP, LCRCA Investment Team, LCR ESB, Local Industrial Strategy, LCR One Front Door | Rose Boylan Graham Hodgkinson Sally Shah & Rose Boylan | 3 | 4 | 12 | Refresh approach to Wirral Partnership Planned meetings with Chamber of Commerce Scrutiny review. | Rose Boylan Graham Hodgkinson | Ongoing during 19-20 Dec-19 Dec-19 | | | | 0 ↔ | Dec 2019 |

| Portfolio / Priority | Risk Ref. | Risk Description | Unmanaged Scores | | | Risk Owner | Existing Mitigation | Owner | Current Scores | | | Planned Additional Mitigation | Owner | Target Date | Target Scores | | | Current Risk Status (▲ ▼ ↔ ▢) | New field to be used to capture commentary of update Risk Update / Commentary |
|---|-----------|---|------------------|--------|-------------|--|--|------------------|----------------|--------|-------------|--|----------------|-------------|---------------|--------|-------------|-------------------------------|---|
| | | | Likelihood | Impact | Total (LxI) | | | | Likelihood | Impact | Total (LxI) | | | | Likelihood | Impact | Total (LxI) | | |
| Finance and Resources 2019/20 Priority Strategic Long Term Financial Plan for Wirral | 7 | Effective Governance Failure to maintain effective corporate governance could result in poor decision-making, malpractice and breach of legislation, leading to regulatory intervention and significant cost, both in financial terms and to the reputation of the Council | 4 | 4 | 16 | Philip McCourt - Director of Governance and Assurance | Internal governance procedures (DMT, Leadership, SLT, Call over Board, Cabinet/SLT, portfolio holder briefings) | Philip McCourt - | 2 | 4 | 8 | Complete the review and revision of the Constitution (aligned to move to committee structure) | Philip McCourt | May-20 | 1 | 4 | 4 | ▼ | Dec 2019 Risk score (likelihood) reduced to reflect changes in focus/appetite and arrangements reviewed and strengthened over the past 12 months. Changes to the Committee system and associated changes to the Constitution in the next financial year will be significant and take time to be embedded. |
| | | | | | | | Council Constitution. | | | | | Implement the new Scheme of Delegation | | | | | | | |
| | | | | | | | Ongoing management / oversight of Committee system project | | | | | Ongoing management / oversight of Committee system project | | | | | | | |
| | | | | | | | Code of Corporate Governance reviewed 2018, in line with CIPFA guidelines and aligned with Council policies and procedures | | | | | Deliver Member development sessions | | | | | | | |
| | | | | | | | Member and Officer Protocols - reviewed 2018 | | | | | Whistleblowing Policy Review - Peer Review by Protect | | | | | | | |
| | | | | | | | Whistleblowing policy - policy under review, project plan signed off at ARMC 18/11/19 | | | | | Whistleblowing Policy Review - sign off at Jan2020 ARMC, training for Managers and communication programme/Go live | | | | | | | |
| | | | | | | | Council Ethical Framework - subject to annual audit review | | | | | | | | | | | | |
| | | | | | | | Oversight provided by Corporate Governance Group meeting bi-monthly | | | | | | | | | | | | |
| | | | | | | | Improved Annual Governance Statement process, following CIPFA guidance / best practice review in 2019. Significant issues highlighted and monitored in year. | | | | | Establish Chief Executive's office | | | | | | | |
| | | | | | | | Compliance Group managing compliance of corporate policies / procedures | | | | | | | | | | | | |
| Jobs and Growth 2019/20 Priority Creating Jobs, Driving Regeneration | 8 | Brexit Implications Uncertainty caused by Brexit adversely affects public and market confidence, impacting demand for housing and the level of inward investment in the borough. Other Brexit implications e.g. lack of workers available for care type work; withdrawal and/or reduction in external funds impacts ability to sustain investment in local programmes | 5 | 5 | 25 | Paul Boyce - Corporate Director for Children's Services | Maximising extensions for remainder of EU Funding programmes and engagement in negotiations for replacement/alternative sources of funding. | Sally Shah | 5 | 5 | 25 | Monitor the international and national financial climate and to include any potential negative financial impact in the MTFs | Shaer Halewood | Jan-20 | | | 0 | ↔ | Dec 2019 |
| | | | | | | | Identification and evaluation of potential implications and development of strategic responses. | | | | | | | | | | | | |
| | | | | | | | Brexit Team developed with key representatives from corporate services, appointment of Corporate Resilience Officer as Brexit Co-ordinator | | | | | Take legal advice on the impact of any changes to legislation affecting the council | | | | | | | |
| | | | | | | | EU Exit Co-ordinating Group with partners (CWP, DWP, Wirral Chamber, Wirral Change) | | | | | Delivery of Brexit Action Plan | | | | | | | |
| Adult Care and Health Children & Families | 9 | Upstream / Preventative Activity in Health and Care Services Insufficient time and resource for preventative and upstream activity mean that outcomes for vulnerable people do not improve, resulting in demand for reactive services not reducing, or increasing. | 4 | 5 | 20 | Graham Hodgkinson - Director for (Adult Care & Health) / Paul Boyce - Corporate Director for Children's Services | Health and Social Care Integration. Key services currently integrated to deliver effective responses | Jacqui Evans | 3 | 4 | 12 | Improved business intelligence arrangements and tools for Population Health management. | Nancy Clarkson | Mar-20 | | | 0 | ▼ | Dec 2019 Drop in Current Score - Likelihood Increase in Unmanaged Score - Impact Recommendations on the Ofsted Improvement Plan and Care Quality Commission Action Plan have been aligned. Implementation is monitored via an Accountability Board established to oversee continuous improvement across children's services. |
| | | | | | | | Early Help and Prevention Strategy | | | | | Development of Restorative Practice approaches through Partners in Practice (PiP) arrangements with Stockport (Via DfE) | | | | | | | |
| | | | | | | | Public Health Commissioning | | | | | Joint Commissioning Forum/Framework | | | | | | | |
| | | | | | | | Improved business intelligence arrangements using Power BI in place and regular reports available to managers | | | | | Review the referral/single point of access arrangements, to enhance strength based approaches to assessment and support planning. | | | | | | | |
| | | | | | | | Partnership for Children and Families - Children's Strategy | | | | | Development and implementation of 2 year Neighbourhood Model in Adult Social Care. | | | | | | | |
| Jobs and Growth 2019/20 Priority Creating Jobs, Driving Regeneration | 10 | Wirral Growth Company Failure of the Wirral Growth Company to deliver anticipated benefits undermines the Council budgetary position, economic growth aspirations and public and investor confidence in the authority. | 4 | 5 | 20 | Alan Evans - Corporate Director of Economic & Housing Growth | 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 | 3 | 5 | 15 | Partnership Business Plan produced, presented to Joint Venture Board in November 2019 and January 2020. Presented to Cabinet Feb 2020. | Sian Hartley | Feb-20 | | | 0 | ↔ | Dec 2019 |
| | | | | | | | Clearly documented legal framework and partnership agreement. Joint Venture Board established. | | | | | All key decisions to be underpinned with robust business cases. | | | | | | | |
| | | | | | | | Existing relationships and historic knowledge with Muse and partners | | | | | Public Consultations e.g. Market Traders, Birkenhead public | | | | | | | |
| | | | | | | | Funding model | | | | | | | | | | | | |

