



Audit and Risk Management Committee

Date:	Monday, 5 July 2021
Time:	6.00 p.m.
Venue:	The Floral Pavillion, New Brighton

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AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

2. MINUTES (Pages 1 - 10)

To approve the accuracy of the minutes of the meeting held on 9 March 2021.

3. PUBLIC AND MEMBER QUESTIONS

Notice of question to be given in writing or by email by 12 noon, Wednesday 30 June 2021 to the Council's Monitoring Officer (committeeservices@wirral.gov.uk) and to be dealt with in accordance with Standing Order 10.

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Public and Member questions

Statements and Petitions

4. **INTERNAL AUDIT UPDATE (Pages 11 - 20)**
5. **CHIEF INTERNAL AUDITORS ANNUAL REPORT AND OPINION 2020-21 (Pages 21 - 44)**
6. **CORPORATE RISK MANAGEMENT UPDATE (Pages 45 - 54)**
7. **EXTERNAL AUDIT PLAN WIRRAL COUNCIL 2020-21 (Pages 55 - 82)**
8. **EXTERNAL AUDIT PLAN MERSEYSIDE PENSION FUND 2020-21 (Pages 83 - 106)**
9. **ANNUAL GOVERNANCE STATEMENT (Pages 107 - 140)**
10. **PROCUREMENT UPDATE (Pages 141 - 156)**
11. **REGULATION OF INVESTIGATORY POWERS ACT 2000(RIPA) (Pages 157 - 206)**
12. **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

The public may be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information.

RECOMMENDATION – That in accordance with section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business, on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part 1 of Schedule 12A (as amended) to that Act. The public interest test has been applied and favours exclusion.

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AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 9 March 2021

Present:

Councillor	K Hodson (Chair)	
Councillors	S Whittingham	AER Jones
	J Bird	T Cox
	K Cannon	I Lewis
	K Greaney	S Kelly
	D Burgess-Joyce	

23 WELCOME AND INTRODUCTION

The Chair welcomed Members of the Audit and Risk Management Committee, Officers and members of the public viewing online to the meeting.

24 APOLOGIES

No apologies had been received for this meeting.

25 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

Councillor Karl Greaney declared a personal interest in relation to item 5 by virtue of his position as a school governor.

Councillor Jo Bird declared a personal interest in relation to item 5 by virtue of her partners as a school governor.

Councillor S Whittingham declared a personal interest in relation to item 5 by virtue of his position as a school governor.

Councillor A Jones declared a personal interest in relation to item 5 by virtue of his position as a school governor.

26 MINUTES

Resolved – That the minutes of the meeting held on 25 January 2021 be approved.

SCHOOL BUDGETS & SERVICE LEVEL AGREEMENTS

Shaer Halewood, Director of Resources introduced the report which outlined the factors which led to Woodchurch Road Primary School reporting a deficit of £442,901 by the end of the 2018/19 financial year and what was in place to prevent a similar situation occurring in other schools. The report also considered the arrangements in place within the Council to manage school budgets including licensed deficits in its schools and to manage Service Level Agreements (SLAs) with schools.

Members were advised that as of 31 December 2018, the projected budget deficit for the school for the year – ending 31 March 2019, as reported to the school's Finance Committee on 6 March 2019, was £32,754. Members then heard how the actual budget deficit at year end was £442, 901.

The report outlined to Members that the primary reason for the sudden change in reported deficit was that, to the Council's knowledge since 2014/15, debtor and payment in advance accruals at the year end had been inflated. A result of this had been a falsely reported increase in the level of income and reducing the level of expenditure in the current year, thus concealing the true financial position in school financial reports. Members heard how this practice, and therefore the true financial position became evident in March 2019.

Members were assured how, as a result of issues arising at Woodchurch Road Primary, additional control measures had been put in place that will mitigate the future risk of the primary issue that led to the budget deficit occurring again. Members heard how the school had acted quickly to strengthen controls once the true deficit became apparent in March 2019. Actions taken included:

- purchasing the Premium Bursar service from the Council's LMS Finance team;
- reviewing all relevant procedures in school and introducing additional person checks where appropriate;
- attending Finance training provided by the Council's LMS Finance team;
- promptly actioning audit recommendations;
- introducing additional checks for the review and sign-off of accruals.

It was further reported that some changes have also been made by the Council's LMS Finance team to budget monitoring and budget setting reports to improve reporting and more clearly identify the in-year saving / deficit position.

Members had been advised at the previous meeting of the Audit and Risk Management Committee that a report had been suggested to be put to the

Children, Young People and Education Committee. Members then heard that upon agenda setting with lead officers and the Chair and Spokespersons for the Committee, it was advised that a workshop would be best placed to inform Members and would be arranged in due course.

In response to a question by a Member, the Committee heard how Finance Officers are continuing to be proactive with schools and that there is a programme in place to assist schools with their governance arrangements.

In response to a further question, Members were advised that the standard Service Level Agreement that Woodchurch Road Primary School had purchased from the Council had been basic and the Council's Local Management for Schools service (LMS) had not been obliged to check transactions under the terms of the SLA. Members heard that additional controls have now been put in place in order to mitigate risk of a similar occurrence as reported earlier.

In response to a question by a Member the Committee heard that whilst other concerns had been raised surrounding additional school, but the matters are not of the same nature.

Members were assured that a full review of the school would take place in the future to ensure that a similar situation does not occur.

On a motion by Councillor S Whittingham and seconded by Councillor S Kelly it was

“Wirral Council continue to work with the school in a constructive way to minimise job losses and the effect on children.

The motion was put and unanimously agreed

Resolved – That

- 1. the report be noted and;**
- 2. Wirral Council continue to work with the school in a constructive way to minimise job losses and the effect on children.**

28 **INTERNAL AUDIT UPDATE**

Mark Niblock, Chief Internal Auditor, introduced the report that summarised the work of the Internal Audit Service for the period 1 January to 28 February 2021. The report identified the significant impact of the Covid-19 pandemic on scheduled audit work and included an analysis of planned work for the remainder of 2020/21.

The report identified to Members some of the impacts of the pandemic on the normal work of the team including the increased demands outside of the norm to address additional risks presented and the impact of this on routine planned work. The report focused on the following:

- The ongoing impact of Covid19 on the Internal Audit Plan 20/21
- Internal Audit Activity for the Jan – Feb 21 reporting period
- Planned Internal Audit work for the remainder of the year
- Any item of note arising from audit work undertaken the require action.

Members were advised of the significant impact of the Pandemic with many services across the Council unable to continue to deliver normally ad many activities suspended. Members then heard how consequently, and as reported previously many internal audits have had to be suspended with the team deliberately refocussing its activity towards supporting the corporate response to the pandemic, utilising its considerable expertise in governance, controls and risk.

The Chief Internal Auditor reminded Members that the revised Internal Audit Plan was endorsed by the Audit and Risk Management Committee in November 2020 and included targeted audit work aimed at evaluating the effectiveness of controls in operation. Members heard how each audit would culminate in a detailed report for senior management and would identify any areas requiring attention/action and outcomes including progress updates be reported to this Committee.

Of particular interest, Members heard how a piece of work had been undertaken to appraise controls over the operation of payment to the Wirral Growth Company and findings are currently being collated. Members were advised that this audit report is currently being drafted and contains a number of actions to improve systems in operation in the following areas: evidence trails for approvals; access to payment records and reconciliation of balance of partner costs.

Members then heard how there had also been some work undertaken with Merseyside Pension Fund in order to analyse and identify the impact of covid in relation to risk management, VAT compliance and Benefits. Members then heard how work on cyber security is now coming to a conclusion with the overall conclusion that there are some good controls in place but arrangements would be regularly reviewed particularly with reference to the new working landscape.

Members of the Committee were informed that there are currently no outstanding items of note/ action that require escalation by this Committee

In response to a question by a Member the Committee heard how there were seven recommendations that had come from an extended follow up audit of the Treasury Management system. The review identified that of the original seven recommendations, four had been fully implemented and three were still outstanding which had resulted in moderate organisational risk. Members heard how progress with implementing the outstanding recommendations had been delayed due to the impact of Covid 19 on the Treasury Management function but assurances had been obtained that action will be taken and a new target date has been agreed. Members were advised that a follow – up audit will be scheduled within the Audit Plan 2021/22.

In response to a further question, the Chief Internal Auditor advised that in relation to the Audit work that had recently been completed to evaluate and appraise controls in operation over the Wirral Growth Company Payment systems, Members would be informed of progress at the meeting for the Audit and Risk Management Committee in June 2021.

Resolved – That the report be noted.

29 CORPORATE RISK MANAGEMENT UPDATE

A Report by the Director of Resources provided an update on the Council's risk management arrangements and areas of risk management focus over the coming year.

Members were advised that given the short reporting period between this meeting and the last update to the Committee there had been limited change in the position as previously presented. Members heard how work is progressing in many areas, however, the third national lockdown and preparations for the relaxing of measures had led to some interruptions and distractions with some developments and activity being delayed.

It was reported that a meeting of the Member Risk Sub-Group was held on 9 February with the Chair and Spokespersons of the Committee. Members heard how the meeting had consisted of a short training and development session on the basics of risk management and the framework used across the Council, followed by a discussion on the list of Corporate Risks and other areas of concern and interests. Members were advised that further meetings would be arranged for the new municipal year and that suggested subjects for discussion are the consideration of the risk appetite for the organisation, the balance of high impact/ low likelihood risks as well as options for a “ deep dive” into specific risks to gain an understanding and assurance of the processes and practices in place.

Members were advised that discussions had been ongoing in February to agree the Council priorities and key activities for the year ahead. The Committee then heard how consideration is also being given to the reporting lines for escalation of issues and risks and they were advised that the Organisational Performance Group will act as a conduit for directorates to share information and escalate issues/risks as well as areas for collaboration to the Senior Leadership Team.

A list of corporate risks was appended to the report and members were advised that a number of corporate risks need to be considered following significant activity over recent months including. Members heard how an updated list of corporate risks with scores and planned actions will be presented to the next committee.

Resolved – That the report be noted.

30 INTERNAL AUDIT COUNTER FRAUD REPORT

A report by the Chief Internal Auditor updated the Audit and Risk Management Committee on the activities of the Counter- Fraud Team within Internal Audit and provided details of the outcome of a recent review of the Council's overall Counter Fraud and Corruption arrangements.

Detailed within the report were the main areas of fraud within the public sector and Members were advised that Local Authorities face a significant fraud challenge and fraud costs local government an estimated £2.1bn a year. The report informed the Committee that the current COVID-19 pandemic has increased risks to the local authority. In particular, Members heard how remote working reduces the level of management oversight; more money had been spent to maintain services and support those in need; unscrupulous fraudsters have targeted local authorities and service users.

Members were advised that the team oversees and co-ordinates the Council's involvement in the National Fraud Initiative (NFI) which the Council is required by law to participate in. The report advised that this is a national exercise using data matching audit techniques and that council- wide data sets are uploaded to the Cabinet Office website, which are then matched with data within and between participating bodies to identify potential frauds, overpayment, and errors.

Members heard how the Chief Internal Auditor was pleased to report that there had been a high degree of compliance with the CIPFA " Code of Practice on Managing the Risk of Fraud and Corruption"

In response to a question by a Member the Chief Internal Auditor advised the Committee that Councillors can assist the Audit Department by raising

awareness and alerting members of the public to threats and risks and to provide advice about where to go and obtain advice and guidance and how to report it.

In response to a further question, Members heard how the Covid Act and procurement processes being relaxed has had an ability to undertake planned audit work, however, the Team had managed to integrate themselves into governance processes and were proactive in helping officers to build systems that had controls built into them.

Resolved – That the report be noted.

31 INFORMATION GOVERNANCE UPDATE

A report by the Director of Law and Governance provided an update on the work being done to sustain and deliver effective information management relating to information governance across the Council, reducing the risk of reputational damage and monetary penalties.

It was reported that the Council's information governance arrangements were reviewed in advance of the General Protection Regulation (GDPR) which came fully into force in May 2018. Members were reminded that GDPR was the first real change to data protection legislation in the past 20 years and this also led to the Data Protection Act 2018 being enacted.

Members were advised that following the review of Information Governance and Data Protection arrangements it was established that two key risks warranted inclusion on the Corporate Risk Register as follows:

- CRR23 – Cyber Security, the risk description states that “ IT security is insufficient to deter, detect and prevent unauthorised access to IT systems, resulting in loss of data and disruption to Council Services”.
- CRR24 – Information Management which states that “Failure of the Council to comply with relevant data and information management legislation which may lead to loss or breach of personal data creating security or reputational damage”.

Members were informed that in light of COVID 19 there had been a push to work more with NHS and public health England to move data legally. There had been many data sharing agreements drawn up and advice given.

The Chair identified that during 2020 there was a drop in the number of Freedom of Information (FOI) requests and heard that the Department had been proactively published information of interest to the public by reviewing patterns of the nature of FOI requests.

In response to a question by a Member, the Information Governance Manager informed the Committee that in the future figures could be presented within the report in relation to cases that had been referred to the regulator, the Information Commissioners Office (ICO) and what the ICO had found so that lessons learnt can be identified. Furthermore, figures pertaining to time limits of FOI request completion would also be included in the report in the future.

In response to a further question by a Member, the Committee heard how in relation to the ongoing global pandemic the rate of response to FOI's has not been affected, with the exception of the short period over the Christmas Shutdown when response rate dipped slightly. Members were advised that the ICO are satisfied with the Council's response rate.

Members were then advised that there have been steps to mitigate risks of home working such as online training for staff, guidance on use of Teams, advice on how to adapt working environment.

Resolved – That the report be noted.

32 **ARMC INDEPENDENT MEMBER**

A Report by the Chief Internal Auditor updated Members on progress that is being made by Officers to appoint an independent non-elected Member to the Audit and Risk Management Committee in compliance with the Committee's Terms of Reference and actions identified in the recent Ministry of Housing, Communities and Local Government Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (Redmond review)

In response to a question from a Member, the Chief Internal Auditor advised that the position would be unpaid and that he had worked closely with colleagues in HR and Democratic Services in place with reference to obligations under the Equalities Act. In addition, conversations are being had regarding a form of payment in terms of a reasonable expense to the ARMC Independent Member.

in HR and DS get a job spec in place, taking from equalities advice

MN – In line with other

Talking to colleagues about form of payment – we are looking into that and can provide with further updates

Resolved – That the report be noted.

EXTERNAL AUDITORS ANNUAL AUDIT LETTER 2019-20

A Report by the Director of Resourced advised Members that the Council's external auditors (Grant Thornton) completed the Council's main audit 2019-20 Accounts in January 2021 and that the findings were reported to the Committee in the form of the Audit Findings Report in January.

Members were advised that the auditors are also under a duty to provide a shorter summary of the key issues/ findings from their audit for consideration by a wider audience across the Council, Pension Fund and its key stakeholders.

Mark Stocks, External Auditor addressed the Committee to inform that Grant Thornton had now produced its Annual Audit Letter that was appended to the report. The letter contained a summary of the relevant findings in a form which is more readily accessible to members of the public. Members heard how the letter would be made available alongside the Accounts on the Council's website.