| Portfolio / Priority | Risk Ref. | Risk Description | Unmanaged Scores | | | Risk Owner | Existing Mitigation | Owner | Current Scores | | | Planned Additional Mitigation | Owner | Target Date | Target Scores | | | Current Risk Status (▲ ▼ ↔ ▢) | New field to be used to capture commentary of update Risk Update / Commentary | |
|--|--------------------------------------|---|------------------|--------|-------------|---|---|---|----------------|--------|-------------|--|---------------|-------------|---------------|--------|-------------|-------------------------------|---|----------------------|
| | | | Likelihood | Impact | Total (LxI) | | | | Likelihood | Impact | Total (LxI) | | | | Likelihood | Impact | Total (LxI) | | | |
| Adult Care Health and Wellbeing Children and Families | 11 | Significant Safeguarding Incident The Council and its partners do not effectively manage their relevant safeguarding risks, leading to a safeguarding incident, resulting in harm to individuals and/or families, potential legal challenge, resident dissatisfaction and public scrutiny | 4 | 4 | 16 | Graham Hodgkinson - Director for (Adult) Care & Health) Paul Boyce - Corporate Director for Children's Services | Multi-agency Safeguarding Arrangements for Children via Wirral Safeguarding Children Partnership - activity led by the LA, health economy and police including robust local audit and case review procedures, audit, scrutiny, training and publication of policies and guidance. | Simone White - Deputy Director for Children | 3 | 3 | 9 | Embed approach to Contextual Safeguarding | Tony Kirk | Mar-20 | | | | ▼ | Dec 2019 Drop in Current Score - Impact. Recommendations on the Ofsted Improvement Plan and Care Quality Commission Action Plan have been aligned. Implementation is monitored via an Accountability Board established to oversee continuous improvement across children's services. | |
| | | | | | | | Children and Families Overview and Scrutiny Committee. Integrated children's safeguarding performance management arrangements. | | | | | | | | | | | | | |
| | | | | | | | Merseyside combined Safeguarding Adult Board. | | | | | | | | | | | | | |
| | | | | | | | Serious untoward incidents are escalated to Assistant Director Level to ensure that learning and procedures are implemented and followed | | | | | | | | | | | | | |
| | | | | | | | Benchmarking across LCR and review of referral and handling processes for safeguarding adult alerts, Wirral identified as outlier leading to change in practices | | | | | | | | | | | | | |
| Peer Review of Merseyside Safeguarding Adult Board. | Graham Hodgkinson | Mar-20 | | | | | | | | | | | | | | | | | | |
| | | | | | | Care and Health Overview and Scrutiny Committee/Care and health Panel. Ongoing grip in relation to safeguarding activity and learning from other LCR partners NB review of front door leading to practice changes | | | | | | | | | | | | | | |
| | 12 | Business Continuity Planning - Response to a Disruptive Incident 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 | 4 | 5 | 20 | Shaer Halewood - Director of Finance & Investment | Business Continuity Policy (August 2017) | Shaer Halewood | 3 | 5 | 15 | Review and update of Business Continuity Policy | Mark Niblock | Apr-20 | 2 | 4 | 8 | ▲ | Dec 2019 Risk score increased (likelihood and impact) to reflect the unknown impact of Brexit and the status of existing business continuity plans for the 27 areas identified as critical services, dates of plans range from 2017-2019. In light of restructures and changes in ways of working e.g. more agile working and use of Windows 10 plans are in need of revision. | |
| | | | | | | | Develop corporate incident response arrangements for internal incident | | | | | Mark Niblock | | | | | | | | 2020/21 |
| | | | | | | | Business Continuity Plans for identified Critical Services (updated between 2017-2019) | | | | | All Directors | | | | | | | | 2020/21 |
| | | | | | | | Appointment of the Risk, Continuity & Compliance Manager in October 2019 as a dedicated resource to advise, monitor and report on the status of Business Continuity Plans (BCPs). | | | | | Mark Niblock | | | | | | | | 2020/21 |
| Page 96 | 13 | Cyber Security IT security is insufficient to deter, detect and prevent unauthorised access to IT systems, resulting in loss of data and disruption to Council services. | 5 | 5 | 25 | Nikki Boardman - Director of Change & Organisation Design | Cyber Security Policy | Pete Moulton - Head of ICT & Digital | 2 | 5 | 10 | Programme of migration from Windows 7 to Windows 10 | Peter Moulton | Jan-20 | | | | ↔ | Dec 2019 | |
| | | | | | | | Weekly review of security incidents | | | | | | | | | | | | | |
| | | | | | | | New threats communicated to staff and Members | | | | | | | | | | | | | |
| | | | | | | | Technical controls: 1) Endpoint security software, 2) Network firewall 3), Prevention of downloading of unauthorised software | | | | | | | | | | | | | |
| | | | | | | | Implementation of 'patching' policy | | | | | | | | | | | | | |
| | | | | | | | Responsibility for Information' training | | | | | Sue Blevins | | | | | | | | Ongoing during 19/20 |
| | | | | | | | Cyber Security training published on the Intranet | | | | | Jane Corrin | | | | | | | | Feb-20 |
| Cyber Security Board created to review security issues and agreed action plan. | Pete Moulton - Head of ICT & Digital | | | | | | | | | | | | | | | | | | | |
| | 14 | Health & Safety Management If health and safety / compliance policies and procedures are not sufficiently developed, tested or adhered to by officers, members or contractors, this could lead to an incident resulting in harm to employees / Members / members of the public, legal challenge and reputational damage | 4 | 4 | 16 | Nikki Boardman - Director of Change & Organisation Design | Corporate health and safety policy | Andy McMillan | 3 | 4 | 12 | Emergency contingency procedures being re-established. | Tony Williams | Dec-19 | | | | ↔ | Dec 2019 External report by Zurich, final version and recommendations due Jan 2020 | |
| | | | | | | | Implementation of health and safety management arrangements. | | | | | | | | | | | | | |
| | | | | | | | Essential H&S training for managers available. Specific Hazard related training available for managers and staff. | | | | | | | | | | | | | |
| | | | | | | | Health surveillance monitoring in place and Occupational Health. | | | | | | | | | | | | | |
| | | | | | | | New Strategic Health, Safety and Wellbeing Board set up - first meeting 17/10/19, monthly meetings chaired by Chief Executive. Steering Group also established to support the Board. | | | | | Tony Williams | | | | | | | | Apr-20 |
| | | | | | | | Annually review of H&S Policy to be agreed by SLT | | | | | AMcM / SLT | | | | | | | | Apr-20 |
| Improvements in SLT/DMT oversight of compliance. | SLT/DMTs / AMcM | Apr-20 | | | | | | | | | | | | | | | | | | |
| Development of e-learning modules for key H&S processes | A McMillan | Apr-20 | | | | | | | | | | | | | | | | | | |
| Training Programme - training needs, targeted roles etc | Suzanne Moore | | | | | | | | | | | | | | | | | | | |
| Terms of reference, objectives and activity for Strategic Health, Safety and Wellbeing Board | A McMillan/Tony Williams | Apr-20 | | | | | | | | | | | | | | | | | | |

| Portfolio / Priority | Risk Ref. | Risk Description | Unmanaged Scores | | | Risk Owner | Existing Mitigation | Owner | Current Scores | | | Planned Additional Mitigation | Owner | Target Date | Target Scores | | | Current Risk Status (▲ ▼ ↔ ▢) | New field to be used to capture commentary of update Risk Update / Commentary | | |
|------------------------------|-----------|---|------------------|--------|-------------|--|--|--|----------------|--------|-------------|---|--|---|--|--------|-------------|-------------------------------|---|---|--|
| | | | Likelihood | Impact | Total (LxI) | | | | Likelihood | Impact | Total (LxI) | | | | Likelihood | Impact | Total (LxI) | | | | |
| Finance and Resources | 15 | Information Management Council is not compliant with relevant data and information management legislation which may lead to loss or breach of personal data creating security or reputational risk. | 5 | 4 | 20 | Nikki Boardman - Director of Change & Organisation Design | The role of the Senior Information Risk Officer (SIRO) has been strengthened and redefined in terms of their oversight responsibilities, Deputy SIRO identified and trained. The Director of Change and OD has an active role in monitoring compliance and performance Information Governance Board transformed with increased focus on risks, actions plans and holding people to account. Data Security & Protection Toolkit - Council Status 2018/19 "Standards Met". Confirmation received in September 2019 Council assessed as compliant with Payment Card Industry Data Security Standard (PCI DSS) Action plan created to obtain compliance with outstanding accreditations by March 2020 Awareness Training for Information Asset Owners and Administrators (135 out of 184) undertaken in October/November 2019. Mop up sessions planned. Information Management Risk Register created to enable regular review of all risks and associated action plans | P Moulton | 3 | 4 | 12 | Review all Information Management policies in collaboration with Liverpool City Region councils. Project setup to achieve Cyber Essentials+ accreditation in 2020 Development of corporate approach to information management to support office moves in line with the Asset Consolidation Staff Relocation (ACSR) Project and Business Case, 14 sites in the scope of ACSR. | P Moulton | On going through Oct '19 - March 2020 2020/21 | | | | 0 | ▼ | Dec 2019 Slight drop in score, first review since added in September 2019. | |
| Environment & Climate Change | 16 | Climate Emergency Response Failure to respond effectively and develop plans/adaptations leads to, legal challenge, reputation damage, increased costs, lack of resilience, public | 5 | 5 | 25 | Nikki Butterworth | Cool Wirral Partnership - cross-sector partnership which acts as a steering group Wirral Climate Change Strategy- Cool 2014-2019, developed and approved by the Cool Wirral Partnership Climate emergency resolution declared in July 2019, full Council support for declaration Cool Wirral 2 consultation undertaken Friends of the Earth assessment of Council Climate Emergency Action Plan developed | | 5 | 4 | 20 | Await results of Combined Authority work Urge other partners to declare a climate emergency and active participation Partner specific action plan Finalise / Agree Cool Wirral 2 long term plan - working towards net zero emissions no later than 2041. Inclusion of performance information in Corporate Health Report Asset management - rationalisation of property portfolio Contract Management - review fleet Council fleet provision | | | | | | 0 | First Score | Dec 2019 | |
| Finance and Resources | 17 | Non-Compliance with Policies and Procedures Non-compliance with corporate policies and procedures across disciplines such as HR, finance, information, procurement, health & safety, put the reputation of the Council and the health and safety of our staff and residents at risk, and may lead to financial penalty and ultimately loss of life. | 5 | 5 | 25 | Nikki Boardman - Director of Change & Organisation Design Shaer Halewood - Director of Finance & Investment | • Corporate Governance Group (CGG) in place chaired by Director of Law & Governance, Phil McCourt. To ensure appropriate governance of risk is in place across the council. • Compliance Group (a sub-group of the CGG) in place chaired by AD Finance & Resources, Daniel Kirwan. Monitors a range of policies and procedures to drive the audit & risk process across the council. • The Council has developed and uses the 'audit universe' to determine all the areas of financial control and risk and which areas need to be audited on a more regular basis than others. The audit process is robust and in light of recent incidents we have reviewed the frequency and priority of audits. • Corporate Risk Register in place; regularly updated and reported. Specialist Area Boards in place for key areas e.g. People Strategy Board, Information Governance Board, Health, Safety and Wellbeing Board • People Strategy Board in place, chaired by Director of Change & OD, Nikki Boardman. To ensure compliance with all staff related issues and to drive culture and behavioural change across the council. • Task & Finish Groups set up as appropriate (such as Agile & Flexible working). To ensure policies are being applied appropriately and in accordance with business need. Targeted training packages developed and rolled out in 2019, including: Information Management - Information Asset Owners and Administrators, Cyber DoJo Finance - Budget workshops held for Budget Holders Procurement - NoPO/No Pay • Health and Safety Strategic Board in place, chaired by Chief Executive, Paul Satoor. To set the Council's direction in terms of Health & Safety compliance. • Health and Safety Steering Group in place, chaired by Director of Change & OD, Nikki Boardman. To drive progress in terms of Health & Safety compliance. | Philip McCourt Mark Niblock Nikki Boardman | | 4 | 5 | 20 | Implement the new Scheme of Delegation Improvements to managers' ability to address under-performance. A project to introduce a new performance management framework is underway Development of reporting to highlight our legal obligations/statutory duties whether we are meeting them. Training Programmes - training needs, targeted roles etc Health and Safety, Information Management External review carried out by Zurich Municipal to provide an evidence base and recommendations from which to resolve issues. Investigations into specific incidents provides us with an evidence base upon which to put preventative action in place | Philip McCourt Nikki Boardman Shaer Halewood Tony Williams / Pete Moulton Tony Williams | 2020/21 Ongoing programme during 19-20 Apr-20 2020/21 Apr-20 | | | | 0 | First Score | Dec 2019 The risk has been scored for the first time by the Corporate Governance Group. Several of the controls and planned actions also feature on other Corporate Risks - 4 Cultural Change, 7 Governance, 14 Health & Safety and 15 Information Management. |