Members were advised by the External Auditor that the Council is in a difficult financial position, however progress is being made. Most notably with reference to the council's reserves, the position has improved. Members heard how a Capitalisation Grant had been approved so that the Council is in a balanced position by the end of the financial year.

In response to a question by a Member, the Committee heard how there is an onerous contract in relation to PFI liability as a result of the closure of the former Kingsway Academy School, the Council still has a contractual obligation to make the PFI unitary payments to the PFI Partner, Wirral Schools' Services Ltd. In relation to this matter, the External Auditor advised that he was not aware of any other Wirral Schools in this position.

In response to a further question, Members heard how other Councils and Bodies throughout Northern regions of England had experienced similar difficulties in relation to COVID-19, however, many other Councils in the area have not been in the position to need to apply for a Capitalisation Grant

Resolved – That the Audit and Risk Management Committee approve the Annual Audit Letter and approves onward publication on the Council website

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AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY 5 JULY 2021

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

REPORT SUMMARY

This report analyses and summarises the work of the Internal Audit Service for the period 1st March to 31 May 2021, identifying the significant impact that the Covid19 pandemic continues to have on scheduled audit work and includes an analysis of planned work for the next quarter.

RECOMMENDATION

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 the Chartered Institute of Public Finance Accountants (CIPFA) and the Chartered Institute of Internal Auditors (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 involves audit reports summarising audit work completed being presented to this Committee at scheduled meetings on a timely basis. Following the outbreak of the Covid19 pandemic, scheduled normal routine planned audit work has had to be adjusted to accommodate a significantly changed operating environment as reported to this Committee in November 2020, and updated in January and March 2021.
- 3.2 This report identifies some of the impacts of the pandemic on the normal work of the team including the increased demands outside of the norm to address additional risks presented and the impact of this on routine planned work. This report therefore focusses on the following:
 - The ongoing impact of Covid19 on the Internal Audit Service
 - Internal Audit Activity for the March – May 21 reporting period
 - Planned Internal Audit work for the next quarter of 2021/22
 - Any items of note arising from audit work undertaken that require action.
- 3.3. **Internal Audit Plan**
- 3.4 The Internal Audit Plan for 2020/21 was reported to the Audit and Risk Management Committee in March 2020 and a revised plan following the arrival and impact of the Covid19 pandemic presented in November 2020 and endorsed by the Members for delivery during the remainder of the year. Updates on this were provided to Committee in January and March 2021 meetings.
- 3.5 The pandemic has had a significant impact on the Internal Audit Service with many services across the Council unable to continue to deliver normally and many activities suspended. Consequently, and as reported previously many internal

audits had to be suspended with the team deliberately refocussing its activity towards supporting the corporate response to the pandemic, utilising its considerable expertise in governance, controls, and risk in the following areas. Much of this activity has continued during the current reporting period with a slightly revised focus to accommodate the changing environment and the phased return to levels of normality and business as usual by some service areas:

- Supporting the revised governance operations established by the Council to oversee and manage corporate activity during this stage of the pandemic.
- Providing direct input to the development of processes and procedures and controls over systems implemented during the pandemic.
- Continued direct involvement in the control systems established for the payment of support grants during the pandemic and completion of post payment assurance checks.
- Evaluation of the threats posed by fraudsters and the subsequent development of a comprehensive publicity campaign.

3.6 In addition to the adjustments identified in the revised Audit Plan, the service has also revised its approach to work being undertaken for the immediate future. As previously reported, this has involved streamlining processes, procedures and work programmes as well as reducing the content and presentation of audit reports and supporting working papers to ensure that minimal resource is utilised on this activity and more time focussed productively upon actual review and testing. This type of operating does not fully comply with the requirements of the Public Sector Internal Auditing Standards so consequently will be a relatively short-term measure introduced for the duration of the pandemic and supported by the respective professional bodies during extraordinary circumstances.

3.7 **Internal Audit Activity for the Mar to May 21 Reporting Period**

Internal Audit activity during the reporting period has been focussed in the following areas:

3.8 Continuing to support the revised governance arrangements established by the Council to oversee and manage corporate activity throughout the pandemic and designed to ensure that the Council's response remains appropriate and proportionate and delivers the many regional and national schemes introduced to support both the public and local business, challenging activities where appropriate and providing active ongoing advice and guidance;

3.9 Providing direct input to systems implemented to facilitate the delivery of various government schemes. Examples of this include Local Restrictions Support Grants and Track and Trace initiatives;

Key Financial Systems Covid19 Impact Reviews

3.10 A generic audit programme was developed in accordance with the best practice guidance issued by both CIPFA & CIIA in order to review the risks and impacts of the Covid19 situation on the operation of the key financial systems. The aim of the programme was to identify the key risk areas for discussion with system managers.

The audit objective was to determine the key impacts on the effective operation of the system emanating from the Covid19 pandemic and provide managers with reasonable assurance that the risks have been considered and mitigated where appropriate. All the following systems have now been reviewed and actions agreed with the relevant System Managers which will be followed-up as part of the Internal Audit Plan for 2021/22:

Accounts Payable	Accounts Receivable
Benefits	Collection Fund
Income Control	Payroll
Client Finance Support Unit	Personal Finance Unit
Merseyside Pension Fund.	

Merseyside Pension Fund - Northern LGPS Custodian Arrangements

- 3.11 The Northern LGPS (investment pool) was formed as a partnership between the Merseyside Pension Fund (Wirral Council), West Yorkshire Pension Fund (Bradford Council) and Greater Manchester Pension Fund (Tameside Council), in reaction to Central Governments, Local Government Pension Scheme Investment Reform Criteria and Guidance issued in November 2015. As part of the formation of the Northern LGPS, a procurement exercise was carried out to appoint a common custodial service provider. This exercise resulted in the appointment of the Northern Trust Bank as common custodial provider to the Northern NLGPS, an institution which was already being used for this purpose by Merseyside Pension Fund. The Audit Managers for each of the three Pension Funds, have formed a collaborative working group which now meet regularly, allowing for an exchange of audit ideas and knowledge. As part of this link up, there was a will to perform a collaborative piece of audit work to look at the arrangements which surround the use of the Northern Trust Bank as common custodian.
- 3.12 An audit was completed as part of the 2020/21 MPF Internal Audit Plan to ensure that the key risks associated with the systems and procedures with regard to the activities undertaken by the custodial provider, are appropriately addressed. The review identified that adequate systems and effective controls are in place to ensure that the financial assets of the Merseyside Pension Fund and Northern LGPS are appropriately safeguarded.

Merseyside Pension Fund – Transfers Out

- 3.13 An audit has been undertaken of the Transfers Out system as part of the 2020/21 Internal Audit Plan at the request of the Head of Pensions Administration to ensure that the risks associated with this system are appropriately addressed. From the 6 April 2015, new pensions legislation came into effect, giving members of defined contribution (DC) schemes more flexibility in obtaining access to their pension savings. As the new flexibilities do not apply to defined benefit (DB) schemes, such as the LGPS, these changes have had the potential to increase the number of transfers from the LGPS, into DC schemes. The Pensions Regulator has issued guidance for transferring pensions from a DB Scheme to a DC Scheme. In 2019, the Pension Ombudsman dealt with a complaint from an LGPS member, who transferred their benefits out of the LGPS. The Ombudsman ruling was that the particular pension fund had failed to carry out appropriate due diligence before

transferring the member's benefits over, and as a result the pension fund was required to reinstate the member's accrued benefits and pay the member compensation for the distress and inconvenience caused. Further guidance has been issued by the LGA and the Pensions Regulator to ensure that Pension Funds have sufficient controls in place to prevent Members becoming the victims of pension transfer scams. During this current Covid 19 pandemic, there has been an increase in the number of scammers targeting individuals to transfer their benefits.

- 3.14 The audit objective was to determine whether the controls within the Transfers Out system are robust and provide reasonable assurance that the associated financial transactions are valid and accurate. The audit focused on the risk areas of: authorisation & supporting documentation; calculation; due diligence; regulatory compliance and potential scams. The review identified that overall a robust and effective control environment for the Transfers Out system that complies with regulatory requirements and an associated minimal risk of the Member / Fund being victim to an attempted pensions transfer scam.

Capital Financing

- 3.15 An extended follow up audit has been conducted of the Capital Financing system within the Finance Section of the Resources Directorate. The original audit was completed in November 2019 and this audit was to determine the progress made in implementing the previously agreed audit recommendations and to re-evaluate the current organisational risk. The work identified that of the original five recommendations, one had been fully implemented, two partially implemented and two recommendations were still outstanding which has resulted in a moderate organisational risk rating. Progress with implementing the outstanding recommendations has been delayed due to the impact of the Covid19 situation on the function but assurances have been obtained that the necessary action will be taken and new target dates have been agreed. A further follow-up audit will be scheduled within the Internal Audit Plan 2021/22.

Cyber Security

- 3.16 It is acknowledged that the Digital and Improvement Section have been under enormous pressure during the pandemic due to significant demands from the workforce for alternative and more agile ways of working combined with increasing requests for innovative solutions to delivery problems presented. As a result, Internal Audits ability to complete targeted work to evaluate the effectiveness of the Council's arrangements to combat enhanced cyber threats during the pandemic has been somewhat restricted. Audit work has however continued and is now nearing completion with emerging findings currently indicating that whilst there are a number of effective controls in place to protect the Councils network from cyber criminals who are constantly attacking it by using known and new innovative techniques, there are a number of areas that require development. The Council's network needs to be constantly monitored and reviewed which is currently being undertaken effectively, however reporting upon this is not currently as robust or effective as required. A number of recommendations in this area from a previous audit also remain incomplete and whilst understandable under the circumstances, have as a result had their priority rating increased and these actions reiterated to management and the Information Governance Board for implementation at the

earliest convenience. In our opinion one of the Council's biggest vulnerabilities, as with any other similarly sized public sector organisation is its users, either accidentally or maliciously, therefore we have recommended that additional attention should be focussed on ensuring that all Members and Staff complete the mandatory cyber security training as soon as possible and any risks associated with this are included on the service risk register and mitigated/managed appropriately.

Treasury Building Data Centre

- 3.17 The Treasury Building is currently subject to a lease agreement, although remains the primary data centre for the Council's digital provision. The Data Centre houses servers that store all of the information about the Councils customers and financial transactions and is therefore highly sensitive and confidential, so it is imperative that it is secure. In addition, the digital kit in use at the centre has a financial value in the region of £2m.
- 3.18 Immediately prior to lease agreement being instigated Internal Audit undertook a site visit to the Data Centre to evaluate the effectiveness of the physical and environmental controls in operation that would remain in place after completion of the sale, including any additional measures planned. The audit has identified that whilst many operationally effective controls are in place improvements are required in a number of areas to ensure that the Councils data and physical assets remain robust and nine recommendations for implementation were agreed with management covering the following:
- Environmental protection controls
 - Physical security
- 3.19 Whilst Internal Audit have not conducted a follow up site visit at this time assurances have been provided by management that agreed actions have been undertaken and photographic evidence is being provided to support this.

Annual Governance Statement

- 3.20 Work undertaken this quarter has included the annual review of the effectiveness of the Council's governance framework and drafting the Council's Annual Governance Statement (AGS) as the outcome of this review for 2020/21. Key elements of the review included:
- Completion of Governance Assurance Statements by each of the Council's Senior Leadership Team (SLT), with additional returns by the S151 and SIRO for their formal roles.
 - One to One discussions with each member of the SLT to gauge their views on progress and areas for improvement in respect of each of the seven principles in the CIPFA/SOLACE Framework for good governance.
 - Seeking updates from Directors in respect of actions taken for the Significant Governance Issues (SGIs) included in last year's AGS and actions planned in 2021/22 for SGIs identified in this year's annual review.
 - Review of Internal Audit work completed in the year.

- Consideration of any significant internal or external reviews of governance, including reviews by external audit and other review agencies / inspectorates as applicable.

The outcome of the annual review is set out in detail in the AGS, together with the overall assessment and is included elsewhere on the agenda for this meeting.

Liverpool City Council Best Value Inspection Report

- 3.21 Following a request from the Chief Executive, Internal Audit are currently undertaking an exercise to identify the key action/learning points detailed in a report commissioned by the Secretary of State into the findings from Liverpool City Council's Best Value Inspection Report (LCC BVR) and to seek assurances regarding the robustness of Wirral Council's working arrangements, so that the Council can provide its stakeholders with assurances regarding the effectiveness of its systems and controls.
- 3.22 The LCC BVR focused on the Highways, Regeneration and Property Management functions and the following was identified during the review:
- Serious failings in both governance and practice in those areas of the council, subject to the inspection.
 - Major gaps in what would be normal documentary evidence to support the decisions and actions of the council at both member and officer level, particularly in Regeneration.
 - Insufficient resource at the top and in the corporate centre of the council to drive changes and embed them council-wide, given the recovery challenge.
 - A failure to demonstrate compliance with the statutory requirements with respect to 'Best Value' in the areas of the inspection.
 - The Highways service operating without a coherent business plan, direction or forward vision and a reluctance to make use of central procurement expertise and compliance with standing orders was poor.
 - The Property Asset Management service lacked senior direction and support to use property assets strategically to deliver sustainable regeneration projects in support of the corporate objectives of the council; and played a low-level role in property transactions.
 - Property disposals followed a "disappointingly familiar pattern" where the interests of the council were not always protected.
 - Both councillors and officers had a limited understanding of declarations of interest and hospitality registers.
 - There was a lack of appreciation of the Nolan principles and the requirements of the Members Code of Conduct.
- 3.23 Internal Audit developed a work template for this exercise that has subsequently been utilised across the region and has involved liaising with Senior Officers within Wirral Council to review findings and recommendations detailed in the LCC BVR relating to their area of operation and provide a response regarding the effectiveness of arrangements at Wirral Council, which Internal Audit subsequently challenged and tested as appropriate. Upon completion of this work a report will be

presented to the Chief Executive, relevant senior officers and Members as well as this Committee.

Planned Internal Audit Work for Qtr 1-2 of 2021/22

3.24 The revised Internal Audit Plan as endorsed by this Committee in November 2020 includes targeted audit work aimed at evaluating the effectiveness of controls in operation in the following areas during the remainder of this quarter. Each piece of work has been identified for review based upon the significance of the risks presented in these areas and the corporate impact associated with failure of the control systems in operation. Each audit will culminate in a detailed report for senior management and identify any areas requiring attention/action and outcomes including progress updates be reported to this Committee:

- Merseyside Pension Fund – Benefits Payable
- Wirral Growth Company – Governance and Financial Systems
- Business Grants - Post Assurance Checks
- Financial Resilience – Budget Processes review
- Corporate Governance – Compliance Reporting
- Safeguarding Adults – Review and Testing
- Business Planning and Performance Management
- Information Governance – review of current arrangements
- Section 106 Compliance Arrangements review
- Schools / Academy Schools

Items of Note/Action

3.25 There are currently no outstanding items that require escalation or action by this Committee.

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. This is mitigated by a robust system of follow up, reporting and escalation of audit matters.