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Risk Register Scoring Definitions Chart

Impact and Likelihood Scores

Impact

| Description | Score | Impact – Financial (Council, department or service area) | Impact - Reputation | Impact – Service Delivery | Impact – Health & Safety (Employees or public) | Impact – Service Objectives |
|-------------|-------|---|---|---|--|---|
| Very Low | 1 | <2% of annual budget | Letter(s) of complaint. | Minor, very short term (under 24 hours) disruption to a single team or section. | Minor injuries or illnesses, but not resulting in 'lost time' | Minor effect on achievement of a divisional objective |
| Low | 2 | <5% but >2% of annual budget | Single adverse report in local media | Some short-term (under 48 hours) disruption to a single team or section, manageable by altered operational routine | Minor injuries or illnesses that require first aid and result in lost time. | Serious effect on achievement of a divisional objective |
| Medium | 3 | <10% but >5% of annual budget | Significant adverse publicity in local media | Longer term disruption (up to 7 days) to a number of operational areas within a single location and possible flow on to other locations. <u>Or</u> short-term disruption to a service-critical team or section. | Injuries or illnesses that result in an 'over 3 day' injury, major injury or hospitalisation | Achievement of a divisional objective seriously compromised and / or significant effect on a Directorate objective. |
| High | 4 | <15% but >10% of annual budget | Significant adverse publicity in national media. Dissatisfaction with Chief Officer &/or Member | All operational areas of a single location compromised. Other locations may be affected. <u>Or</u> longer-term (up to 7 days) disruption to one or more service critical teams or sections. | Single case of injury or illness that could be fatal, life threatening or cause long-term disability | Achievement of one or more Directorate objectives compromised and / or significant effect on achievement of Corporate objective |
| Very High | 5 | >15% of annual budget | Sustained adverse publicity in national media. Chief Officer &/or Member removal or resignation | Multiple locations compromised. Council unable to execute numerous service-critical functions. | Multiple cases that could be fatal, life threatening or cause long-term disability | Achievement of one or more Corporate objectives seriously compromised |

Likelihood

| Description | Score | Narrative | Quantitative (chance of occurrence within 3 years) |
|-------------|-------|---|--|
| Very low | 1 | Extremely unlikely or virtually impossible within the period covered by the plan | 0-5% |
| Low | 2 | Unlikely – not expected to occur within the period covered by the plan | 6-20% |
| Medium | 3 | Possible – may possibly occur at some point within the period covered by the plan | 21-50% |
| High | 4 | Likely – will most probably occur within the period covered by the plan | 51-80% |
| Very High | 5 | Almost certain – expected to occur within the period covered by the plan | >80% |

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Audit and Risk Management Committee 27 January 2020

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| REPORT TITLE: | Spend Freeze Programme NO PO NO Pay Compliance |
| REPORT OF: | Director of Finance & Investment and Head of Commercial Procurement |

REPORT SUMMARY

This report provides information to the Audit & Risk Management Committee in relation to the active work programme that is focussed on reviewing compliance with the Council's Spend Freeze Programme and No Po NO Pay Policy.

RECOMMENDATION

Members note the report.

SUPPORTING INFORMATION

1.0 REASONS FOR REPORT

- 1.1 To provide the members with an overview of progress against the spend freeze programme.
- 1.2 To provide the Members with assurance that the Council is taking appropriate measures to ensure that an effective NO PO NO PAY Policy is applied and monitored.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND INFORMATION

- 3.1 The spending freeze programme report was presented to members at the previous meeting on the 18th November by the Director of Finance and Investment which summarised the progress of the spend freeze which was implemented in October 2019.
- 3.2 The aim of the spend freeze is to target discretionary expenditure and cease spending as much as possible to eradicate the call on Council reserves.
- 3.3 The Council faces the risk of a significant in-year overspend. If this is not mitigated the Councils' general balances could be depleted to an extent that takes them below the agreed minimum level, which is not financially sustainable.
- 3.4 The imposing of a spending freeze in 2019-20 is being introduced to rectify this untenable financial position. It is considered prudent to act early rather than leave corrective action to the last minute.
- 3.5 All staff have been communicated this through the intranet and staff briefings. This exercise is not designed to get in the way of business critical expenditure. It is not about creating a huge unwieldy bureaucracy. What this means in practice is that all expenditure is frozen unless it is on the exception list or it has agreement from an officer group which includes the Chief Executive and the Director of Finance and Investment. The Spending freeze will continue for as long as is necessary to control the overspend. Weekly random sampling will be undertaken and any unauthorised spend will be reported to the Senior Leadership Team (SLT).
- 3.6 It should be made clear that activities supporting spend freeze may not be quantified in one robust "savings" figure, as this would be a comparison to what "would have" been spent, which cannot be recorded.
- 3.7 The wider financial impact of spending freeze will be demonstrated across the Directorates in Quarter 3 Revenue Reporting as a reduction to the budget gap.

3.8 The procurement compliance report was also presented at the previous meeting by the Head of Procurement which included a section regarding progress of the Purchase orders (POs) and No PO no Pay policy.

4.0 Spending freeze

4.1 Further to the verbal update provided to the Audit & Risk Management Committee on 18 November 2019, a spending freeze remains in force. Purchase orders approved have continued to be monitored and a system generated report has recently been created to facilitate this process. The following information is available from the most recent review:

- 607 purchase orders reviewed, value £2,692k
- 81 PO approvers included in the review
- 465 purchase order data as returned by officers to clarify the reason for the spend, and where appropriate, the reason for using a retrospective order.
- There is an escalation process in place for officers who have not responded to the request for information

4.2 Instances of non-compliance are being addressed with individual PO approvers, their manager and SLT.

Table 1: Critical Spend Areas

| <i>Reason for Spend</i> | Purchase Orders | Value |
|--|----------------------------|--------------------|
| 1. Other | 219 | £ 790,836 |
| 2. Schools related spend | 68 | £ 689,126 |
| 3. Spend funded by specific grant or partnership agreements | 16 | £ 25,898 |
| 4. Traded Services, e.g. with schools | 19 | £ 22,142 |
| 5. Monthly/weekly staff salary | 3 | £ 608 |
| 6. Staff travel & subsistence for vital services only | 0 | £ - |
| 7. Staff car loans | 0 | £ - |
| 8. Members expenses (travel, etc.) | 0 | £ - |
| 9. Childrens placements and support packages | 4 | £ 525 |
| 10. Adult placements and individualised support | 0 | £ - |
| 11. Housing Benefits | 0 | £ - |
| 12. Council Tax and NNDR refunds; NNDR to the national pool | 0 | £ - |
| 13. Utility costs – gas, electric, water | 1 | £ 833 |
| 14. Hardware & software maintenance contracts | 2 | £ 186,014 |
| 15. Consumables critical to the business e.g. for Health and Safety purposes | 23 | £ 6,270 |
| 16. Any business critical ICT equipment expenditure | 6 | £ 37,991 |
| 17. Precepts & PFI payments | 2 | £ 645 |
| 18. Interest on cash flow activities | 1 | £ 46 |
| 19. Legal Counsel in agreed cases | 1 | £ 4,600 |
| 20. Annual contracts e.g. payroll, commissioned contractual services | 5 | £ 30,479 |
| 21. Health & Safety works | 27 | £ 40,091 |
| 22. Constituency budgets | 7 | £ 3,375 |
| Info not Provided | 61 | £ 47,259 |
| | 465 | £ 1,886,738 |

4.3 Within the “Other” category, just 16 items represented 75% of the costs. All of these items were either essential maintenance for highways or public health contractual arrangements, which are ring-fenced funding.

4.4 Retrospective Orders

- 90 instances of retrospective orders identified from the system generated report. 23 items of which, no information has been provided by officers
- Of the 67 items (£150k) we received a response for 13 items made up £113k (75%)
- The key reasons for using a retrospective order were either administrative errors or because the value of the order was unknown at the time of requiring the work, usually due to an emergency / sensitive situation.

5.0 No PO No Pay

5.1 The no PO no pay policy was introduced with effect from the 1st April 2019 and a progress report was presented to Audit & Risk Management Committee at the previous meeting, this is a further update on matters in relation to the measures being applied to address non-compliance.

5.2 Free standing invoice analysis for the period 1st April to 31st December 2019 is as follows:

| Department / Service | Total |
|------------------------------------|--------------|
| Childrens' Services | 3218 |
| Transport | 747 |
| Economic Development and Housing | 693 |
| Public Health | 158 |
| All other departments and services | 3511 |
| | |
| Full total | 8327 |

5.3 Included within the previous report was a record of freestanding invoices of 9271 which we now know included volumes of invoices from the council's agency staff provider Matrix which are in fact received electronically and are therefore not considered as free standing and have been excluded from this analysis.

5.4 Retrospective or 'dummy' order (RPO) analysis for the period 1st April to 30th September was reported at the last meeting as 3485 by volume and £20.7m by value.