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.

This is mitigated by comprehensive governance and reporting systems developed and implemented in compliance with relevant professional standards.

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 of CO2/greenhouse gases.

REPORT AUTHOR: **Mark P Niblock**
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APPENDICES

None

BACKGROUND PAPERS

Internal Audit Plan 2020/21

Revised Internal Audit Plan – Nov 2020

SUBJECT HISTORY (last 3 years)

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

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AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY 5 JULY 2021

REPORT TITLE:	CHIEF INTERNAL AUDITORS ANNUAL REPORT AND OPINION 2020/21
REPORT OF:	CHIEF INTERNAL AUDITOR

REPORT SUMMARY

The Internal Audit Service plans and completes audits to review relevant areas of risk to the Council.

Reports, including recommendations produced following audits are presented to managers. A summary report is produced annually by the Chief Internal Auditor and an overall opinion provided as to the effectiveness of the Council's control environment.

This report presents the Chief Internal Auditors Annual Report for 2020/21.

RECOMMENDATION

Members of the Audit and Risk Management Committee note the report.

SUPPORTING INFORMATION

1. REASON FOR RECOMMENDATION

- 1.1 To provide the Members with assurance that the Council is taking appropriate measures to comply with statutory requirements to provide an adequate and effective internal audit service.
- 1.2 To ensure that risks to the Council are managed effectively.
- 1.3 To ensure that the Council complies with best practice guidance identified in the Chartered Institute of Public Finance Accountants (CIPFA) publication 'Audit Committees: A Practical Guidance for Local Authorities and Police 2018'.

2. OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3. BACKGROUND INFORMATION

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

CHIEF INTERNAL AUDITORS ANNUAL REPORT 2020/21

- 3.3 The attached Chief Internal Auditors Annual Report specifies the Internal Audit assurance opinion on key areas of the Council's activity for 2020/21.
- 3.4 Audit work conducted during the year has been significantly affected by the Covid pandemic and the Internal Audit Plan for 2020/21 revised to accommodate work undertaken to support the Councils response to the Covid pandemic. Some scheduled audits have been undertaken in accordance with the plan and alongside targeted Covid work to support the annual opinion.
- 3.5 The Internal Audit Plan was compiled on a risk assessment basis that included consideration of the sensitivity and complexity of all risks identified. Client requests, systems being developed, and the availability of resources were also other factors also taken into account during the year.
- 3.6 The Internal Audit Plan was approved by this Committee in March 2020 and subsequently revised following the onset of the Covid pandemic and further approved by this Committee in November 2020.

4. FINANCIAL IMPLICATIONS

4.1 There are none arising from this report.

5. LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6. RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising from this report.

7. RELEVANT RISKS

7.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives. This is mitigated by a robust system of follow up and escalation of audit matters.

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. This is mitigated by comprehensive governance and reporting systems developed and implemented in compliance with relevant professional standards.

8. ENGAGEMENT/CONSULTATION

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

9. EQUALITY IMPLICATIONS

9.1 There are none arising from this report.

10. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

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

REPORT AUTHOR: Mark P Niblock
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APPENDICES

Chief Internal Auditors Annual Report 2020/21

BACKGROUND PAPERS

Internal Audit Plan 2020/21

Revised Internal Audit Plan 2020/21 (Nov 2020)

CIPFA Publication: Audit Committees a Practical Guidance for Local Authorities 2018

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Annual Report

**Chief Internal Auditor's
Annual Report and Opinion on the System of Internal Control
2020/21**

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

Executive Summary

1.1 Introduction

In accordance with the Public Sector Internal Audit Standards (PSIAS), as the Chief Internal Auditor for the Council I am required to provide an annual opinion on the overall adequacy and effectiveness of the organisation's control and governance processes. This is normally achieved through the delivery of a risk-based plan of work (the Internal Audit Plan) agreed with officers and Members. For 2020-21 however, the delivery of the Internal Audit Plan that was presented to the Audit and Risk Management Committee in March 2020 was almost immediately curtailed by the onset of the Covid pandemic, with auditors reassigned to support the enormous corporate operational response to this and routine scheduled audits postponed. It was still anticipated at the time that a range of audits in targeted areas would be conducted, however as the year progressed and the pandemic worsened it became apparent that the Council lacked the capacity to be audited and that audit skills and expertise were more effectively utilised supporting governance systems in operation, providing advice, guidance and challenge as appropriate. A revised and much streamlined Internal Audit Plan was presented to the Audit and Risk Management Committee in November 2020 and a number of targeted audits delivered since then.

The usual comprehensive year end audit outturn summary upon which my annual opinion is normally largely based is therefore not available this year and the opinion that I provide within this report is supported by other evidence including audit activity across a range of other areas as detailed in this report.

1.2 Overall Assurance

In providing an opinion it should be noted that assurance can never be absolute. The work of Internal Audit can only provide reasonable assurance that there are no major weaknesses in the Council's control and governance processes. The opinion provided is based on the work completed by internal audit and reported to the Audit and Risk Management Committee. It must be noted that there may be weaknesses in the Council's systems of internal control that have not been identified if they did not form part of the programme of audit work completed or were excluded from the scope of individual internal audit assignments.

1.3 Opinion

In my opinion, during 2020/21 the Council has generally maintained adequate and effective control and governance processes overall. This opinion is based on a range of audit activity completed during this very challenging year and from my cumulative knowledge and experience of the organisation including my judgements about the calibre and actions of its senior management team during the pandemic and an understanding of the organisations direction of travel.

There has been positive engagement with management throughout the year and where audit work has identified weaknesses in the design or application of controls agreement reached regarding required actions.

Section Two

Basis of the Opinion

2.1 Planned coverage and output

As a direct consequence of the onset of the Covid pandemic the Internal Audit Plan for 2020/21, which was presented to the Audit and Risk Management Committee in March 2020 for delivery during the year, was curtailed and audit activity refocussed to support the enormous corporate operational response to the crisis. The Council implemented an effective command and control system that involved the formulation of a number of governance cells to oversee and deliver activities across a range of areas reporting through tactical and strategic command groups. Internal Audit and Risk were represented on each of these cells as well as the Chief Internal Auditor being a member of the Tactical Command Group, overseeing operations and utilising its considerable skills and experience to provide advice and guidance on risk and control, supporting initiatives through constructive challenge where appropriate. In addition, Internal Audit has undertaken a significant amount of work during the year directly supporting the Council's response to Covid across a number of national and local initiatives including the payment of grants to support local businesses, track and trace, early years support and foodhub activities, advising on control and governance arrangements as well as undertaking validity and accuracy checks pre and post funding payments.

More recently, during the recovery stages of the pandemic, the Internal Audit Service returned to a streamlined level of more normal audit activity and a revised Internal Audit Plan was presented to the Audit and Risk Management Committee in November 2020. The completion of this work in a number of key areas of the organisations activities as well as the significant targeted work undertaken by the team to challenge and support the corporate Covid response activity is considered, during this quite exceptional year, sufficient and wide-ranging enough to allow a confident and evidence-based annual audit opinion. It is important to note however that whilst the work undertaken is considered sufficient to support the annual opinion for 2020/21 during this exceptional year, the work completed is not comprehensive and would not provide all of the necessary assurances regarding risks to the Council during a normal year.

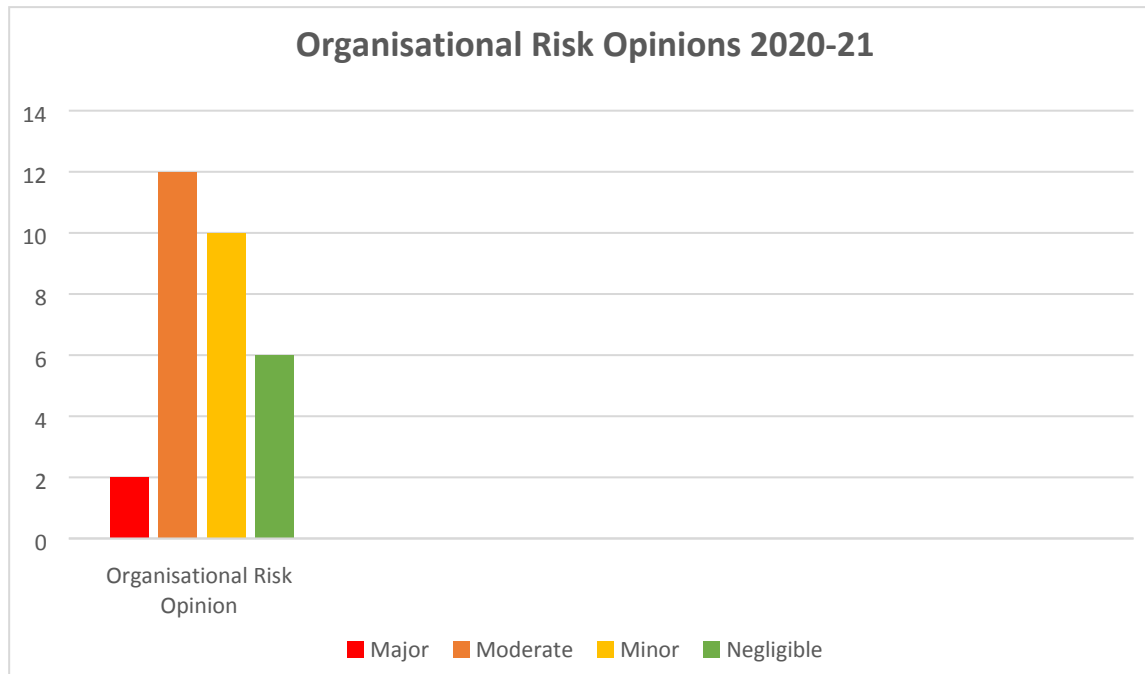
2.2 Summary of work supporting the opinion

The audit work undertaken that forms the basis of the opinion includes:

- The work of Internal Audit in challenging and supporting the Council's governance arrangements implemented during the pandemic.
- Assessment of risk management arrangements implemented across business areas in response to risks presented throughout the pandemic.
- Assessment of the range of audit opinions arising from audit assignments completed during the year. This assessment takes account of the relative materiality of areas audited and includes the development and utilisation of audit programmes for key financial systems to evaluate the risks and impacts of Covid on these systems and mitigating actions taken by management.
- The development and delivery of a plan of work for the Merseyside Pension Fund that included Covid impact assessments, and for which separate reporting arrangements are in operation in accordance with the service level agreement.
- Assessment of management's responses to Internal Audit's recommendations and the progress made in addressing risks and issues identified through audit work.
- Discussions with senior managers from across the organisation throughout the pandemic to contribute to developing appropriate responses to evolving risks and threats presented in line with government requirements and best professional practice.

2.3 Audit assignments completed

A full list of the audit assignments that have helped inform the opinion is provided in Appendix A. The list identifies a wide range of different types of audit activity undertaken during the year, where actual planned audits have been completed each of these is graded in terms of the risk to the organisation and how well risks were managed in the area under review. Four different levels of opinion are used: major, moderate, minor and negligible. Definitions of the assurance levels are provided in Appendix B. Where audit work comprises Covid supporting activity, either providing support and guidance or direct involvement in systems designed to address challenges presented, it has not been possible to provide this risk opinion, however audit involvement has been provided in compliance with best professional practice to support effective control and governance principles. For those opinions provided the chart below analyses the audit opinions identified within audit reports during 2020/21. It is notable that the majority of opinions provided fall within the minor and negligible categories although a sizeable number are rated as moderate, representing the nature of the risks presented during this difficult period. It is encouraging however that only a small number of audits are ranked as presenting a major risk.



2.4 Summary of key issues arising in year

Issues have been identified in audit work completed during the year and reported to senior management for appropriate actions to be undertaken to mitigate any risks and strengthen and improve the respective control environment. These issues were summarised and reported to the Audit and Risk Management Committee during the latter part of the year when committee meetings resumed, and appropriate actions taken by Members that have included in some cases relevant officers being invited to committee meetings to provide updates including any progress being made to implement agreed actions. In the earlier part of the year when the Covid lockdown restrictions were in place and committee meetings suspended regular virtual meetings with the Chair of the Audit and Risk Management Committee continued to take place to advise on audit and risk activity and related matters including the Council's response to risks and threats presented. Key issues identified and reported during 2020/21 include the following for which actions have either been undertaken in year by senior management or are progressing and will be subject to further audit work during 2021/22:

Information Governance and GDPR Compliance.

The Council will need to ensure that current arrangements continue to be strengthened to ensure continued compliance with GDPR, especially in light of the new corporate and more agile working arrangements and associated increased risks and threats presented.

Finance Management (CFSU).

Improvements in the operation of the Client Finance Support Unit have been agreed in year with management to ensure that controls over this important function are strengthened and continue to support the continued effectiveness of this important and sensitive area of operations.

Commissioning and Procurement.

This particular function presents significant and ongoing risks to all organisations and particularly those of a public sector nature where financial probity and good governance is paramount. It is essential that the Council maintains effective controls over its operations in this area, particularly in the context of the considerable regeneration initiatives being delivered across the borough. Various actions have been identified and agreed with management during the

year following some high profile issues identified at a number of public sector organisations recently. These actions will continue to be monitored and evaluated for effectiveness by Internal Audit.

Compliance with Policy and Procedure

The Council is currently implementing measures to monitor and manage more effective compliance with key corporate policy and procedure through the Corporate Governance Group with more effective and robust systems of performance measurement in operation with enhanced escalation and challenge actions in place to ensure continued ongoing compliance.

Woodchurch Road School Investigation

Issues arising from the audit investigation have implications for all Wirral Schools and corporate actions are being implemented to ensure that the control and governance environment is robust and remains fit for purpose.

Business Continuity Planning

Actions are currently being undertaken by the organisation to improve arrangements in this important area of operations that include any lessons learnt from the experiences of the Covid pandemic, including the development and implementation of more effective structure and developed training and awareness sessions.

Cyber Security

Risks have increased significantly during the previous twelve months in this area and the Council must continue to improve its response to and protection from these constantly evolving and more complex and sophisticated threats. A number of actions have been agreed with senior management to ensure that robust controls and mitigations remain in operation across the Council and evolve in line with the heightened risks, further audit work is scheduled in this area during 2021-22 to evaluate the Councils ongoing response to these risks.

Collection Fund

The Covid19 Impact Audit identified that this service has been presented with significant challenges as a result of the pandemic which have been effectively communicated to SLT and the Recovery Cells. The postponement of issuing

summons during the pandemic has had a significant impact on income collection and cashflow / budgeting, as well as generating restrictions on the team's ability to update council tax and NDR databases. The situation is currently being monitored and it is acknowledged that actions are planned that include the provision of additional staffing resources to return the business to normal.

Health and Safety

A significant amount of work has been undertaken by the Council recently in direct response to some serious issues experienced regarding the effectiveness of the health and safety arrangements in operation across the Council. Significant improvements have already been made and more are scheduled over the coming months, and it is important that the Covid pandemic does not jeopardise the Council's ability to implement these important actions across the whole of the organisation in line with the agreed implementation plan. Audit testing is scheduled for later in the year to evaluate compliance with the revised arrangements.