5.5 Further RPO analysis has been conducted to ensure that the most active services have been captured.

| Department | Service | Proportion |
|----------------------|-----------------------------------|------------|
| Delivery | Community Services | 37% |
| Business Management | Change and Org Design | 3% |
| Childrens' Services | Early Help | 4% |
| Childrens' Services | Social Care | 3% |
| Business Management | Finance | 5% |
| Delivery Services | Highways | 11% |
| Economic and Housing | Housing | 1% |
| Economic and Housing | Major Growth and Housing Delivery | 2% |
| Childrens' Services | Modernisation and Support | 4% |
| Delivery Services | Place | 27% |
| Childrens' Services | Schools Commissioning | 3% |

- 5.6 Workshops have been delivered across the authority with approximately 155 managers and purchasers attending. These will be followed in January by further "Training and Fact Finding" Workshops to address the two priority areas of retrospective purchase orders and freestanding invoices (invoices received without an associated purchase order). The purpose of this is to ensure business continuity, whilst reinforcing the compliance requirements and how it can benefit the council. Ongoing work will also include induction materials for new starters and in-year refresher opportunities.
- 5.7 In December, approximately 5,000 emails were issued to suppliers confirming the Council's no PO no pay policy and requesting that all invoices are submitted direct to the accounts payable team in order to facilitate timely processing.
- 5.8 There are priority areas in relation to PO and invoice processing, which continue to be monitored, including:
- Freestanding Invoices – orders placed outside of the PO system exposes the council to poor value for money from:
 - Maverick spend (spend outside of existing contracts)
 - Fragmented spend (independent spend by departments for similar categories of goods and services which are also maverick)
 - Disaggregated spend (spend on goods and services by individual departments which are frequent and low value to remain below the £5k threshold for obtaining quotations)

- Retrospective orders, which expose the council to poor value for money and maverick spend, with the Council paying against an invoice value not a pre-approved PO value

6.0 FINANCIAL IMPLICATIONS

- 6.1 The aim of the spending freeze is to eliminate non-essential spend and therefore positively impact on the Council's forecast position for 2019/20.
- 6.2 There are no direct financial implications to this report, however the subject matter has close links to financial activity that will be affected as part of the ongoing review processes.
- 6.3 The No PO No Pay programme is expected to minimise or eliminate exposure to maverick spend and improve value for money from existing and new contracts.

7.0 LEGAL IMPLICATIONS

- 7.1 There are none arising from this report.

8.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 8.1 It's likely that the review processes being undertaken will have staffing and ICT resource implications – the movement away from standalone invoice processing within specific directorates to all processing being done by accounts payable staff only, is one such example. The implications on staff will form part of the individual review processes and any ICT requirements to provide better control environments will form part of the standard project planning activity, which will be consulted on as necessary.

9.0 RELEVANT RISKS

- 9.1 This report is focussed on activity that is being undertaken to minimise risk to the Council. A number of changes to processes are envisaged and there is an inherent risk that operational activity could be negatively impacted. To minimise the likelihood of this occurring, a consultative approach is being adopted to ensure business continuity is facilitated throughout the change processes.
- 9.2 There is a risk that control environments are circumvented/ignored – this report highlights specific activities and groups that operate to review and eliminates such instances (Internal Audit, Corporate Governance Group, Compliance Review Group, etc.) and any revised policies and procedures will incorporate management review processes that will be designed to provide full assurance to activities.
- 9.3 There is a risk that insufficient resources are available to review and implement processes, procedures and control environments deemed suitable for the Council in a timely fashion. A phased approach is being taken to individual review areas to allow individual projects to be undertaken and completed as quickly as possible, utilising the resources that are available in a challenging economic environment, whilst delivering business as usual activity concurrently.

10.0 ENGAGEMENT/CONSULTATION

10.1 Engagement with relevant departments will be undertaken to ensure all revised policies and procedures are communicated council wide and implications of non-compliance made known and acted upon where necessary.

11.0 EQUALITY IMPLICATIONS

11.1 There are none arising from this report.

12.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

12.1 There are no environment / climate implications arising as a direct result of this report. Climate implications in relation to specific projects and programmes will be included through future reporting arrangements.

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APPENDICES

None

BACKGROUND PAPERS

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|---|-------------------|
| Audit and Risk management Committee: SPENDING FREEZE CORPORATE RISK MANAGEMENT UPDATE PROCUREMENT UPDATE | 18/11/2019 |

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Audit and Risk Management Committee Monday, 27 January 2020

| | |
|----------------------|---|
| REPORT TITLE: | Regulation of Investigatory Powers Act 2000(RIPA) |
| REPORT OF: | Director Governance and Assurance (Monitoring Officer) |

REPORT SUMMARY

- (a) This report informs the Committee of the use by Council officers of the covert surveillance powers of the Council since March 2019.
- (b) It also invites the Committee to review and agree to additions to the Policy and Procedure Guidance on the Council's use of covert surveillance in the light of the recommendations made during the annual training event.

RECOMMENDATIONS

- 1) That the Committee note the use made by the Council of covert surveillance since March 2019.
- 2) That the Committee approve the amendments and additions to the Policy and Procedure Document contained in the Appendix on the use of powers under the Regulation of Investigatory Powers Act 2000 (RIPA).

SUPPORTING INFORMATION

1.0 REASONS FOR THE RECOMMENDATIONS.

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

2.0 OTHER OPTIONS

None

3.0 BACKGROUND INFORMATION AND THE COUNCIL'S POLICY AND PROCEDURE DOCUMENT

- 3.1 The Regulation of Investigatory Powers Act 2000 (RIPA) governs how public bodies use surveillance methods. The Council may use covert surveillance for the purpose of preventing or detecting crime or preventing disorder.
- 3.2 The origin of RIPA lies in the Human Rights Act 1998 (HRA) which places restrictions on the extent to which public bodies may interfere with a person's right to respect for his or her home and private life and correspondence during the course of an investigation into suspected criminal activities. The provisions of RIPA ensure (in summary) that any such interferences are in accordance with the law and are necessary and proportionate (i.e. the seriousness of the suspected crime or disorder must outweigh any possible interferences with the personal privacy of the persons being investigated and of persons who associate with them).
- 3.3 The Council's Constitution authorises Directors to designate Heads of Service and Service Managers to authorise the use of covert surveillance in accordance with the procedures prescribed by RIPA. Since 1 November 2012 such authorisations require the further approval of a magistrate where the legislation applies.
- 3.4 The Investigating Powers Commissioner (IPCO) is responsible for overseeing the operation of RIPA. IPCO inspected the Council on 17 December 2018. The outcome of that inspection was reported to the Committee on 11 March 2019. The Committee approved amendments to the Council's Policy and Guidance Document made in response to the Report.
- 3.5 On 14 November 2019 the annual training on the use of RIPA was delivered by "Act Now" to officers who apply for, or authorise the use by the Council of covert surveillance.
- 3.6 During the training it was identified that there was a need for more detailed guidance on the use of internet and social networking sites for investigations. Officers are using information from those sites quite properly to carry out their duties but procedures

needed to be implemented to ensure they were fully aware of the circumstances in which authorisation for directed surveillance was available and required either under RIPA or under the HRA and the Data Protection Act 2018 (DPA).

- 3.7 Attached to this report is the Policy and Guidance which has been further revised to take account of the new Home Office Codes of Practice and the advice of IPCO. Paragraphs 9.3, 10.3 and 11.1 to 11.5 have either been added or expanded in order to give more detailed guidance to officers on the use of RIPA and the DPA in circumstances where the law has been clarified by the Home Office Codes of Practice IPCO and the Council's trainer.
- 3.8 Section 5 on Communications Data has also been revised to take account of changes in the law that came into effect on 5th February 2019 although in recent years the Council has not made use of these powers.
- 3.9 There are regular quarterly meetings of RIPA co-ordinators chaired by a solicitor who gives advice and guidance on this complex area of the law. Social workers from the Children's Services Department are now invited in order to discuss issues of common concern and particular areas of difficulty in the use of social media to protect children. They were invited to the annual training event held on 14 November 2019 and will be invited to future training events.

4.0 CHANGES IN LEGISLATION

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

5.0 ANNUAL TRAINING

- 5.1 This took place on 14 November 2019 and was conducted by Stephen Morris an acknowledged expert in this field.
- 5.2 It was attended by Applying and Authorising Officers who are required to undertake refresher training every 2 years.
- 5.3 Mr Morris dealt in detail with the requirements for authorisations of surveillance under RIPA and in particular the use of social media for the purpose of investigations by the Council.

6.0 USE OF RIPA SINCE 31 MARCH 2019

- 6.1 On 26 November 2019 officers obtained approval from a Magistrate to an authorisation granted by Mark Camborne (Lead Commissioner: Community Services and Resilience) to enable test purchases to be made by juveniles (under the supervision of Trading Standards Officers) from retailers who were suspected of selling e cigarettes to young persons under the age of 18.
- 6.2 Under age sales have been observed and appropriate enforcement action will be taken against the retailers concerned.

7.0 FINANCIAL IMPLICATIONS

- 7.1 None at present but training of officers will need to receive continued funding in order to maintain current high standards.

8.0 LEGAL IMPLICATIONS

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

9.0 RESOURCE IMPLICATIONS: ICT,STAFFING AND ASSETS

- 9.1 None at present.

10.0 RELEVANT RISKS

- 10.1 There is a risk of inadvertent breaches of human rights and data protection legislation by officers unless detailed guidance is given and followed in the Policy and Guidance Documents.
- 10.2 There is a risk that some investigations of anti-social behaviour will not be able to use covert surveillance under RIPA because the suspected criminal behaviour does not carry a custodial sentence of 6 months or more.
- 10.4 Where RIPA does not apply, but covert surveillance would be legitimate, necessary, and proportionate, then it would have to be authorised by the Authorising Officers in accordance with the Data Protection Act 2018 eg to supply evidence in disciplinary or care proceedings as explained in paragraph 10 of the amended Policy and Procedures Guidance Document.