2.5 Follow-up audit assignments completed

In accordance with the requirements of the Public Sector Internal Audit Standards follow-up audit assignments are normally routinely completed for all audits. These audits examine the progress that management has made in implementing previously agreed audit recommendations. A revised opinion is subsequently issued for each 'follow up' audit, which is informed by the extent to which the issues identified in the original audit report have been addressed. A significant number of these audits scheduled for completion during 2020/21 have been deferred until 2021/22 as a direct consequence of the Covid pandemic, allowing audit work to be focussed on the Covid response work, related impact reviews and client requests.

2.6 Limitations placed on internal audit

During the year, there have been no matters arising which have impacted on the independence of the Internal Audit Service and there have been no inappropriate scope or resource limitations on internal audit work.

2.7 Conformance with the Public Sector Internal Audit Standards (PSIAS)

The Council's external PSIAS assessment was completed during 2019-20 and the overall conclusion was that the Council's internal audit arrangements 'fully conform' with all aspects of the standards.

Section Three

Performance, Quality Assurance and Improvement Programme

3.1 Performance

The Internal Audit service measures its ongoing performance against an agreed set of key targets in line with current best practice and as identified below. These indicators form part of the overall service performance reporting information for senior management and the Audit and Risk Management Committee.

The table below details the key performance targets relating to the Internal Audit Service and identifies actual performance during 2020/21, indicating that all of the targets were achieved:

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

3.2 Quality Assurance

The development and maintenance of a Quality Assurance and Improvement Programme (QAIP) is a requirement within PSIAS. The purpose of the QAIP is to ensure that the Internal Audit service operates in accordance with PSIAS and the Local Government Application Note (LGAN) and maintains consistently high standards. The Internal Audit Service operates a Quality Assurance Improvement Programme (QAIP) that is designed to provide all stakeholders with reasonable assurance that the service performs its work in accordance with this, the Internal Audit Charter, Strategy and Code of Ethics. The QAIP is designed to cover all elements of internal audit activity in accordance with PSIAS Standard

1300 ensuring compliance, adding value and helping improve organisational operations. Key elements of the quality assurance improvement programme are described below:

- The Internal Audit team is made up of appropriately trained and qualified staff with significant local government experience. All of the team complies with ethical rules, technical standards and professional practice laid down by Wirral Internal Audit Services and respective professional bodies;
- Internal audit work is based upon a detailed risk-based audit plan, which is agreed in consultation with management and is approved by the Audit and Risk Management Committee;
- Internal Audit employs an audit methodology that is in accordance with professional standards;
- Terms of reference are developed with key stakeholders for each audit assignment which set out the agreed coverage;
- Robust management review is undertaken of all audit files and reports prior to issue;
- Post audit assessments are undertaken for all audit assignments completed utilising the Auditor Skills Framework, and evaluating performance against identified competency criteria;
- There is a well-developed system of regular reporting of progress against the audit plan and the performance of the Internal Audit Service against key targets to the Audit and Risk Management Committee;
- All Internal Audit staff complete annual declarations confirming their compliance with the Code of Ethics;
- There is a commitment to the continuing professional development of all internal audit staff through a range of learning and development opportunities including ongoing auditor skills appraisal. These include professional training, on the job training, e-learning, webinars and attendance at relevant training events and workshops.

3.3 Feedback from audit clients

Internal Audit invites feedback on the quality of service provided by issuing a 'customer satisfaction questionnaire' at the end of each audit. This is an important process in terms of identifying how the audit was received by the service area. It is also an important means of identifying aspects of the audit process that can be improved.

The feedback received in the year was very positive despite the working restrictions imposed as a result of Covid and there were no common themes in the questionnaires returned that highlighted any particular areas for improvement. A sample of comments received through the questionnaires is included below:

- *The recent audit went very smoothly, due to the allotted timescale, and the clear concise requests for information/evidence. Many thanks go to the Auditor for her support during the audit which made the process manageable. The online nature of the process due to covid worked well in delivering evidence and information.*
- *Auditors approach both professional and realistic.*
- *The wider audit approach, appropriately balanced under the prevailing circumstances and as such is welcomed.*
- *The process was very helpful and highlighted important areas for improvement.*

3.4 Areas for Development

The main challenge for the Internal Audit Service in 2021/22 is to ensure that any shortfalls in audit coverage across Council systems arising directly from the Covid pandemic during 2020/21 are addressed ensuring that sufficient audit work is completed during the year to support the annual audit opinion.

In addition, the Covid pandemic has also necessitated changes to the focus of some planned work, as the environment within which the Council is operating has changed significantly and many new risks have emerged and will continue to do so. In order to address this, a more dynamic approach will need to be undertaken to the planning of audit work with less emphasis on a formal Internal Audit Plan for the year.

Throughout the Covid pandemic the Internal Audit Service was largely required to work remotely with the vast majority of audit engagements being undertaken in this fashion. This enforced change has provided the opportunity to challenge the way the team operates and to implement some improvements to working practices. Performance management and quality control arrangements will however need to be kept under review and adapted as required.

Appendix A

Summary of Internal Audit Activity During 2020/21

A summary of the audit work completed in the year is set out below, identifying the planned audit work completed as well as the activity associated with the Covid pandemic. Assurance ratings and the number and priority of recommendations made are identified where appropriate.

Definitions of the organisational risk opinion can be found at Appendix B.

No	Audit Assignment	Organisational Risk Opinion	High Recs	Med Recs	Low Recs	Recs Impl / In Progress
1	Accounts Payable – Duplicate Payments Process Advice & Guidance	Negligible	-	-	-	-
2	Treasury Management – DMO Process Advice & Guidance	Negligible	-	-	-	-
3	CTax & HB – Client Refund Processes Advice & Guidance	Negligible	-	-	-	-
4	HB & CTax Support - Risk Based Verification Audit	Moderate	2	-	-	Y
5	Income Control - Covid Impact Audit Review	Negligible	-	-	-	-
6	Accounts Receivable – Covid Impact Audit Review	Minor	-	2	-	Y
7	Treasury Management Audit	Moderate	-	2	1	Y
8	Collection Fund – Covid Impact Audit Review	Major	2	3	1	Y

No	Audit Assignment	Organisational Risk Opinion	High Recs	Med Recs	Low Recs	Recs Impl / In Progress
9	Benefits – Covid Impact Audit Review	Minor	-	3	1	Y
10	Accounts Payable – Covid Impact Audit Review	Moderate	1	6	1	Y
11	Payroll – Covid Impact Audit Review	Moderate	1	4	1	Y
12	Pension Fund Custodian Arrangements - Northern Pool Collaborative Audit	Minor	-	1	-	Y
13	Client Finance Support Unit – Covid Impact Audit Review	Moderate	-	4	-	Y
14	Pension Fund – Covid Impact Audit Review	Minor	-	1	-	Y
15	Pension Fund - Transfers Out Audit	Minor	-	1	1	Y
16	Capital Financing Audit	Moderate	-	4	-	Y
17	Personal Finance Unit – Covid Impact Audit Review	Minor	-	1	1	Y
18	HR Pensions Recharge – Verification Advice & Guidance	Negligible	-	-	-	-
19	HR IR35 Agency Appointments – Verification Advice & Guidance	Negligible	-	-	-	-
20	BEIS Covid19 Small Business Support Grants	N/A				
21	BEIS Covid19 Retail Hospitality & Leisure Support Grants	N/A				
22	BEIS Covid19 Local Discretionary Fund Grants	N/A				

No	Audit Assignment	Organisational Risk Opinion	High Recs	Med Recs	Low Recs	Recs Impl / In Progress
23	BEIS LCR Combined Authority Grants	N/A				
24	BEIS Covid Restrictions Support Grants	N/A				
25	BEIS Covid Christmas Support Grants	N/A				
26	BEIS Covid Closed Business Lockdown Payments	N/A				
27	Covid Foodhub Operation – support, advice and guidance	N/A				
28	Early Years Covid Grants Payments	N/A				
29	BEIS Covid Grant Payments – Post Payment Assurance Testing	N/A				
30	Wirral Council Covid Governance Cells – Support / Challenge	N/A				
31	Adult Health and Care Recognition Payments	N/A				
32	Adult Health and Care – Infection Control Fund	Minor	-	1	-	Y
33	Wirral Growth Company – Payments System	Minor	-	2	3	Y
34	HR Selfserve System	Minor	2	-	-	Y
35	Commissioning and Procurement – The Chest Follow Up	Moderate	2	8	3	Y
36	Council Tax Collection	Moderate	-	3	-	Y

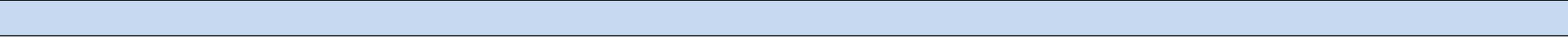
No	Audit Assignment	Organisational Risk Opinion	High Recs	Med Recs	Low Recs	Recs Impl / In Progress
37	Woodchurch Primary School Investigation	N/A				
38	5 x Academy Schools (SLA's) audited	N/A				
39	10 x Maintained Schools audited	N/A				
40	Horticultural Equipment Investigation	Moderate	-	5	-	Y
41	Mayors Fund – Independent Examination	Minor	-	3	-	Y
42	Annual Governance Statement	N/A				
43	Financial Resilience – Advice and Guidance	N/A				
44	Treasury Building Data Centre Review	Major	9	5	-	Y
45	Landican Cemetery Operations Review	Moderate	-	7	2	Y
46	Tree Incident Report - Follow Up Audit	Moderate	2	-	-	Y
47	Sustainable Transport Grant - Review, Test and Certification	N/A				
48	Troubled Families Grant - Review, Test and Certification	N/A				
49	Town Centre Fund Grants - Review, Test and Certification	N/A				
50	Covid Test and Trace Funding – Support, Advice and Guidance	N/A				

No	Audit Assignment	Organisational Risk Opinion	High Recs	Med Recs	Low Recs	Recs Impl / In Progress
51	Client Finance Support Unit Review	Moderate				-
52	Contract Management sample testing	N/A	-	2	1	Y
53	Health and Safety – Support, Advice and Guidance	N/A				

Appendix B

Organisational Risk Opinions

Conclusion from Audit Findings	Risk Level
<p><i>A Major organisational risk opinion indicates that the likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to a major risk of a fundamental or material nature. This opinion suggests that there are some potentially serious weaknesses in the design and/or operation of the control environment that may have a significant impact on the achievement of systems and/or corporate objectives if not addressed.</i></p>	<p>Major</p>
<p><i>A Moderate organisational risk opinion indicates that the likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to a moderate risk of a fundamental or material nature. This opinion suggests that there are some weaknesses in the design and/or operation of the control environment that may have varying degrees of impact on the achievement of systems and/or corporate objectives.</i></p>	<p>Moderate</p>
<p><i>A Minor organisational risk indicates that the likelihood/impact of the risks identified during the review, should they materialise, would leave the Council open to minor non fundamental or material risk.</i></p>	<p>Minor</p>
<p><i>A Negligible organisational risk indicates that there were no weaknesses identified during the audit review and that the Council is not exposed to any risks directly associated with the findings.</i></p>	<p>Negligible</p>



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AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 5 July 2021

REPORT TITLE:	CORPORATE RISK MANAGEMENT UPDATE
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

This report provides an update on the Council's risk management arrangements and areas of risk management focus over the coming year.

This matter affects all Wards within the Borough. It is not a key decision.

RECOMMENDATION/S

The Audit and Risk Management Committee is recommended to note the report.

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 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 appropriate as failure to report this information would demonstrate ineffective governance and non-compliance with professional best practice.

3.0 BACKGROUND INFORMATION

- 3.1 Work has continued on refreshing the Wirral Plan and the development of Directorate and Service Plans and associated risk registers for the current year. The impacts of the pandemic and changes to the government roadmap are continuing to disrupt normal activities therefore flexible arrangements and plans are required.

Risk Appetite

- 3.2 The Government's Orange Book – Management of Risk, Principles and Concepts (2019) advises 'the Board should determine and continuously assess the nature and extent of the principal risks that the organisation is exposed to and is willing to take to achieve its objectives – its risk appetite – and ensure that planning and decision-making reflects this assessment. Effective risk management should support informed decision-making in line with this risk appetite, ensure confidence in the response to risks, transparency over the principal risks faced and how these are managed'.
- 3.3 A piece of work has been commissioned from Zurich Municipal to look at the risk appetite across the Council. This is designed to articulate the level of risk that the organisation is willing to accept whilst in pursuit of its objectives.
- 3.4 The intention is to produce a quantifiable assessment of the risk appetite beyond the simple statement or traditional headings of risk averse, minimal, cautious, open and eager.
- 3.5 Risk appetite is not uniform nor static across an organisation. The work by Zurich Municipal will look at different categories, for example, financial; reputation; regulatory; community; environment and compliance to help understand the different levels.
- 3.6 The aim is to help understand and articulate the areas where the Council:
- may seek to take more risk and be innovative;
 - should be conservative and compliant in their activities; and
 - the "lines" across which the Council and senior management do not wish to cross, and where senior management would need to be notified.

- 3.7 Risk appetite can also change over time as circumstances, policies and the general environment change therefore the work is designed to be repeatable and reviewed on a regular basis.
- 3.8 An initial briefing of the Senior Leadership Team is to take place on the 30th June. It is hoped that initial findings will be able to be presented at the next committee in September.

Member Sub-Group

- 3.9 The Group has been established to provide more time to review the Corporate Risk Register and associated risk mitigations. Consideration will also be given to the work around the risk appetite for the organisation.
- 3.10 Sessions have been arranged for 14th July and the 7th October with the Chair and Spokespersons of the Committee.
- 3.11 Further meetings will be arranged around the calendar of committee meetings for 2021/22.

Corporate and Directorate Plans and Risk Registers

- 3.12 The Wirral Plan is due to go to full Council in the autumn for approval. Work continues on the development of the associated performance management framework, including the linkages to the Corporate Risks.
- 3.13 Directorate Risk Registers have been developed and refreshed to align to the Wirral Plan. It is hoped that the work on the risk appetite will help to strengthen their robustness and relevance.
- 3.14 The Corporate Risks have been split to identify those linked to the corporate priorities within the draft Wirral Plan as a framework, and those that are key to the running of an effective and efficient organisation. A copy of the current Corporate Risk Register is attached at Appendix 1.
- 3.15 The scoring of the Corporate Risks is currently in progress, reflecting the latest information from the Directorate Risk Registers as they are updated at Quarter 1 reporting and in line with the draft framework of the Wirral Plan. It should be noted that not all scores had been finalised by the time of the writing of this report. More detail and discussion on the scores, as they are confirmed, can take place at the Sub-Group meeting on 14th July.
- 3.16 A number of the Corporate Risks are linked to key pieces of work recently carried out or underway by Internal Audit. The findings of these reports are used to provide confidence in the existing arrangements or highlight areas of control to be strengthened and the risks or associated controls and actions to be updated accordingly. For example, CRR 21 Cyber Security will be updated to reflect the findings of the report on the Treasury Building Data Centre and the pending report on Cyber Security.
- 3.17 This includes the production of the Annual Governance Statement and the Significant Governance Issues (SGIs) identified within it. Actions proposed during

2021/22 for each of the SGIs are cross-referenced to the actions in the Corporate and Directorate Risk Registers.

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 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.

7.2 Risk management arrangements for the Council form part of the key controls for the Corporate Risk 19 – Effective Governance.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision, or activity. No equality issues arising 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 Greenhouse Gases

REPORT AUTHOR: **Helen Turner**
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APPENDICES

Appendix 1 - Corporate Risk Register Summary

BACKGROUND PAPERS

Risk Management Policy
[The Orange Book \(publishing.service.gov.uk\)](http://publishing.service.gov.uk)

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	
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	18th November 2019
Corporate Risk Management Update	27th January 2020
Risk Management Update	10th March 2020
Corporate Risk Register Update	16th November 2020
Corporate Risk Management Update	25th January 2021
Corporate Risk Management Update	9th March 2021

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Appendix 1 - Corporate Risk Register Summary - June 2021

Wirral Council Plan 2021-26 Thematic Priorities	Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current/Residual Risk Score - based on DRR scores - to be ratified	Selection of Planned Actions - more detail to be added as Directorate Risk Registers updated.
A thriving and inclusive economy, creating jobs and opportunities for all.	CRR 01	Development and Implementation of the Local Plan 2022-2037 Failure to ensure the Council's arrangements for the consultation, publication and implementation of the Local Plan resulting in intervention, a loss of control over future development and missed opportunities to promote economic growth.	Alan Evans	Regulation 18 consultation completed LGA, Planning Officers Society and Planning Advisory Service supporting the work on the Local Plan Local Development Scheme for Wirral includes risk assessment and indicative timetable (latest version 03/10/2020)		Publication of the Local Plan: (Regulation 19) February 2021 Submission to the Secretary of State - Summer 2021 Indicative date for Local Plan Adoption 2022
	CRR 02	Regeneration Programme The failure of the major regeneration projects to deliver the anticipated benefits undermines the Council's budgetary position, its economic growth aspirations and public and investor confidence in the authority.	Alan Evans	Projects brought forward within a clear strategic framework reflecting the Borough's Local Plan and providing confidence to investors, funders and developers Strategic Framework allows for enabling infrastructure, skills and business support to be brought forward to underpin major project development Clearly documented legal frameworks and agreements for all regeneration projects Robust business cases, project and programme plans with detailed risk registers, informed through corporate risk workshops, to underpin key decisions Clear lines of project reporting through project groups to the Regeneration and Place Board with supporting structures and monitoring in place Existing relationships in place with key developers – Muse (Wirral Growth Company LLP) and Peel (Wirral Waters)		Investment strategy being developed to support the funding model for the major regeneration projects Public consultation to be carried out to inform development plans Delivery Action Plans to be finalised in order to ensure a co-ordinated and phased approach to development A joint Board has been established with the LCR CA and Homes England to advance a programme approach to investment in Wirral growth projects Alternative delivery models are being reviewed to ensure that effective delivery by the council is maximised
A clean-energy, sustainable borough, leading the way in tackling the environment crisis.	CRR 03	Climate Emergency Response Failure to respond effectively and proportionately to develop plans/adaptations that may lead to legal challenge, financial damage, reputation damage, increased costs, lack of resilience	Nicki Butterworth	Impact of Covid-19 restrictions - new ways of working and some unforeseen environmental benefits and opportunities to be built upon. Climate Emergency Team created. Launch of the Tree, Woodland and Hedgerow Strategy in 2020. Cool Wirral Partnership's Climate Change Strategy, Cool 2 including a number of climate emergency public events	8	Establishment and delivery of the Environment and Climate Emergency Policy and Action Plan. Set up of Task & Finish Group - Environment and Climate Emergency Policy Members' Working Group to develop an Environment and Climate Emergency Policy Establish Internal Action Group of senior officers to oversee delivery of the Environment and Climate Emergency Action Plan. Become a Carbon Literate Organisation - investment in carbon literacy training for the Council's senior leaders and carbon awareness briefings for all staff and members. Amendment of employee development structures including core competences to include carbon literacy as a core requirement.
Safe and pleasant communities that our residents are proud of.	CRR 04	Response to a Crisis/Disruptive Incident (both internal and external) Failure to maintain effective response arrangements and plans (and incorporate COVID-19 measures) to react to a disruptive event leaves the Council unable to respond quickly and effectively to an incident, resulting in a major failure in service delivery	Nicki Butterworth / Shaer Halewood	Emergency response structure led by Strategic Co-ordination Group, with close links to a cross-party leaders group. Operational response was led by Tactical Co-ordination Group, operating through a series of delivery cells, including for example Economic Resilience, Humanitarian, Scientific Technical Advisory and Health and Social Care. Governance structures adapted during COVID-19 response to reflect phase - cells stood up/down as appropriate. Role within LCR and MRF cells Business Continuity Awareness Week May 2021 session - Manager Micro 60+ attendees	12	Lessons Learnt review Business Continuity Awareness programme Implement recommendations from Treasury Building Data Centre Internal Audit report.
	CRR 05	Ongoing COVID-19 Response - Increased Cases/Winter Plans Failure to use intelligence effectively leads to an inability to respond effectively to a local outbreak resulting in wider restrictions, increased infection and mortality rate increases, longer term health risks, key council services unavailable, people (staff and public) at risk, increased costs, government intervention and loss of trust/support	SCG / Julie Webster	Outbreak Management Plan refreshed December 2020 Development and use of Community Champions network - 540 local people have signed up to the programme. Joint working and communications across LCR and neighbouring authorities Work of the Local Outbreak Hub - daily multi-agency meetings are held to review case data and share key information, weekly meetings held to evaluate longer-term themes and issues relating to high risk settings and to proactively provide support where needed. Wirral Covid-19 Testing strategy 2020-22 - deployed five local testing sites across the borough in Liscard, Bebington, Birkenhead, Bidston and Heswall. Mobile testing unit available to visit key sites e.g. manufacturing companies/depts Collaboration with NHS Wirral CCG, and Wirral's Primary Care Networks - supporting the role out of the COVID-19 Vaccination Programme with provision of sites/locations and resource for vaccinations on a mass scale for residents Increased the specialist infection prevention and control team working with care homes.	12	Engagement Strategy and Action Plan including establishing a black, Asian and minority ethnic engagement group and producing a range of communication materials in suitable formats for our diverse local population

Wirral Council Plan 2021-26 Thematic Priorities	Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current/Residual Risk Score - based on DRR scores - to be ratified	Selection of Planned Actions - more detail to be added as Directorate Risk Registers updated.
Healthy and active lives for all, with the right care, at the right time.	CRR 06	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	Paul Satoor	Effective close partnership working through COVID-19 response by means of the Merseyside Resilience Forum and the Chief Executive's regular meetings with Health partners.		
	CRR 07	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	Graham Hodkinson / Simone White	Multi-agency Safeguarding Arrangements for Children via Wirral Safeguarding Children Partnership (WSCPF) - activity led by the LA, health economy and police including: robust local audit and case review procedures, Section 11 and Section 175 audits of individual agency and school safeguarding arrangements, Scrutiny, publication of policies and guidance, a comprehensive programme of multiagency training (online since April 2020) including: Working Together, CE, Neglect, Domestic Abuse, Contextual Safeguarding, Early Help. Serious incidents are escalated to Assistant Director Level to ensure that learning and procedures are implemented and followed up.	12	Implementation of recommendations from Adults Safeguarding Board Peer Challenge Review Jan 2020 report including the establishment of a Local Safeguarding Adults Board. WSCSP safeguarding leads have approved commissioning standards. Review DASS contracting arrangements and adopt best practice. Strengthen Provider incident reporting - development of protocol, based on NHSE guidance. Commissioners to be updated on new process and provider contracts varied accordingly.
	CRR 08	Quality & Demand Management in Health and Care Services Failure to improve the quality of health and care services, anticipate demand particularly in the winter period leaving the Council exposed to increased financial pressures in relation to meeting social care assessed need.	Graham Hodkinson	Implementation of Healthy Wirral Strategy Home First Pathway implemented Social Work services integrated with partners with a section 75 agreement for most services, focus on demand management, early intervention and prevention Continuation of support to the care provider market to support service continuity and quality of provision.		
	CRR 10	Health Inequalities Failure to understand and manage health inequalities leads to increased costs, earlier involvement with and pressure on services and long-term issues for the community	Graham Hodkinson / Julie Webster	PHAR Annual Report for focus on health inequalities detailing recommendations for all Wirral Partners.		
Brighter futures for all regardless of their background.	CRR 11	Education - School Sufficiency Failure to secure appropriate and balanced school sufficiency impacting on the financial viability of education institutions and resulting in declining performance and poor educational outcomes for children	Simone White	School to School Partnership established giving NLEs and Heads of Teaching Schools strategic responsibility for 'banding' schools. Locality Boards Established to identify and address areas for improvement. Governors have access to appropriate support. Wirral System Leaders		Influence recruitment drive by sharing intelligence about appropriate skill mix required Progression framework development Transfer between teams policy ASYE Programme improvements DASH System developments
	CRR 12	SEND Failure to appropriately understand how well the local authority identifies, meets the need and improves outcomes for children and young people with Special Educational Needs and Disabilities resulting in a statement of action from Ofsted and potentially leading to reputational damage for Children's Services and the Council	Simone White / Graham Hodkinson	SEND Improvement Plan and Self-evaluation co-produced for the last four years - key actions are evaluated regularly through the SEND Operations Group and the SEND Strategic Board reviewing performance and holding to account. External review of provision and recommendations Appointment of Head of SEND and Inclusion Priorities detailed in the SEND Strategy 2020-24 Robust identification and assessment framework in early years, with trained and qualified SEND professionals.	12	Robust performance management and quality assurance framework Competency framework for EHCP Co-ordinators and EP Training and development programme for all staff involved in SEND SEND Sufficiency Strategy development
	CRR 13	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.	Simone White / Graham Hodkinson	Close monitoring of referrals and contacts Business continuity contingency plans where lack of capacity as a result of COVID-19 e.g. utilising resources from elsewhere Monitored caseloads, meaning workers can deal with spike in demand	12	Close workforce monitoring in response to rising COVID-19 cases Trauma-informed practice working group New Early Help Model/Prevention framework
	CRR 14	Impact of COVID on Education Impact of COVID on educational outcomes leads to increasing gap between the borough's disadvantaged children and non-disadvantaged children, poorer long term outcomes for some of the most vulnerable children	Simone White	Appointment of Assistant Director for Education and development of positive relationships with schools through Head of School Effectiveness	15	School Improvement Strategy

Wirral Council Plan 2021-26 Thematic Priorities	Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current/Residual Risk Score - based on DRR scores - to be ratified	Selection of Planned Actions - more detail to be added as Directorate Risk Registers updated.
<p>We will be ambitious, professional, customer-focused and accountable</p>	CRR 15	<p>Capitalisation Directive Failure to obtain agreement from MHCLG to progress the Council's request for exceptional financial support in respect of the financial impact of COVID-19, in the form of a capitalisation directive, and obtain requisite approval by HM Treasury (HMT) leads to financial remedial measures that could include: •setting an emergency budget •issuing a s. 114 notice •Government intervention</p>	Shaer Halewood	<p>An initial submission for a capitalisation directive was made in October. Supporting information underwent external validation by LGA, who are providing an independent challenge and critical friend role in supporting the development of the Council's submission and business case, as directed by MHCLG as part of the process.</p> <p>February 2021 - offer of 'exceptional financial support' from the Ministry of Housing, Communities and Local Government (MHCLG)</p>		<p>Conditions that the Council will be expected to fulfil include: • A robust assessment of the current budget position and the direct and indirect financial impact of Covid-19 • A robust medium term financial recovery strategy to ensure the Council can secure a financially sound and sustainable footing • Demonstration of the Council's headroom to borrow • Capital programme review in light of the Council's current financial position • Assurance that the Council has done everything it can in advance to mitigate the budget gap including: - Utilising earmarked reserves where available - Evidencing the requirement for all pressures and growth items built in to the budget - Actioning and accelerating the plans for achievable savings - An asset review to deliver savings/capital receipts - Reviewing all services to determine what efficiencies can be made including a review of non-statutory services</p>
	CRR 16	<p>Financial Resilience/Management Failure to effectively plan/manage the Council budget and funding leads to poor decisions on service reductions, unplanned efficiencies and in year overspends, resulting in the withdrawal of Council services to communities, government intervention, S114 declaration.</p>	Shaer Halewood	<p>Additional Government funding to support the emergency response to Covid-19 Quarter 1 monitoring report that was presented at Cabinet on 27 July - resetting the Medium Term Financial Plan at Quarter 1 Budget report to P&R Committee 6 October Quarter 2 monitoring report to P&R Committee early November. Reviews undertaken of items in 2020/21 budget including; pressures and growth items, budget savings currently assumed to be unachievable or partially achievable, forecast capital receipts programme for any opportunity to progress anticipated sales, current budget forecast to take account of services being paused and buildings being closed due to Covid-19, earmarked reserves. Regular Financial Monitoring and Challenge Group</p>		<p>•Review of 2020/21 savings proposals to determine what can be delivered in-year •Identification of savings proposals for 2021 – 2024 to ensure a programme of support could be established early on to ensure these proposals progressed with an escalation process for any issues that may arise. •Review of the process for agreeing capital projects and funding to ensure a return on investment and a better link with the revenue budget •Policy & Resources and Service Committee budget workshops to discuss potential budget options for consideration once the outcome of the government's comprehensive spending review is known and the Council's financial position for 2021/22 is made clear Review of the process for agreeing capital projects and funding to ensure a return on investment and a better link with the revenue budget</p>
	CRR 17	<p>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 legal challenge, financial penalty and ultimately loss of life.</p>	Shaer Halewood	<p>Specialist Area Groups in place for key areas e.g. Corporate Governance, People Strategy, Information Governance, Health, Safety and Wellbeing Internal Audit Plan includes areas of financial control, risk and compliance with key areas audited on a more regular basis than others. Targeted training packages rolled out including: Information Management - Information Asset Owners and Administrators, Finance - Budget workshops, Procurement, Political Awareness and Report Writing New initiatives e.g. procurement smart form easier and quicker to complete with a more robust workflow. Director of Resources has written to each Director concerning procurement compliance indicators.</p>		<p>Follow-ups by Director of Resources to highlight key areas of non-compliance; including the identification of key repeat 'offenders' Actions from external review of the Schedule of Rates contracts</p>
	CRR 18	<p>Cultural Change for an Effective and Efficient Organisation Failure to maintain the cultural changes necessary (due to insufficient capacity or expertise, cultural resistance from staff) leads to difficulties in developing an efficient, effective and long-term financially sustainable organisation resulting in ineffective engagement with partners, unable to deliver on the ambition of the Wirral Plan, perpetuating inefficiencies and preventing required outcomes for the community.</p>	Shaer Halewood	<p>Regular communications - Exec View, Director blogs, Wellbeing newsletters, staff roadshows and Directorate events Manager training including - Manager Micros Staff Check-Ins</p>		