11.0 ENGAGEMENT/CONSULTATION

- 11.1 None.

12.0 EQUALITY IMPLICATIONS

12.1 None at this stage.

13.0 ENVIRONMENTAL AND CLIMATE IMPLICATIONS

13.1 The content and recommendations contained within this report are expected to have no impact on emissions of CO2.

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APPENDICES

Appendix - Revised Policy and Procedure on the use of Powers under the Regulation of Investigatory Powers Act 2000.

BACKGROUND PAPERS

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

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|--|--|
| Reports to the Audit & Risk Management Committee | 14 March 2017 12 June 2017 25 September 2017 12 February 2018 24 September 2018 11 March 2019 |

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

1. INTRODUCTION

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

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

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

2. RELEVANT LEGISLATION

2.1 The Human Rights Act 1998 (HRA)

2.1.2 The HRA gives effect to the rights and freedoms guaranteed under the European Convention on Human Rights and Fundamental Freedoms (“the Convention”). Article 8 of the Convention is relevant in the context of covert surveillance in that everyone has the right to respect for his/her private and family life, home and correspondence. It is now clear from decided cases that this right extends to activities of a professional or business nature and so includes employees. Article 6 of the Convention is relevant in the context of covert surveillance in that everyone has the right to a fair trial, including internal procedures or hearings, and fairness extends to the way in which evidence is obtained.

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

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

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

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

2.1.4 The HRA can be found at:

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

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

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

2.2.2 RIPA was passed well before the terrorism attacks on 11 September 2001 and was not introduced to deal with terrorism. RIPA and its associated

regulations also follow the philosophy of recent legislation in trying to strike a balance between community responsibilities, including effective law enforcement, and individual rights and freedoms.

3.0 COVERT SURVEILLANCE

3.1 The term surveillance includes

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

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

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

3.4 Covert surveillance can be either

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

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

3.6 **Directed** covert surveillance that is likely to result in obtaining private information about a person is permitted by RIPA and its associated regulations **if** such surveillance has been authorised in the manner provided by the Act, the Home Office Code of Practice and the prescribed standard forms. Private information is any information relating to a person's private or family life. It includes the way in which a person conducts himself in his working life and also in a public place where there is a reasonable expectation of privacy e.g. two people holding a conversation in a street. It does not include publicly accessible information e.g. in a newspaper or on a website or

public register nor does it include non verbal noise (e.g. music) or shouting which can be heard in the street or from adjoining property with the naked ear.

- 3.7 An authorising officer for a public authority may only grant authorisation to carry out directed surveillance if it is necessary in the interests of:
- national security (**not** applicable to local authorities);
 - preventing or detecting crime;
 - public safety (**not** applicable to local authorities);
 - protecting public health (**not** applicable to local authorities);
 - assessing or collecting any tax, duty, levy or other imposition, contribution or charge payable to a government department (**not** applicable to local authorities); or
 - is specified by regulations.
- 3.8 **Local authorities may only authorise use of covert directed surveillance on the ground that it is necessary in the interests of preventing or detecting crime or of preventing disorder.** The use of surveillance must also be proportionate to what is being sought to achieve and a magistrates approval required as set out below.
- 3.9 From 1 November 2012 a magistrates approval will also be required for the Council's use of RIPA and will be in addition to the authorisation needed from an authorising officer. Magistrates may only grant approval for the use of covert directed surveillance where the criminal offence under investigation carries a maximum custodial sentence of six months or more except in relation to the offences of under age sales of alcohol and tobacco where this threshold will not apply. That restriction does not however apply to the use of covert human intelligence sources (see 4.0 below) or to the acquisition of communications data (see 5.0 below) where the offence need not carry a maximum custodial sentence. A magistrates approval is required both for an authorisation and for a renewal of an authorisation which has expired.
- 3.10 Authorisation is not required to record things which are not planned but arise as an immediate response to events. For example if an enforcement officer is attending a property to visit a witness and observes a neighbour causing criminal damage he/she can record covertly what they saw without authorisation.
- 3.11 Authorisation for covert surveillance is also not required where it is part of the general observation duties or activities of local authority officers and not part of a pre-planned surveillance of a specific person or group of people. An example would be Council officers attending a car boot sale where it is suspected counterfeit goods are being sold but no particular individuals are being targeted as likely suspects.

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

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

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

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

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

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

3.13 An applying officer wishing to use directed surveillance must complete **FORM RIPADS1** (all forms are attached to this policy). The applying officer must fully complete all parts of the form. The officer should refer as necessary to the Home Office Codes of Practice, available on the internet.

3.14 The applying officer must consider the proportionality of the use of surveillance. The officer must consider the seriousness of the matter being investigated, the impact that any evidence obtained through the surveillance will have on the investigation and the level of intrusion which will be caused. The officer must take steps to ensure that any intrusion is kept to the minimum level necessary. Any intrusion in to the private life of persons not the subject of the investigation (e.g. family or visitors) should be minimised.

3.15 The completed form should be referred to an **authorising officer**. All Chief Officers may designate officers within their department as authorising officers for the purposes of RIPA. On receipt of the form the authorising officer will contact the Director: Governance and Assurance to obtain a unique reference number. The authorising officer must be a Director or Head of Service or Service Manager. The authorising officer will place the form on the central register. The register is an electronic folder with access rights limited to authorising officers (for their area only) and the Director: Governance and Assurance or his/her nominated representatives (to all contents). When an authorising officer places a form on the register he/she will also separately

notify the Director: Governance and Assurance by e-mail that this has been done. If the authorising officer does not have access to the register he or she will e-mail the form to the Director: Governance and Assurance who will arrange for it to be placed on the register. All forms for authorised applications shall be placed on the register immediately. All applications shall remain on the register for at least 3 years. Officers should ensure that when they complete the authorisation forms they comply with the following requirements:

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

3.16 Urgent Oral Applications

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

3.17 Review/Cancellation

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

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

3.18 Renewal

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

3.19 Audit Checks

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

3.20 Code of Practice

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

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

3.21.1 Residents report to the Anti-social Behaviour Team that the occupants of a neighbouring property are disturbing them at night by engaging in noisy

parties or quarrels fuelled by the consumption of alcohol and threaten them with violence when they protest.

In such circumstances covert surveillance (e.g. by means of a camera and sound recording devices unobtrusively fitted to an adjoining property) would be necessary to prevent crime and disorder (because witnesses are likely to be intimidated by the threat or use of violence) and proportionate (the disturbance is frequent and at a high level). The recording device must not be capable of picking up conversations at a normal level within the home targeted (and consequently is not intrusive). The Authorising Officer must therefore have available a technical feasibility study.

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

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

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

- (a) Whether it is for Directed Surveillance or Covert use of Human Intelligence Source.
- (b) Its unique reference number.
- (c) Applicant's name and title.
- (d) Department and Section.
- (e) Identity of Target and the title of the investigation.
- (f) Date of authorisation.

- (g) Renewal Date and name and/or title of Authorising Officer.
- (h) Review Date.
- (i) Whether the investigation is likely to result in obtaining confidential information.
- (j) Date of approval by magistrate of authorisation/renewal.
- (k) Cancellation Date.

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

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

4.0 COVERT HUMAN INTELLIGENCE SOURCES (CHIS)

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

4.4 Special considerations apply if the person to be used as a source is **vulnerable** or a **juvenile**. In such circumstances advice should be sought from the Director: Governance and Assurance. Authorisation may only be granted by the Chief Executive, as Head of Paid Service.

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

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

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

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

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

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

authorisation would be required. The essence of a CHIS is that he obtained information by winning someone's confidence on a false basis

- 4.6.3 If, however, a juvenile were used to make a test purchase of alcohol from a shopkeeper (suspected of under age sales) in the presence of an adult Trading Standards Officer, a directed covert surveillance authorisation would be required because the shopkeeper would not be aware of the covert observations being made by the officer. It would also be required if a concealed camera were used.
- 4.6.4 The Anti-Social Behaviour Team regularly receives information from a member of the family of a suspected perpetrator who volunteers to provide evidence without being requested to do so. The informant is performing the function of a CHIS if the information has been obtained as a result of the family relationship.

4.7 Code of Practice

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

5.0 COMMUNICATIONS DATA

- 5.1 Requests for communications data will be dealt with by **designated persons**. Those persons who are authorising officers for the purposes of directed surveillance and CHISs shall also be designated persons for the purposes of obtaining communications data. There must be a **Single Point of Contact (SPOC)**, to whom applicants must submit their requests for communications data. This is to ensure there is a specific point of accountability in each authority requesting data for reasons connected with RIPA and the HRA etc. The SPOC for the Council is the organisation known as NAFN (The National Anti Fraud Network)
- 5.2 It is important to note that we are not referring here to the interception of communications or the **content** of communications. The Council does not have power to intercept communications or acquire content. From 5/2/19 the law is now set out in the Investigatory Powers Act 2016(IPA 2016) and the Data Retention and Acquisition Regulations 2018
- 5.3 There are 2 types of communications data;
- "Events Data" being telecommunications data that identify or describe an event consisting of one or more entities engaging in a specific activity at a specific time e.g traffic and service use data;and
 - "Entity Data" being data which identify or describe a person or thing in its association with a telecommunications system e.g subscriber data.
- 5.4 More information on what constitutes these types of communication data is set out in the Home Office Code of Practice (see paragraph 5.9 below). Published in November 2018. Advice can also be sought from the Director: Governance and Assurance. Local Authorities are only able to seek

disclosure under RIPA of service use data, traffic data and subscriber data **not** of internet connection records.

- 5.5 Applications may be made for data e.g. itemised bills or subscriber data e.g. whether a person uses a particular network, who is the user of a particular number. A request for such information can only be made where it is necessary for the purpose of preventing or detecting crime or preventing disorder. It must also be necessary for the purposes of a specific investigation or operation and if the request is for “Events Data” it must also be for the purpose of preventing or detecting “serious crime” (e.g offences by corporate bodies, offences attracting a maximum prison sentence of at least 12 months, or conduct involving the use of violence or which results in substantial financial gain or by a large number of people in pursuit of a common purpose or a breach of a person’s privacy or the sending of a communication). The request must be proportionate.
- 5.6 The form for completion for disclosure of communications data including guidance on completion is attached as **FORM RIPACD 1**. Applications must be made to the Investigatory Powers Commissioner (IPCO) through NAFN with the prior consent of the Council’s SRO for approval of the proposed authorisation. The IPC has delegated this function to his staff in the Office for Communications Data Authorisations (OCDA). An authorisation or notice remains valid for up to **one month**. A valid authorisation or notice may be renewed for a further period of up to one month.
- 5.7 An authorisation or notice must be cancelled as soon as it is no longer necessary for the service provider to comply with the notice or the conduct required by the notice is no longer proportionate to what was sought to be achieved.

The **Senior Responsible Officer(SRO)** must be responsible for:

- the integrity of the process in place within the public authority to acquire communications data;
- compliance with the relevant legislation and with this code;
- oversight of the reporting of errors to the Investigatory Powers Commissioner (IPCO) and the identification of both the cause(s) of errors and the implementation of processes to minimise repetition of errors;
- engagement with the IPCO inspectors when they conduct their inspections; and
- where necessary, overseeing the implementation of post-inspection action plans approved by the Commissioner.

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

- 5.8 In Wirral there has been very limited use of these powers and none since 2015.
- 5.9 The Home Office Code of Practice on the use of Communications Data can be viewed at: <http://security.homeoffice.gov.uk/ripa/publication-search/ripa-cop/acquisition-disclosure-cop.pdf>

6.0 REPORTING AND REVIEW

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

7.0 COORDINATION AND TRAINING

- 7.1 All Departments that use or may use the Council's powers under RIPA shall nominate a Departmental Coordinator under this Policy. The Departmental Coordinators (or their nominees) shall meet at least once a quarter to review the operation of this policy, share best practice and consider training needs. Those meetings shall be chaired by the Director: Governance and Assurance or his/her nominated representative. The departmental co-ordinators and authorising officers are listed in paragraph 3.14(h). That list may be amended from time to time as new Directors and Heads of Service are appointed. The current list can be obtained from the Director: Governance and Assurance.
- 7.2 The Council shall ensure that adequate training is provided to officers in the use of the powers. A training register shall be maintained and all authorising/designated officers will receive training at least every 2 years. A copy of the register can be obtained from the Director: Governance and Assurance. If an authorising/designated officer has not attended any training for a period of 2 years they shall **automatically cease** to be a responsible/authorised officer.

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

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

necessary and proportionate and continues to be so at the hearing. He/she must also be satisfied that the person within the Council granting the authorisation was of sufficient seniority by holding a post described in paragraph 3.14. A certificate signed by the Council's Monitoring Officer should be produced for that purpose verifying the identity of the person granting the authorisation and the post he or she holds.

9.0 SOCIAL NETWORKING SITES AND RIPA

- 9.1 During the course of an investigation into a possible criminal offence falling within paragraph 3.9 above, officers may view what persons have said on various forms of social media eg Twitter, Facebook.
- 9.2 No prior authorisation of directed covert surveillance will usually be required if the person's communications are to the world at large (ie open source) because there can be no reasonable expectation of privacy in such cases. Repeat viewing of open source sites, without the knowledge of the person, for the purpose of intelligence gathering for a specific investigation will, however, constitute directed surveillance and will require prior authorisation because the degree of surveillance and its purpose would be covert and unexpected.
- 9.3 No prior authorisation of the use of a covert human intelligence source would be required if the officer made no attempt to win the person's confidence on a false basis eg by falsely posing as a potential friend nor would simple preliminary reconnaissance of a site require directed covert surveillance authorisation if the intent were to establish whether the contents were of interest and there was no subsequent systematic recording of information about a particular person or group of persons for the purpose of a criminal investigation. Similarly viewing open source sites in order to update information obtained by preliminary reconnaissance would not be covert surveillance but part of an officer's general observational duties.
- 9.4 If however the conditions in 9.3 do not apply then the appropriate authorisation under RIPA would be required in liaison with the police where they have an interest in the outcome of the investigation.
- 9.5 An example of the need for directed surveillance authorisation would be repeat viewing and recording of information on open source sites to determine whether a sex offender was visiting a household that contained children at risk of significant harm. In such circumstances authorisation for directed covert surveillance would be for the purpose of preventing serious offences against children by gathering evidence for use in care proceedings brought to protect them from harm.

10.0 COVERT SURVEILLANCE WHEN RIPA AUTHORISATIONS ARE NOT AVAILABLE

- 10.1 It is not possible to use RIPA authorisations when surveillance by a local authority is required not for one of its core statutory functions but for an ancillary function (eg disciplinary proceedings against an employee suspected of theft).

10.2 Equally as explained above RIPA authorisation is not available if the purpose of the covert surveillance is not to detect a criminal offence falling within paragraph 3.9 above, but to further some other legitimate aim eg to monitor the household of a family whose children may be at risk of significant harm by the covert visits of a person whose presence is reasonably believed to be detrimental to the children's welfare, but where the risk of harm is emotional and not of physical violence and therefore no criminal offence is apprehended.

10.3 In such circumstances covert surveillance that is repeated and systematic will only be lawful if it is carried out in accordance with the fair processing of personal data provisions of the Data Protection Act 2018 (DPA). In particular:

10.3.1 Legal advice must first be obtained.

10.3.2 A privacy impact assessment must be carried out by using the RIPA form for authorising directed surveillance.

10.3.3 The privacy impact assessment must identify the adverse impact on privacy of any person and enable the authorising officer to determine whether the aim of the covert surveillance is legitimate, and whether such surveillance is necessary and proportionate to achieve that aim having regard to the importance of its purpose, the adverse effect on the privacy of persons, and the possibility of using other less intrusive methods of investigation.

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

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

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

11. GOOD PRACTICE IN RELATION TO THE OBSERVATION OF OPEN SOURCE SOCIAL MEDIA SITES

11.1 In each Council department the RIPA coordinator should designate a limited number of officers who are trained in RIPA, DPA and HRA. The RIPA coordinator is authorised to open an overt Facebook profile or account. Officers should never use their own Facebook profiles. Only the trained officers are permitted to research social media.

11.2 All requests for research on social media must be referred either to the RIPA coordinator or the trained officers who would decide whether the research required either RIPA or non RIPA authorisation (under the DPA or HRA) by an Authorising Officer. If there is any doubt advice should be sought from an Authorising Officer who in turn may seek legal advice from the Senior Responsible Officer (SRO) or his solicitors.

- 11.3 A written log of each use of social media by the RIPA coordinator or by the designated trained officers must be made which records who authorised whom to do what, when, why and how. In particular their rationale for using or monitoring social media must always be recorded.
- 11.4 Those written logs must be made available to the SRO upon request so that their contents can be discussed at the Coordinators meetings. Those written logs will be stored centrally by the SRO.
- 11.5 If practicable the trained officers should alert a subject to the fact that their social media will be examined in order to ascertain eg whether they are complying with a court order or with promises they have made to the Council (eg arrangements for contact with a child in need of protection). That will make any surveillance overt and outside RIPA and easier to justify under the DPA and the HRA.

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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Wirral Metropolitan Borough Council (the Council) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit and Risk Committee as those charged with governance in our Audit Findings Report on 18 November 2019.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality

We determined materiality for the audit of the Council's financial statements to be £12,986,000 which is 1.8% of the Council's gross revenue expenditure.

Financial Statements opinion

We gave an unqualified opinion on the Council's financial statements on 29 November 2019. A number of amendments had to be agreed to the initial draft accounts. The Council reversed an incorrect entry to its Minimum Revenue Provision which resulted in a £26m reduction in available reserves. In our view there is scope to improve the Council's arrangements for preparing its financial statements going forward. The Council has responded positively to the recommendations made and has prepared an action plan to drive improvement.

Whole of Government Accounts (WGA)

We completed work on the Council's consolidation return following guidance issued by the NAO.

Executive Summary

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Value for Money arrangements We have completed our risk based review of the Council's value for money arrangements.

Since OFSTED rated the Council's Children's services as inadequate in 2016, the Council has demonstrated a steady improvement in the service provided as indicated in the OFSTED monitoring reports for 2018/19. The September 2018 report stated 'The quality of social work practice in each case was effective and making a difference'. OFSTED carried out a full re-inspection of the Council's Children's Services in June 2019 which resulted in an improved rating of 'Requires Improvement'. The report confirms that improvements have been made and a better service for children is being delivered. Not all areas have improved at the same pace but the report acknowledges that the Council has clear plans to address these areas.

The Council continues to face a challenging financial position however it has made progress in addressing the challenges faced. Detailed savings proposals by portfolio were agreed to achieve savings of £45m in 2019/20 and there is a significantly reduced reliance on one-offs including the planned use of reserves. The latest projections indicate budget pressures of more than £7m in 2019/20 and as a result action has been taken to curb non-urgent spending. Looking ahead it is important the Council continues to take appropriate action to ensure it manages its financial position.

We also note the Council has made the decision to move away from a cabinet governance model back to a committee structure. This is a significant change and development. It is important that the Council assesses the impact and effectiveness of the change in governance arrangements, and in particular that it is clear the Council is still able to make decisions promptly and effectively to deal with the challenges faced.