Wirral Council Plan 2021-26 Thematic Priorities	Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current/Residual Risk Score - based on DRR scores - to be ratified	Selection of Planned Actions - more detail to be added as Directorate Risk Registers updated.
Page 54	CRR 19	<p>Effective Governance</p> <p>Failure to maintain effective corporate governance could result in poor decision-making, malpractice and breach of legislation, leading to regulatory intervention and significant cost, both in financial terms and to the reputation of the Council</p>	Phil McCourt / Shaer Halewood	<p>Internal governance procedures (DMT/ SLT)</p> <p>New Council Constitution.</p> <p>Code of Corporate Governance reviewed in line with CIPFA guidelines and aligned with Council policies and procedures</p> <p>Member and Officer Protocols - reviewed</p> <p>Improved Annual Governance Statement process, following CIPFA guidance / best practice review in 2019. Significant issues highlighted and monitored in year.</p> <p>Appropriate governance arrangements through COVID-19 response, with Group Leader and Leader of Council ratification of decisions and a system to track all decisions made.</p>		
	CRR 20	<p>Health & Safety Management</p> <p>Failure of officers, members or contractors to develop, test or sufficiently adhere to health and safety / compliance policies and procedures leads to an incident or exposure resulting in harm to employees / Members / members of the public, legal challenge and reputational damage</p>	Shaer Halewood	<p>Health and Safety Strategic Group, chaired by Chief Executive, supported by the Health and Safety Steering Group.</p> <p>COVID-19 specific risk assessment procedures implemented including for the remobilisation of services, reviewed by H&S Team and Public Health.</p>	15	<p>Update of H&S Strategy and Policy - due to P&R Committee Summer 2021</p> <p>Refresh of H&S subject specific policies.</p> <p>Development of H&S risk framework including Service level risk assessment and profile.</p>
	CRR 21	<p>Cyber Security</p> <p>IT security is insufficient to deter, detect and prevent unauthorised access to IT systems, resulting in loss of data and disruption to Council services.</p>	Shaer Halewood	<p>Technical controls: 1) Endpoint security software, 2) Network firewall 3), Prevention of downloading of unauthorised software Member of NW notification groups/networks to share knowledge on latest incidents.</p> <p>Regular patching and updates programme.</p> <p>National Cyber Security Centre online training package essential for all staff/Members working online.</p> <p>Cyber Security Board created to review security issues and agreed action plan.</p>	15	<p>Implement recommendations from Treasury Building Data Centre Internal Audit report.</p> <p>Implement recommendations from Internal Audit report - currently pending.</p> <p>Project to achieve Cyber Essentials+ accreditation by Dec 2021</p>
	CRR 22	<p>Information Management</p> <p>Failure to comply with relevant data and information management legislation which may lead to loss or breach of personal data creating security or reputational risk.</p>	Shaer Halewood	<p>Awareness Training for Information Asset Owners and Administrators</p> <p>Regular update of Information Asset Register - October update to reflect changes to working practices</p>	8	<p>Project to achieve Cyber Essentials+ accreditation by Dec 2021</p> <p>Additional staffing resources being made available to work with the Data Protection Officer</p> <p>Continuous review of Information Management policies and procedures to ensure they adequately cover the changes to agile working</p> <p>proposal to OD for training (refresher for existing IAO/IAAs) and identification of new IAO/IAA's following restructures/personnel changes</p>
	CRR 23	<p>Digital Infrastructure</p> <p>Quality of Digital infrastructure and systems prevents council from offering/transforming to digital first services, lack of management information/timeliness of data resulting in poor decisions and increased costs.</p>	Shaer Halewood	<p>Role of the Digital Design Authority</p> <p>Digital Programme</p> <p>Smart Business Project for the ERP replacement – procurement complete</p>		<p>Development of Architecture Principals for Applications, Data and Technology against which the Digital Design Authority will ensure new solutions align</p> <p>Development of the Wirral Cloud Security Principles to standardise all requirements for our cloud based systems.</p> <p>Implement recommendations from Treasury Building Data Centre Internal Audit report.</p>



AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 5 July 2021

REPORT TITLE:	EXTERNAL AUDIT PLAN WIRRAL COUNCIL 2020-21 AND STATEMENT OF ACCOUNTS UPDATE
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

The Wirral Council is required to subject its financial statements to external scrutiny before a final version is published. This scrutiny role will be carried out by the Council's appointed auditors, Grant Thornton. During the summer Grant Thornton will undertake their audit of the relevant financial activities and arrangements for securing value for money. The results of this audit will be reported back to the Committee.

The Council's external auditors have produced the Audit Plan for their statutory audit of Wirral Council 2020-21. The plan is appended to this document in Appendix 1.

A verbal update of the Statement of Accounts position will be provided by Officers, as it was not possible to submit the draft accounts for inclusion in the Committee reports due to timing of their completion, approval and publication.

RECOMMENDATION/S

The Audit & Risk Committee is requested to:

1. Consider the proposed Audit Plan and confirm that the arrangements set out will meet the Committee's expectations with regard to providing independent scrutiny.
2. Note the report provided by the auditors.
3. Note the update of the Statement of Accounts.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The Audit Plan sets out the work the Council Auditors, Grant Thornton will be carrying out in their statutory audit on the Council financial statements and arrangements.
- 1.2 The update of the draft Statement of Accounts brings to the Committee a verbal update of the financial position and status of the accounts in meeting the statutory deadlines.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Option to not submit to Committee for comment and approval, however, this would not comply with the audit regulations and would be at the detriment of the Council.

3.0 BACKGROUND INFORMATION

- 3.1 Grant Thornton have been appointed as the Council's independent external auditors. Their annual work programme is set in accordance with the Code of Audit Practice and includes nationally prescribed and locally determined work.
- 3.2 The report provides members of the Committee with a summary of the external audit approach; it also includes details of the audit fees for 2020/21 on page 19 of the report.

4.0 FINANCIAL IMPLICATIONS

4.1 The audit fees will be met from within the revenue budget. The fees are set out in the Audit plan.

5.0 LEGAL IMPLICATIONS

5.1 There are no legal aspects related to this matter.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 None arising directly from this report.

7.0 RELEVANT RISKS

7.1 Grant Thornton will complete a risk based audit whereby they will focus audit effort on those areas where they have identified a risk of material misstatement in the accounts.

7.2 If any concerns identified by Grant Thornton are not addressed by the Council then there is a risk that the Council will not be able to meet its statutory requirements in respect to the Statement of Accounts as well as impacting upon the Value for Money and Financial Resilience of the Council and the Council's reputation.

8.0 ENGAGEMENT/CONSULTATION

8.1 None arising directly from this report.

9.0 EQUALITY IMPLICATIONS

9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help Council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.

9.2 There are no equality implications arising specifically from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 No direct implications. The content and/or recommendations contained within this report are expected to have no impact on emissions of Greenhouse Gases.

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APPENDICES

Appendix 1 – External Auditors Audit Plan Wirral Council 2020-21

BACKGROUND PAPERS

External Audit Plan

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
External Auditors Audit Plan 2019/20	10/03/20
External Auditors Audit Plan 2018/19	24/04/19
External Auditors Audit Plan 2017/18	12/03/18

Wirral Council audit plan – for discussion

Year ending 31 March 2021

5 July 2021
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Page

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

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Key matters

Factors

Council developments

We have continued to hold regular meetings with the senior finance team at the Council. During these meetings we have discussed a range of key issues regarding the Council's general developments, current and projected financial performance, governance issues and regulatory oversight.

Over the past year the Council has faced significant financial challenges which has resulted in the Council receiving Governmental agreement to a capitalisation direction to meet the forecast deficit for 2020/21. At the time of producing this plan, the Council is projecting a year-end balanced budget with the exceptional financial support of the capitalisation direction.

The Medium Term Financial Strategy has been updated to reflect future financial challenges and the MTFS and budget were approved by the Council following public consultations. Whilst the Council is forecasting a balanced position for 2021/22, it needs to ensure it delivers against the budget. The balanced position for 2021/22 includes the delivery of a significant savings plan (£24.6m) and Governmental agreement to a capitalisation direction (£10.7m). The Council will have to deliver significant savings in 2022/23 and beyond to ensure it balances its budget. This will include both income generation and significant changes to service provision.

The Regeneration and Place Directorate has a significant number of regeneration projects that are being developed. This includes both new homes and commercial floorspace. To support the regeneration of Birkenhead Town Centre, the Council has secured £24.6m through the Future High Streets Fund. Combined with other services the Council has agreed a capital programme of £78.3m for 2021/22 of which £39.7m will be funded through borrowing. Given the pressures on revenue the Council will need to ensure that the capital programme remains affordable.

The Council has established a number of group companies including one joint venture and on partnership, these being Edsential and Wirral Growth Company. It has made other investments such as in the Public Sector Social Impact Fund. It is important that the Council ensures that these commercial investments make the returns that it is forecasting and that the governance of these investments is appropriate.

Impact of Covid 19 pandemic

The Covid-19 pandemic has impacted upon all of our lives. While there has been some relaxation of 'business as usual' arrangements, public sector bodies are still required to abide by the stewardship requirements of Managing public money and have a statutory duty to carry out their functions effectively, efficiently and economically.

The outbreak of the coronavirus (Covid-19) pandemic has had a significant impact on the normal operations of the Council. The Council has had to work differently at all levels to be able to deliver all of its required services effectively. Staff have been redeployed to front-line roles and new/revised services have been required to be provided by the Council.

The government has provided a range of financial support packages throughout the COVID-19 pandemic. These include additional funding to support the cost of services or offset other income losses and also grant packages to be paid out to support local businesses.

Our assessment is that the Council has developed a very strong understanding of its financial and wider governance risks during the pandemic and, despite future financial uncertainty about medium term government funding, is well placed to address post Covid 19 challenges.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Resources.
- In common with other local government bodies we have identified significant risks with regard to management override of control and revenue recognition.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work. Our work will focus on the financial sustainability of the Council, and its group companies and joint ventures.
- As part of our 2019-20 Audit Findings Report, we identified four recommendations for management. An update on the implementation of the recommendations can be found on page 12.
- We will continue to provide you with sector updates via our Audit Committee updates.

Introduction and headlines

Purpose

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

Respective responsibilities

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

Scope of our audit

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

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

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

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

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

- Management override of controls
- Valuation of Land & Buildings and Investment Property
- Valuation of the Pension Fund Net Liability
- ISA 240 Improper Revenue Recognition in relation to Covid-19 grant income

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

Materiality

We have determined planning materiality to be £10m (PY £11m) for the Council, which equates to 1.3% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.5m (PY £0.6m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following risks of significant weakness:

- Financial sustainability
- Governance arrangements for the Council's interests in its other entities

Audit logistics

Our interim visit took place during March and our final visit will take place virtually from July to September. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £198,445 (PY: £173,734) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<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 control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the group and the Council, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of Land & Buildings and Investment Property	<p>The Council revalues its land and buildings on a rolling five-yearly basis. Investment properties are revalued annually.</p> <p>These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally for land and buildings, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for surplus assets and investment property) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings and investment property as a significant risk for the Council, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write out to them and discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engage our own valuer to assess the instructions to the Council's valuer, the Council's valuation report and the assumptions that underpin the valuation • test revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the Pension Fund Net Liability	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in 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.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Merseyside Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.
ISA 240 revenue improper recognition risk	<p>Under ISA (UK) 240 there is a rebuttable 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>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition may not be rebutted completely, because we have identified that there is the incentive to overstate Covid-19 expenditure in order to gain additional Covid-19 funding.</p> <p>For the remaining material revenue streams we have acknowledged the following:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition for • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Wirral Council, mean that all forms of fraud are seen as unacceptable. 	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the Council's policy for the recognition of Covid-19 funding; • gain an understanding of the processes and controls put in place by management to ensure that the Council's Covid-19 funding has been appropriately recognised and matched to appropriate expenditure incurred; • challenge key assumptions, the appropriateness of source data and the basis for calculations of Covid-19 income accruals; • raised in April and May to ensure they have been charged to the appropriate year; and • substantively test a sample of year end Covid 19 debtor balances.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA 240 improper expenditure recognition	<p>Practice note 10 (PN10), issued by the FRC, states auditors should also consider that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Having considered the risk factors set out in ISA 240 and PN10 and the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure manipulation can mainly be rebutted as</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition for • opportunities to manipulate expenditure recognition are very limited • the culture and ethical frameworks of local authorities, including Wirral Council, mean that all forms of fraud are seen as unacceptable. <p>However, we have determined that the risk of fraud arising from expenditure recognition may not be rebutted completely, because we have identified that there may be a risk of Covid-19 expenditure being overstated in order to gain additional Covid-19 funding. There may also be fraudulent claims with regard to the Covid-19 related funding distributed to the Council.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the Council’s policy for the recognition of Covid-19 expenditure; • gain an understanding of the processes and controls put in place by management to ensure that the Council’s Covid-19 expenditure has been appropriately recognised and matched to appropriate expenditure incurred; • challenge key assumptions, the appropriateness of source data and the basis for calculations of Covid – 19 expenditure accruals; • substantively test a sample of year end Covid – 19 payables balances; and • test a sample of Covid-19 expenditure to ensure that it has not been overstated through fraud or error.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Risk Management Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings and investment properties
- Depreciation
- Year end provisions and accruals, specifically for demand led services such as Adult's and Children's services
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Valuation of level 2 and level 3 investments

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

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Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures we issued management with a series of questions which they have responded to and with the assistance of Internal Audit the Chair of the Audit and Risk Management Committee has also added her comments to our questions. (These are attached as an appendix to this audit plan that will be presented at Audit Committee).

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.

We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.

We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act; and
- issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

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

Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).



PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report (see page 14).

Progress against prior year audit recommendations

We identified the following issues in our 2019/20 audit of the Council's financial statements, which resulted in four recommendations being reported in our 2019/20 Audit Findings Report. We have followed up on the implementation of our recommendations and actions have been taken to address these issues as documented below:

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 70</p> <p style="text-align: center;">● High</p>	✓	<p>Journal control procedures Our review of the journals posted during the year identified that a large number of journals are both posted and authorised by the same person which is considered a risk of management override of controls</p> <p>Management response A review of the process has been undertaken and management have already started to identify a revised procedure to reduce risk and increase controls. This will be a two phased approach; a manual approach commencing January 2021 whilst a system re configuration is under evaluation and implemented.</p>	<p>The manual approval of journals was introduced in January 2021 and is working well, monitoring of journals to ensure they are approved and attachments have been completed is also carried out. Where we have found failings we have requested the senior finance manager reviews those journals and sends confirmation to myself they are satisfied they are correct. We will be monitoring this and escalations for failure to adhere to the process will be undertaken to avoid non-compliance.</p>
<p style="text-align: center;">● High</p>	✓	<p>Segregation of duties conflicts between Oracle system administration and finance roles The audit observed a service account which has also been found to possess conflicting IT and Finance responsibilities. This allows a wide range of access to change and configure the system, users and data therein.</p> <p>Management response This related to one user account which was created by Fujitsu services when the eBusiness Suite was implemented. The account was used to carry out certain customisation work within the system. The Council is in the process of migrating our CRM processes to a replacement system so do not envisage needing to use this account anymore. The account has been closed in a test environment and are monitoring the system for any issues. Our intention is to end date this account in the live environment.</p>	<p>As indicated on in the original management response the CRMSETUPUSER was a user account configured by Fujitsu and was used specifically to setup and configure the CRM System. The testing of applying an end date to the account in the test system highlighted a number of issues which impacted on the CRM system so the account was left live and instead specific responsibilities within the account relating to the System Administrator and Financials were removed. By removing the applicable responsibilities the concerns raised have now been addressed.</p>

Progress against prior year audit recommendations

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Page 71	 High	<p>✓</p> <p>Oracle system configuration, access granted to an excessive number of users, including non-IT staff/end users During the audit we observed 443 users who have access to change system configurations. We would expect these activities to be assigned only to system administration, of which there are 13 accounts.</p> <p>Management response We are obviously concerned regarding the large number of accounts which have been identified as having this issues and also the marked increase since last year's report. It appears that a large number of uses have been identified this year as a result of having access to the menu MBOW_CUST_CONTACT1 which has the menu option Other (CSX OTHERS). We have checked the system and our original build documentation, and this menu option has been available since 2005. Members of IT and Senior System users may need access to some of these functions to be able to undertake their job roles. The HR user HASLAMN no longer requires access to this functionality so will be end dated. A review of all users responsibilities is planned to align them to users needs</p>	<p>The system configuration changes have now been implemented.</p>
	 Medium	<p>✓</p> <p>Completeness of the Fixed Asset Register Our existence testing of the Council's fixed asset register resulted in a number of assets no longer existing. The impact of this is an overstatement of the Council's assets and corresponding reserves.</p> <p>Management response Management have put in place for 2020/21 a process to review and identified assets no longer in existence</p>	<p>A review and process to look at equipment held on the asset register has been undertaken and high value items have been reviewed and corrections have been made in year. As part of our audit work on the 2020/21 we will perform existence testing on the Council's fixed asset register to gain the assurance over the completeness of the assets held.</p>

Materiality

The concept of materiality

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

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £10.00m (PY £11.181m) for the Council, which equates to 1.3% of your forecast gross expenditure for the year., we have reduced the percentage from 1.5% used for the prior year given the financial challenges facing the Council. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be 2% of total senior officers' remuneration for the senior officers' remuneration disclosures. We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

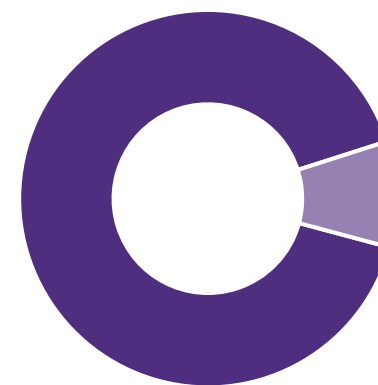
Matters we will report to the Audit Risk Management Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Risk Management Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.5m (PY £0.559m).

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

Prior year gross operating costs

£781m Council
(PY: £724M)



■ Prior year gross operating costs

Materiality

£10m
Council financial statements materiality
(PY: £11.181m)



£0.5m
Misstatements reported to the Audit and Risk Management Committee
(PY: £0.559m)

Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Risks of significant weakness

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

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Financial sustainability

The Council has recently faced an increasing difficult financial position which has led to Governmental exceptional financial support in the form of a capitalisation directive to meet the budget shortfall in 2020/21 to achieve a balanced budget. This financial support is only a temporary measure and the Council has acknowledged the need to make substantial savings in the next few years to return to establish a sustainable financial position.

In response to this risk we will perform a review of the Council's medium term financial strategy with a focus on the savings plans to gain an understanding of the assumptions management has made with in relation to costs and income.



Governance

The Council has financial interests in a number of entities which fall within a group boundary. It is investing further in some of these such as the Wirral Growth company. It has also made other long term investments such as the Public Sector Social Impact Fund and is considering investing in areas such as banking. The effective governance of these arrangements is critical if the Council is to safeguard its finances.

In response we will gain an understanding of the governance arrangements in place for the Council's joint ventures, subsidiaries, and other investments. We will also carry out a review of the management information for which decisions are based on to form an opinion on the appropriateness of such information.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit logistics and team

Planning and risk assessment

Interim audit
March – April 2021

Audit & Risk Management committee
5 July 2021

Audit Plan and Progress Update

Year end audit
July -September

Audit & Risk Management committee
27 September 2021

Audit Findings Report/Draft Auditor's Annual Report

Audit opinion

Audit & Risk Management committee
TBC

Auditor's Annual Report

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Mark Stocks, Key Audit Partner

Mark leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring the highest professional standards are maintained and a commitment to add value to the Audit & Risk Management Committee and the Council



Naomi Povey, Audit Manager

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



Olalekan Ayilara, Audit Incharge

Olalekan assists in planning, managing and delivering the audit fieldwork, ensuring that the audit is delivered effectively and efficiently. He supervises and co-ordinates the on-site audit team.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

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

Audit fees

In 2018, PSAA awarded a contract of audit for Wirral Council to begin with effect from 2018/19. The fee agreed in the contract was £123,095. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 15, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee of £52,000 (61%). This is in line with increases we are proposing for all our local audits.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1..

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf and has been agreed with the Director of Resources.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
Wirral Council Audit fee (excluding VAT)	£139,095	£173,734	£198,445

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA	£123,095
Raising the bar/regulatory factors	£10,500
Enhanced audit procedures for Property, Plant and Equipment	£9,350
Enhanced audit procedures for Pensions	£3,500
Additional work on Value for Money (VfM) under new NAO Code	£29,000
Increased audit requirements of revised ISAs	£17,000
Local risk factors (financial standing)	£6,000
Total audit fees (excluding VAT)	£198,445

Independence and non-audit services

Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.








None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefits Claim	TBC	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be below the total fee for the audit of £198,445 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teachers' Pensions return	TBC	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work will be below the total fee for the audit of £198,445 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
CFO insight	12,500	Self-Interest (because this is a recurring fee)	This is an online software subscription service that enable users to rapidly analyse data sets. CFO Insights is a Grant Thornton and CIPFA collaboration giving instant access to financial performance, service outcomes and socio-economic indicators for local authorities. It is the responsibility of management to interpret the information. The scope of our service does not include making decisions on behalf of management or recommending or suggesting a particular course of action. These factors mitigate the perceived self-interest threat. The fee for the work is negligible in comparison to the total fee for the audit.









Appendix 1: Revised Auditor Standards and application guidance

FRC revisions to Auditor Standards and associated application guidance




The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	
ISA (UK) 230 – Audit Documentation	January 2020	
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	
ISA (UK) 570 – Going Concern	September 2019	
ISA (UK) 580 – Written Representations	January 2020	
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	



AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 5 July 2021

REPORT TITLE:	EXTERNAL AUDIT PLAN MERSEYSIDE PENSION FUND 2020-21
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

The Merseyside Pension Fund is required to subject its financial statements to external scrutiny before a final version is published to ensure compliance with statutory requirements. This scrutiny role will be carried out by the Council's appointed auditors, Grant Thornton. During the summer Grant Thornton will undertake their audit of the relevant financial activities and provide verification of the Pension Fund's financial statements. The results of this audit will be reported back to the Audit & Risk Management Committee.

Additionally, Grant Thornton will provide assurance over International Accounting Standards (IAS) 19 pension information for auditors of a small number of admitted bodies in the Fund.

The Council's external auditors have produced the Audit Plan for their statutory audit of Merseyside Pension Fund 2020-21. The plan is appended to this document in Appendix 1.

RECOMMENDATION/S

The Audit & Risk Management Committee are requested to:-

1. Note and comment on the report; and
2. Consider the proposed Audit Plan and confirm that the arrangements set out will meet the Committee's expectations with regard to providing independent scrutiny.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The Audit Plan sets out the work the Pension Fund Auditors, Grant Thornton will be carrying out in their statutory audit on the Pension Funds financial statements and arrangements.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Option to not submit to Committee for comment and approval, however, this would not comply with the audit regulations and would be at the detriment of the Council.

3.0 BACKGROUND INFORMATION

- 3.1 Grant Thornton have been appointed as the Council's independent external auditors. Their annual work programme is set in accordance with the Code of Audit Practice and includes nationally prescribed and locally determined work.
- 3.2 The report provides members of the Committee with a summary of the external audit approach; it also includes details of the audit fees for 2020/21 on page 13 of the report.

4.0 FINANCIAL IMPLICATIONS

4.1 The audit fees will be met from within the revenue budget of the Pension Fund and IAS 19 assurance letter fees will be recharged to relevant admitted bodies. The fees are set out in the Audit plan.

5.0 LEGAL IMPLICATIONS

5.1 There are no legal aspects related to this matter.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 None arising directly from this report.

7.0 RELEVANT RISKS

7.1 Grant Thornton will complete a risk based audit whereby they will focus audit effort on those areas where they have identified a risk of material misstatement in the accounts.

7.2 If any concerns identified by Grant Thornton are not addressed by the Pension Fund and the Council, then there is a risk that the Council will not be able to meet its statutory requirements in respect to the Statement of Accounts.

8.0 ENGAGEMENT/CONSULTATION

8.1 None arising directly from this report.

9.0 EQUALITY IMPLICATIONS

9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help Council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.

9.2 There are no equality implications arising specifically from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 No direct implications. The content and/or recommendations contained within this report are expected to have no impact on emissions of Greenhouse Gases.

REPORT AUTHOR: Diane Grisdale
Senior Finance Manager Strategy, Policy & Financial Accounts
email: dianegrisdale@wirral.gov.uk

APPENDICES

Appendix 1 – External Auditors Audit Plan Merseyside Pension Fund 2020-21

BACKGROUND PAPERS

External Audit Plan 2020-21

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
External Auditors Audit Plan 2019/20	10/03/20
External Auditors Audit Plan 2018/19	24/04/19
External Auditors Audit Plan 2017/18	12/03/18

Merseyside Pension Fund – Annual External Audit Plan

Year ending 31 March 2021

21 May 2021

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

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Key matters

Factors

Pension Fund developments

We have continued to hold regular meetings with the senior finance team at the Fund. During these meetings we discuss a range of key issues regarding the Fund's general developments, current and projected financial performance, developments within the LGPS Northern pooling arrangements and regulatory oversight.

At the time of producing this Plan, the Council's latest fund asset valuation shows a significant increase in the value of the net assets of the Fund. At 31 March 2020, the Fund reported net assets of £8.882bn. This valuation was lower than had previously been forecast, due to the volatility experienced in financial markets in March 2020 as a result of the outbreak of the Covid-19 pandemic.

Since then, financial markets have recovered significantly and the Fund has seen large increases in the value of their assets. As at 31 January 2021, the Fund's assets were valued at £9.748bn. Whilst management are expecting less significant growth in quarter 4 of 2020/21, the performance of the Fund throughout the year has recovered a significant amount of the lost growth reported in the previous year end financial statements.

Impact of Covid 19 pandemic

The Covid-19 pandemic has impacted upon all of our lives. While there has been some relaxation of 'business as usual' arrangements, public sector bodies are still required to abide by the stewardship requirements of Managing public money and have a statutory duty to carry out their functions effectively, efficiently and economically.

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on public services. For Merseyside Pension Fund however the impact on the normal operations of the Fund has not been overly significant. The Fund has successfully implemented remote working arrangements and has not recorded any no significant increases in staff sickness or significant changes to governance processes. As detailed above the most significant impact of Covid-19 on the Fund has been with regards to the volatility caused to investment markets and in particular the ongoing impact of lockdowns/remote working on the valuation and rental income return from investment properties.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Fund's management.
- We will continue to provide you with sector updates via our Pensions Committee updates.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control- refer to page 5.
- The Pension Fund's valuer reported a material uncertainty in regards to the valuation of direct properties in 2019/20 due to the Covid 19 pandemic. Our understanding of the latest RICs guidance and discussions with the Fund is that this uncertainty disclosure will not be repeated for 2020/21. In line with our audit approach in previous years' we have identified a significant risk in regards to the valuation of direct properties – refer to page 6.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Merseyside Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

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

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Pensions Committee and the Audit & Risk Management Committee).

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

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

Significant risks

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

- Management Override of Controls
- Valuation of Directly-held Investment Property
- Valuation of Level 3 Investments

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

Materiality

We have determined planning materiality to be £87.735m (PY £88.8m) for the Pension Fund, which equates to 0.9% of your net assets as at 31 January 2021. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £4.386m (PY £4.4m).

Audit logistics

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

Our fee for the audit will be £46,249 (PY: £44,356) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA 240 Fraud in Revenue and Expenditure Recognition	<p>Under ISA (UK) 240 there is a rebuttable 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 have also rebutted the presumption of fraud in expenditure recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the 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 frameworks of local authorities, including Wirral Council mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Merseyside Pension Fund.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Directly Held Property	<p>The Fund revalues its directly held property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£472 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2021.</p> <p>We therefore identified valuation of directly held property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write out to them and discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engage our own valuer to assess the instructions to the Fund's valuer, the Fund's valuation report and the assumptions that underpin the valuation • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Fund's financial records • where available review investment manager service auditor report on design effectiveness of internal controls.
Valuation of Level 3 Investments	<p>The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£2,062 million) and the sensitivity of this estimate to changes in key assumptions.</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>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2021. All of the level 3 investments held by the Fund are internally managed.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes for valuing Level 3 investments • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met • independently request year-end confirmations from investment managers • for a sample of investments, test 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. Reconcile those values to the values at 31 March 2021 with reference to known movements in the intervening period and • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert • test revaluations made during the year to see if they had been input correctly into the Pension Fund's financial records • where available review investment manager service auditor report on design effectiveness of internal controls.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Pension Fund Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Pension Fund we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of directly held property
- Valuation of level 2 and level 3 investments

The Pension Fund's Information systems

In respect of the Pension Fund's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Pension Fund uses management experts in deriving some of its more complex estimates, e.g. asset and investment. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Pension Fund (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have issued management with a set of questions to be completed and presented to Pensions Committee for ratification. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

The Pension Fund is administered by Wirral Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

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

Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience and ensure that our work on going concern is proportionate for public sector bodies.

Materiality

The concept of materiality

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

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £87.735m (PY £88.8mm), which equates to 0.9% of your net assets as at 31 January 2021.