We have concluded that Wirral Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 29 November 2019.

Certificate We have completed the audit of the financial statements of Wirral Metropolitan Borough Council in accordance with the requirements of the Code of Audit Practice but we are unable to certify that we have completed the audit until we resolve the objection received in relation to the Council's Lender Option Borrower Option Borrowing.

Working with the Council

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
January 2020

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's financial statements to be £12,986,000, which is 1.8% of the Council's prior year gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a lower level of specific materiality of £23,000 for senior officer remuneration.

We set a lower threshold of £649,000, above which we reported errors to the Audit and Risk Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the financial statements to check it is consistent with our understanding of the Council and with the financial statements included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit approach was based on a thorough understanding of the Council's business and is risk based. We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

The Financial Reporting Council (FRC) is responsible for reviewing and assessing the quality of local public audit work undertaken by Grant Thornton and the other audit firms. In response to the latest feedback from the FRC on local public audit work we have updated and refined our approach to the audit of PPE and Pensions Liabilities, which has resulted in additional audit procedures being undertaken. We have included fee adjustments to cover these additional procedures which are set out on page 15 of this report.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|---|--|
| <p>Valuation of land and buildings</p> <p>The Council revalues its land and buildings on a rolling five-year basis. The valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£644m as at 31 March 2018) and the sensitivity of the estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk which was one of the most significant assessment risks of material misstatement, and a key audit matter.</p> | <p>We carried out the following work:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, instructions issued to valuation experts and the scope of their work; evaluated the competence, capabilities and objectivity of the valuation expert; wrote to the valuer to confirm the basis on which the valuation was carried out; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; and evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these are not materially different to current value at year end. | <p>The Council's land and buildings assets have been valued this year by the Council's in-house valuation team. Our work has assessed them as having a good knowledge of the Council's portfolio and they have used the information from the Asset Register and the Council's estates systems in carrying out their valuation of the assets. The assumptions used are reasonable and we are satisfied that they had access to appropriate levels of information to complete reliable valuations.</p> <p>The Council has revalued approximately 84% of its land and buildings assets this year, leaving a relatively small amount (£75m) that has not been formally valued during the year. For those assets not formally valued in the year, management has liaised with the valuation team to assess the potential differences between the carrying value and the fair value. We have reviewed and challenged this methodology and are satisfied that the best estimate of the level of uncertainty is below materiality.</p> <p>The Council revalued 100% of its investment property portfolio in line with its accounting policies. Sample testing of the revaluations provided assurance that these assets were correctly classified as Investment Properties and the movements in the valuations had been correctly recognised in the accounts.</p> <p>For the sample of revaluations tested, it was identified that the assets were input on to the Council's asset register as at 31 December 2018 with depreciation subsequently charged on the assets for the remainder of the year. This approach is consistent with previous years and the Council's valuers believe it is appropriate. However it is arguable that it leads to an uncertainty in the accounts. The impact of the accounting treatment is a potential understatement of the net book value of the assets by £3.737m and over statement of depreciation by the same amount. For the total population revalued the results are a potential understatement of £4.557m which is clearly not material. Whilst the matter is not material we suggest that the Council clarifies the approach going forward with its valuer.</p> |

Audit of the Financial Statements

Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|--|--|
| <p>Valuation of net pension liability</p> <p>The Council's pension fund liability, as reflected in its balance sheet as the net defined benefit liability represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£539m in the Council's balance sheet as at 31 March 2019) and the sensitivity of the estimate to the changes in the key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p> | <p>We have carried out the following work:</p> <ul style="list-style-type: none"> updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund liability is not materially misstated and evaluated the design of the associated controls; evaluated the instructions issued by management expert (an actuary) for this estimate and the scope of the actuary's work; assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; tested the consistency of the pension fund asset and liability disclosures in the notes to the core financial statements with the actuarial report from the actuary; undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert); agreed the advance payment previously made to the pension fund to the expected accounting treatment and relevant financial disclosures; and obtained assurances from the auditor of the Merseyside Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. | <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension scheme where transitional protections were given to scheme members. The Government recently applied to the Supreme Court for permission to appeal this ruling, but the permission to appeal was unsuccessful. We understand the case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud-Court of Appeal) has implications not just for the directly affected pension funds, but also for other public sector pension schemes where they have implemented transitional arrangements on charging benefits, including the local government pension scheme.</p> <p>Discussion have been ongoing through the year in the sector regarding the impact of the ruling on the financial statements of local government bodies. Many Councils had initially included the impact of the McCloud judgement as a contingent liability in their 2018/19 accounts. However as the picture has now become clearer there is now a general acceptance that the increased liability, where material, should be reflected in the IAS 19 figures in the balance sheet.</p> <p>The Council has amended its financial statements for the impact of the McCloud judgement disclosing the increase in the net pension liability of £16.7m.</p> |

Audit of the Financial Statements

Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|---|--|
| <p>Minimum Revenue Provision (MRP) accounting</p> <p>The Council is required to set aside a prudent provision (Minimum Revenue Provision) each year for in respect of its Capital Financing Requirement.. Independent advice received by the Council – based on changes in legislation – indicated a potential over provision in previous years due to deferred charges and long term debtors being excluded from the original calculation in 2004.</p> <p>In the initial draft financial statements the Council adjusted MRP by £26.36m and created a Debt re-profiling reserve. In our the Council's initial accounting treatment was not appropriate.</p> <p>The MRP under Sums set aside from revenue in Note 38 Capital Expenditure and Capital Financing was disclosed as £12,665k which was the total of the MRP for the Council for the year of £8,196k and the MRDF principal repayments received from the constituent authorities of £4,469k. The total did not agree to the disclosure in Note 8 'Adjustments between Accounting Basis and Funding Basis under Regulations' for the adjustment between Revenue and Capital Resources. This disclosed the statutory provision for the repayment of debt (transfer to the Capital Adjustment Account) of £8,196k. The two disclosures should equal in accordance with the CIPFA Code of Local Authority Accounting 2018-19.</p> | <p>We have carried out the following work:</p> <ul style="list-style-type: none"> Reviewed the independent advice received by the Council and the calculations for the assessment of the over provision. We discussed the initial accounting treatment with management. The impact is that the Council has amended the financial statements to remove the debt re-profiling reserve which has the effect of reducing usable reserves by £25.98m. The Council has included the MRDF principal repayments in its calculation of the Capital Financing Requirement in accordance with the Local Government Reorganisation (Debt/Administration (Merseyside) Order 1988 as it is the designated Council. However the payments received from other constituent bodies should arguably be classified as capital receipts in order to comply with Regulation 7 of the Local Authority Capital Financing and Accounting Regulations 2003. This is due to the original purpose for the borrowing being for capital expenditure and still remains the same to date. We are satisfied that these payments received have been used for the purpose intended which is to reduce the Council's long-term borrowing. | <p>Looking ahead the Council is continuing to consider the advice that it has received and is exploring options for recovering any MRP overpayment, whilst ensuring that it complies with the statutory guidance.</p> <p>In our view the most appropriate accounting treatment, as set out in CIPFA's Practitioners guide to capital finance in local government 2019, is to recognise the payments as capital receipts in the capital receipts reserve whilst simultaneously writing out the debtor against the capital adjustment account. There is no impact on the general fund and the net effect of the Balance sheet is nil.</p> <p>The amendment to Note 38 is to recognise the payments from the constituent authorities separately as 'Application of Capital Receipts £4,469k and MRP as £8,196k. We note that the sums involved are not material but do require reporting as they are above our determined assessment of what is clearly trivial. The Council has amended for both the prior year and year ending 31/3/2019.</p> |

Audit of the Financial Statements

Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|---|---|
| <p>Management override of internal controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement</p> | <p>We have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determined the criteria for selecting high risk unusual journals; tested unusual journals recorded during the year and as part of the closedown process for appropriateness and corroboration; gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness; and evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. | <p>Our audit work completed has not identified any evidence of management override of controls.</p> |
| <p>Going concern material uncertainty disclosures</p> <p>As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).</p> | <p>As part of our audit work :</p> <p>We have considered the financial standing of the Council and reviewed management's assessment of going concern and the assumptions and supporting information.</p> <p>We undertook a review of the Council's financial standing; noting, there was a £0.6m underspend in 2018/19 and whilst the General Fund balances have reduced during the year, the closing balances were in line with the target level for the year of £10m. The Council has set a balanced budget for 2019/20 and updated its Medium Term Financial Strategy to 2022/23. This strategy demonstrates that the Council should have sufficient resources to meet its obligations in the medium term.</p> | <p>The Council's use of going concern basis of accounting is appropriate. The Council provided us with its judgements for its assessment of going concern. The disclosure of going concern basis within the financial statements is satisfactory.</p> <p>No material uncertainty was identified and our opinion is unmodified in respect of the going concern conclusion.</p> |

Audit of the Financial Statements

Pension Fund Significant Audit Risks

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the pension fund.

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|--|--|--|
| <p>Improper revenue recognition</p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> | <p>We considered the risk factors set out in ISA240 and the nature of the revenue streams at the Pension Fund. We have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition • Opportunities to manipulate revenue recognition are very limited • The culture and ethical framework frameworks of local authorities, including Wirral Council as the administering authority. Mean that all forms of fraud are seen as unacceptable. | <p>Therefore we do not consider this to be a significant risk for Merseyside Pension Fund.</p> |
| <p>Valuation of level 3 investments</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>We identified the valuation of level 3 investments as a risk requiring special audit consideration.</p> | <p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • Gained an understanding of the Fund's process for valuing level 3 investments and evaluate the design of the associated controls. • Reviewed the nature and basis of estimated valued and consider what assurance management has over the year end valuations provided for these types of investments. • Considered the competence, expertise and objectivity of any management experts used. • For a sample of investments, tested the valuation by obtaining and reviewing the audited accounts (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. We reconciled those values to the values at 31 March 2019 with reference to known movements in the intervening period. | <p>Our audit work did not identify any significant issues in respect to this risk.</p> |

Audit of the Financial Statements

Pension Fund Significant Audit Risks

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the pension fund.

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|--|--|
| <p>Management override of controls</p> <p>Under ISA 240 (UK) there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p> | <p>We have undertaken the following work in relations to this risk:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management. • Testing of journal entries. • Review of unusual significant transactions. | <p>Our audit work has not identified any evidence of management over-ride of controls. In particular, the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> |

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 29 November 2019.

Preparation of the financial statements

The Council presented us with draft financial statements in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit. However during the audit we were presented with a number of updated draft financial statements due to the high volume of amendments required which resulted in greater time to be spent and incurred additional fees.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit and Risk Committee on 16 November 2019.

In addition to the key audit risks reported above, we identified a number of issues and adjustments throughout our audit that we have asked the Council's management to address for the next financial year. These are:

- The Council should ensure that its quality control arrangements are enhanced to ensure that the draft financial statements are compliant with the statutory disclosure requirements before they are published as a draft.
- The Council should ensure that it enhances its arrangements for production and review of the draft financial statements.
- The Council should review its Accounting Policies and ensure that all material balances have an appropriate accounting policy which is disclosed in line with the Code.
- The Council should review the requirements of IFRS15 and consider the impact on the 2019-20 accounts at an early stage in the process. We will work with the Council to identify these requirements and ensure compliance with the code

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in and in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Pension fund accounts

We gave an unqualified opinion on the pension fund accounts of Merseyside Pension Fund on 29 November 2019. We also reported the key issues from our audit of the pension fund accounts to the Council's Audit and Risk Committee on 16 November 2019.

Whole of Government Accounts (WGA)

We carried out work on the Council's Data Collection Tool in line with instructions provided by the NAO . We issued an assurance statement which did not identify any issues for the group auditor to consider on 16 December 2019.

Audit of the Financial Statements

Other statutory powers

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We received an objection to the Council's 2015/16 accounts in relation to the Council's Lender Option Borrower Option Borrowing. The objector requested that we prepare a public interest report and apply to the courts for a declaration that Wirral Council's Lender Option, Borrower Option Borrowing is unlawful. We issued our provisional views to the objector in May 2019 and are considering the objector's response before issuing our final decision.

We also received an objection to the Council's 2018/19 accounts and also formal questions at audit. We are currently dealing with this formal correspondence.

Certificate of closure of the audit

We are unable to certify that we have completed the audit of the financial statements of Wirral Metropolitan Borough Council until we resolve the objections raised as detailed above..

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Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

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

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

We have continued our ongoing discussions with management to ensure we understand the issues the Council faces and the potential risks we should address. The main points to note in relation to the risks identified in 2018/19 are:

- The continuing budget pressures the Council faces, with the current year end forecast as at the end of quarter 2 showing an adverse variance to budget of £7.155m which is predominately due to increased pressures on children's services, specifically the high costs of residential placements due to market trends and complex needs.
- The level of achievable savings proposed for 2019/20. The Council approved £45m savings in March 2019 to balance the 2019/20 budget. As at quarter 2 £34.9m of these savings have been achieved and or expected to be achieved. Those areas in risk of not being delivered relate to children's services the transfers of the Floral Pavilion and Golf Courses to expert providers.

- Revisions to the Medium Term Financial Strategy 2020-2025 as reported to Cabinet in November 2019. There is uncertainty over the level of funding available from the Government for 2021/22 and beyond. The Council is forecasting a budget gap of £12.2m for 2020/21. Further savings proposals are under development. We will continue to monitor this situation and it is important the Council continues to take action to improve its financial sustainability.

Overall Value for Money conclusion

The Council continues to face a challenging financial position. Whilst progress has been made in respect of achieving the necessary savings, there is still uncertainty regarding the level of funding and transfers of assets has not materialised as expected.

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

Value for Money conclusion

Value for Money Risks

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|--|--|
| <p>Financial Planning and sustainability</p> <p>The Council continues to face an increasingly difficult financial position. The Medium Term Financial Strategy 2017-2021 set out a £132m budget gap and in July 2018 Cabinet agreed the updated Medium Term Financial Strategy with a budget gap of £25m for 2019/20 and £22m to be identified for 2020/21 to 2022/23.</p> <p>The Council recognises that the balanced position in 2017/18 and 2018/19 have been achieved, in part, through the use of “one-off” options including the use of balances and reserves.</p> | <p>We reviewed the arrangements that are in place for updating, agreeing and monitoring the Council’s financial plans including the assumptions within them. We identified that that Budget Monitoring Reports are produced and presented to Cabinet on a quarterly basis. These reports include updates on revenue and capital budgets and spend.</p> <p>The reports provide a useful breakdown of each individual earmarked reserve as well as the overall forecasted general reserves position as at 31 March 2019. The year end outturn report provides an assessment of the adequacy of reserves which considers future demands as well as highlighting future risks and opportunities.</p> <p>The Council agreed a net budget of £300.5m for 2018/19 in March 2018/19 which was subsequently amended to £301.9m in Quarter 2, largely due to the increased expenditure for the Children’s Services transformation programme of £1.1m. The year end 2018/19 position shows an underspend for the Council of £0.6m compared to the revised budget. This budget included the use of over £26m one-off measures to support the provision of services of which £14.3m related to the use of capital receipts.</p> <p>The general fund balance at March 2019 is £10.7m which is a decrease of £14.2m from the closing balance at March 2018. The Council has set a minimum general fund balance of £10m going forward which it considers to be a reasonable level in case of unforeseen financial difficulties. Overall available revenue reserves has fallen from £106m in March 2015 to £70m at March 2019.</p> <p>Looking forward, the revised MTFFS shows a cumulative budget gap of £67m over the four years with expected savings of £45m to be achieved in 2019/20 to balance the budget. The Council will no longer be looking to rely on one off funding to meet the provision of services. It is however, anticipating income to be generated through the Growth Company, with £5m expected to be received in 2019/20.</p> | <p>We have established that there are appropriate arrangements in place for the in year reporting and monitoring the financial position of both the revenue and capital budgets.</p> <p>Whilst the financial challenges facing the Council exist, it is clear that there is a five year financial plan which aims to tackle such challenges.</p> |

Value for Money conclusion

Value for Money Risks

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|--|---|
| <p>Ofsted inspection</p> <p>Ofsted issued a report on the Council's children's services in September 2016 which rated the service as 'inadequate'. Subsequently, the Council has undertaken a range of actions, significantly increased funding to the service and worked toward securing the required service improvement. Until such time as Ofsted has confirmed that adequate arrangements are in place this remains a significant risk to the Council's arrangements.</p> | <p>As part of our work we have:</p> <p>Reviewed the Ofsted monitoring reports received during 2018/19 which indicate that there has been a steady improvement since the 2016 inadequate rating. For example in September 2018 the report disclosed "The quality of social work practice in each case was effective and making a difference". The December 2018 monitoring report stated 'There has been significant work to improve the service offered to all care leavers since the inspection in 2016.'</p> <p>Ofsted have now issued their reinspection/follow up report (July 2019). The service is now rated as 'Requires improvement to be good'. The report confirms that improvements have been made and a better service for children is being delivered. Whilst not all areas have improved at the same pace, Ofsted acknowledge that the Council has clear plans in place to address this.</p> | <ul style="list-style-type: none"> • The improvement in Children's Services throughout 2018/19 is clearly demonstrated through the monitoring reports and reinspection report. • We are satisfied that actions are appropriately monitored and reported on. • That there were adequate arrangements in place during 2018/19. |

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and **provision of non-audit services**.

Reports issued

| Report | Date issued |
|-----------------------|---------------|
| Audit Plan | March 2019 |
| Audit Findings Report | November 2019 |
| Annual Audit Letter | January 2020 |

Fees

| | Planned £ | Actual fees £ | 2017/18 fees £ |
|-------------------------------------|----------------|------------------|-------------------|
| Statutory audit | 123,095 | 139,095 | 159,863 |
| Audit of Merseyside Pension Fund | 28,399 | 30,399 | 36,882 |
| Certification of claims and returns | 29,000 | 29,000 | 27,000 |
| Total fees | 180,494 | 198,494 | 223,745 |

Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £123,095 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These areas are set out in the following table.

| Area | Reason | Fee proposed |
|---|--|--------------|
| Assessing the impact of the McCloud ruling | The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements. | £3,000 |
| Pensions – IAS 19 | The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this. | £3,000 |
| PPE Valuation – work of experts | As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this. | £3,000 |
| Additional unplanned audit work | Additional unplanned audit work due to amendments to the draft financial statements. | £7,000 |
| Total | | £16,000 |

Fee variations are subject to PSAA approval.

A. Reports issued and fees continued

We confirm below our final reports issued and fees charged for the audit and **provision of non-audit services**

Fees for non-audit services

| Service | Fees £ |
|---|--------|
| Audit related services | |
| Housing Benefit Grant | 24,800 |
| Teachers' Pension Return | 4,200 |
| IAS 19 procedures for other bodies admitted to the pension fund (£750 per letter) | 7,500 |
| Non-Audit related services | |
| - CFO Insights | 13,000 |
| - ASCi pilot | 0 |

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.
- The table to the left summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.

Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach

Our relationship with our clients – why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.

New opportunities and challenges for your community

The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

Grant Thornton in Local Government

Our client base and delivery



- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.

Our connections



- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

Our people



- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

Our quality



- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQR

Our technical support



- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies



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