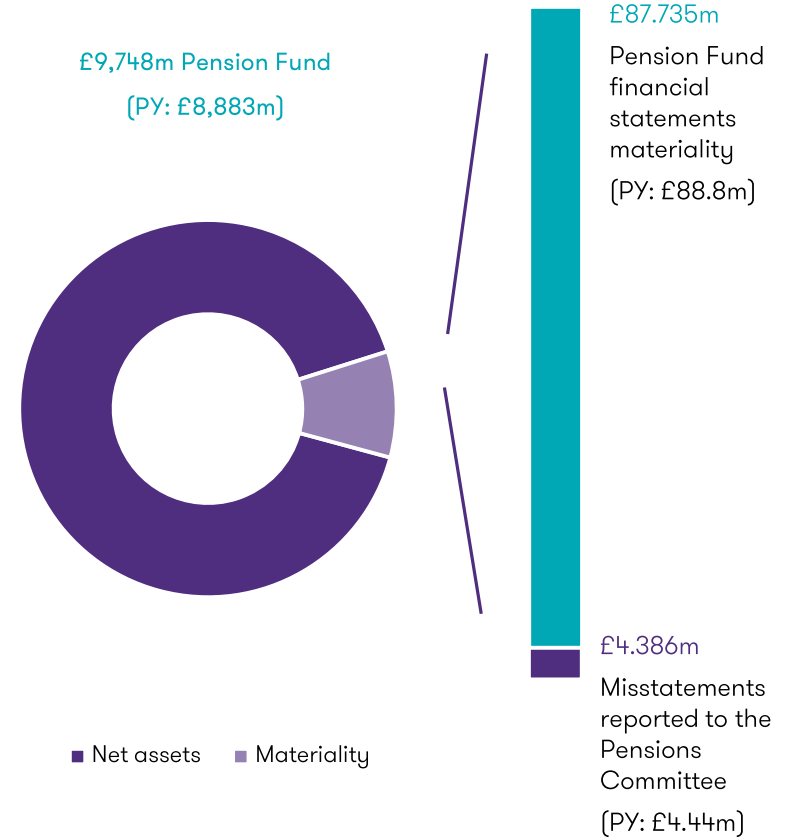
We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Pensions Committee

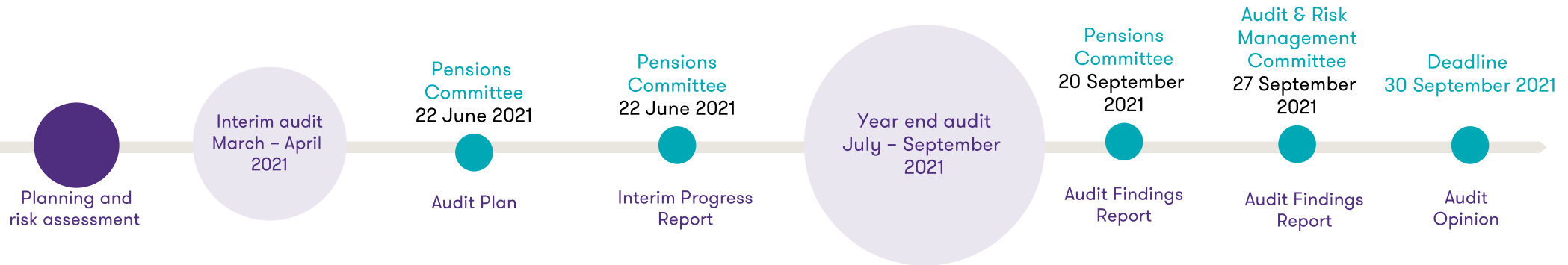
Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Pensions Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £4.386m (PY £4.4m).

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

Net assets at 31 January 2021



Audit logistics and team



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Andrew Smith, Key Audit Partner

Andrew leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring the highest professional standards are maintained and a commitment to add value to the Trust.



Stuart Basnett, Audit Manager

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



Chris Blakemore, Audit Incharge

Chris assists in planning, managing and delivering the audit fieldwork, ensuring that the audit is delivered effectively and efficiently. He supervises and co-ordinates the on-site audit team.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

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

Audit fees

In 2018, PSAA awarded a contract of audit for Merseyside Pension Fund to begin with effect from 2018/19. The fee agreed in the contract was £28,399. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for directly –held investment property valuations, which has been included in our proposed audit fee. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf and has been agreed with management.

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	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
Merseyside Pension Fund Audit	£30,399	£44,356	£46,249
IAS 19 Assurance Letters	£8,250	£12,250	£12,250
Total audit fees (excluding VAT)	£38,649	£56,606	£58,499

Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA	£28,399
<i>Ongoing increases to scale fee first identified in 2019/20</i>	
Raising the bar/regulatory factors	£2,150
Enhanced audit procedures for Directly held Property and auditors expert	£5,950
Enhanced audit procedures for Investments ³	£1,750
Audit fee 2019/20	£38,249
<i>New issues for 2020/21</i>	
Increased audit requirements of revised ISAs	£8,000
Total audit fees (excluding VAT)	£46,249

Independence and non-audit services

Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.








None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
IAS19 Assurance letters for Admitted Bodies	£12,250 (14 letters)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,250 in comparison to the total fee for the audit of £46,249 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
None			

Appendix 1: Revised Auditor Standards and application guidance

FRC revisions to Auditor Standards and associated application guidance



The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	
ISA (UK) 230 – Audit Documentation	January 2020	
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	
ISA (UK) 570 – Going Concern	September 2019	
ISA (UK) 580 – Written Representations	January 2020	
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	



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AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 5 July 2021

REPORT TITLE:	ANNUAL GOVERNANCE STATEMENT
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

This report presents the Audit and Risk Management Committee with the Annual Governance Statement (AGS) for consideration by Committee Members. The AGS should reflect key governance issues up to the date of the approval of the annual statement of accounts, and therefore a final version will be reported to the Committee in November 2021 for approval along with the final version of the Council's financial statements.

The Council has a responsibility for conducting an annual review of the effectiveness of its governance framework including the system of internal control. The AGS reports the outcome of the annual review.

The Council has previously approved and adopted a Code of Corporate Governance that complies with the principles of the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) Framework Delivering Good Governance in Local Government. The Council reports publicly through the AGS the extent to which the governance processes outlined in the Code are operating effectively in practice.

This matter affects all Wards within the Borough. It is not a key decision.

RECOMMENDATION

The Audit and Risk Management Committee is recommended to:

1. Note and approve, subject to comment as appropriate, the draft Annual Governance Statement, including the actions planned in 2021/22 to address the three significant governance issues identified from this year's annual governance review.
2. Delegate the Chief Executive and Council Leader to sign the draft statement prior to publication by 31 July 2021.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit (England) Regulations 2015.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not applicable due to the statutory requirement.

3.0 BACKGROUND INFORMATION

- 3.1 The Audit and Risk Management Committee is charged by full Council to consider the Annual Governance Statement, and be satisfied that this statement is comprehensive, properly reflects the risk and internal control environment, including the system of internal audit, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, and includes an agreed action plan for improvements where necessary.
- 3.2 The AGS has, as in previous years, been prepared in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government 2016 Framework and Guidance. The Council (members and officers) are responsible for putting in place proper arrangements for the governance of its affairs including risk management, the requirements of regulation and ensuring the effective exercise of its functions.
- 3.3 The draft AGS reports the outcome of the annual review of the effectiveness of its governance framework. Key elements of the review included:
- Completion of Governance Assurance Statements by each of the Council's Senior Leadership Team (SLT), with additional returns by the S151 and SIRO for their formal roles.
 - Individual discussions with each member of the SLT to gauge their views on progress and areas for improvement in respect of each of the seven principles in the CIPFA/SOLACE Framework for good governance.
 - Updates from Directors in respect of actions taken for the Significant Governance Issues (SGIs) included in last year's AGS and actions planned in 2021/22 for SGIs identified in this year's annual review.
 - Review of Internal Audit work completed in the year.
 - Consideration of any significant internal or external reviews of governance, including reviews by external audit and other review agencies and inspectorates as applicable.
- 3.4 The Annual Governance Statement 2020/21 covers the period from 1 April 2020 to 31 March 2021 and therefore any significant governance issues identified are those which have occurred during this period. It is also required to take into consideration any key issues that impact on the governance of the Council up to the date of the approval of the annual statement of accounts.

- 3.5 The main content of the AGS includes:
- For each of the seven principles of the CIPFA / SOLACE framework for good governance, consideration of the key aspects of the Council's governance framework that have further developed during 2020/21 and areas where it is recognised governance arrangements can be further strengthened.
 - A summary of the significant action taken during 2020/21 in respect of the four significant governance issues identified in last year's AGS.
 - A summary of the actions planned in 2021/22 to address the three significant governance issues identified from this year's annual governance review.

3.6 The Audit and Risk Management Committee and Corporate Governance Group will receive updates during 2021/22 on progress being made to address the significant governance issues included in this year's report.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report. The governance framework includes several financial elements, including the financial regulations, the budget strategy and the treasury management strategy. These are linked to a number of the core principles providing parameters, systems, processes and guidelines within which the Council must operate and therefore assist in the delivery of good governance.

5.0 LEGAL IMPLICATIONS

5.1 The Audit and Account (England) Regulations 2015 (Regulation 6) requires that the Council undertakes an annual review of the effectiveness of its internal control systems and prepare a governance statement. The annual governance statement must be approved in advance of the annual statement of account. The preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SOLACE Framework fulfils the statutory requirements under the Regulations.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising directly from this report. Any implications identified in the production of the AGS and the follow-up of actions identified will be reported to the Council's SLT and the appropriate committee to identify the appropriate action that will be taken.

7.0 RELEVANT RISKS

7.1 Potential failure of the Council to comply with the statutory requirement set out in the Accounts and Audit (England) Regulations 2015.

8.0 ENGAGEMENT/CONSULTATION

8.1 The AGS has been considered by the Senior Leadership Team and will be signed by the Chief Executive and Council Leader. The Council is required to publish the draft AGS by 31 July 2021.

9.0 EQUALITY IMPLICATIONS

9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity. There are no equality implications arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are none arising directly from this report.

REPORT AUTHOR: **Iain Miles**
telephone: 0151 666 3243
email: iainmiles@wirral.gov.uk

APPENDICES

Appendix 1 – Wirral Council Annual Governance Statement 2020-21

BACKGROUND PAPERS

CIPFA / SOLACE Framework Delivering Good Governance in Local Government
Guidance – Cipfa Bulletin 06 – Application of the Good Governance Framework 2020/21
Meeting the Principles of Good Governance – The Impact Of The Covid-19 Pandemic
-Briefing from the Cipfa Better Governance Forum

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee - 2019/20 Statement of Accounts for Wirral Council and Merseyside Pension Fund	11 January 2021
Audit & Risk Management Committee - 2019/20 Statement of Accounts for Wirral Council and Merseyside Pension Fund Update	23 November 2020
Audit & Risk Management Committee - Annual Governance Statement	21 September 2020
Audit & Risk Management Committee - Wirral Council Statement of Accounts 2018-19	23 September 2019
Audit & Risk Management Committee - Wirral Council Statement of Accounts 2017-18	23 July 2018



ANNUAL GOVERNANCE STATEMENT

2020-21

Annual Governance Statement 2020/21

EXECUTIVE SUMMARY

Wirral Council has a responsibility for conducting an annual review of the effectiveness of its governance framework including the system of internal control.

The results of the annual review of the effectiveness of the key elements of the Council's governance processes during 2020-21 are set out in this Annual Governance Statement (AGS). Many of the key governance mechanisms remain in place and are referred to in previous statements, as well as in the Council's Code of Corporate Governance. This statement therefore focuses on the key changes and developments within the Council's governance framework during 2020-21, and up to the date of the approval of the annual statement of accounts.

Slides 8 – 20 consider each of the seven principles in the CIPFA/SOLACE Framework and demonstrate how the Council has complied with the Framework during 2020-21. Within each principle, where relevant, the AGS provides an overview of how the Council responded to the COVID-19 pandemic and the consequent significant adaptations to its governance arrangements. These included the emergency planning arrangements introduced to determine and deliver the interventions necessary, strong local leadership, close working relationships with partners and the significant redeployment of staff to spearhead key COVID-19 response initiatives; all contributing to ensure that good governance was maintained.

For each of the seven principles the AGS highlights:

- the key aspects of the Council's governance

arrangements that have developed during 2020/21

- areas where it is recognised governance arrangements can be further strengthened, with comments as to plans in place.

Slides 21 – 25 summarise actions taken in 2020/21 to address the significant governance issues highlighted in the 2019/20 AGS, namely - Financial Resilience, Regeneration, Compliance, and the move to the New Committee System.

The criteria used for determining the issues considered to be significant governance issues are outlined on slide 26. The significant governance issues facing the Council that have been identified from this year's review of the effectiveness of the Council's governance framework remain

- Financial Resilience and Management – recognising the significant challenge the Council faces to ensure the budget is rigorously monitored in year and the MTFP remains in balance at all times and is delivered
- Regeneration – recognising the incredibly ambitious scale of the regeneration agenda, reflected in the number and scale of change programmes, schemes and initiatives, the considerable organisational and corporate cooperation needed to deliver and that a failure to deliver on this agenda would significantly undermine or threaten the achievement of core organisational objectives
- Compliance – recognising that non-compliance with corporate policies and procedures across disciplines such as HR, finance, information, procurement, health

& safety, puts the reputation of the Council and the health and safety of our staff and residents at risk, and may lead to legal challenge, financial penalty and ultimately loss of life.

The planned actions in 2021/22 to address each of these issues are outlined on slides 27 - 30.

Based on the annual governance review undertaken, the conclusion is that the Council's governance arrangements overall are effective in delivering against the seven Principles of Good Governance and supporting the delivery of sustainable outcomes.

CERTIFICATION

To the best of our knowledge, the governance arrangements, as outlined in this AGS have been effectively operating during the year with the exception of those areas identified as requiring improvement. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our annual review.

Signed:

Signed:

Paul Satoor, Chief Executive

Councillor Janette Williamson, Leader of the Council

Date:

Date:

Annual Governance Statement 2020/21

INTRODUCTION

Local authorities are required by statute to review their governance arrangements at least once per year.

Throughout the last year, Wirral Borough Council has continued with its strategy to improve upon the manner in which it discharges its governance responsibilities.

This statement explains how the Council has complied with its Code of Corporate Governance and continues to build upon the work of previous years, constantly improving, as a Council, that is learning, maturing and delivering for its constituents.

Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Council also retains a best value duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

By discharging this responsibility (including as accountable body for the Merseyside Pension Fund), the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

Wirral Council is the administering authority for the

Merseyside Pension Fund which publishes its own statement of accounts on an annual basis. The Fund publishes a “Governance Compliance Statement” that outlines compliance to industry specific governance principles.

The Council has approved and adopted the Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework for Delivering Good Governance in Local Government 2016. A copy of the Code is available on our website: www.wirral.gov.uk.

This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 6 (1) (b) of the Accounts and Audit (England & Wales) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

The Council also fulfils a governance role in relation to the businesses that it wholly or jointly owns:

- Edsential - a Community Interest Company jointly owned by Cheshire West and Chester Council and Wirral Council to provide services to the Education sector: <https://edsential.com/>. The Council owns 50% of the shares in the company and provides governance oversight via a joint shareholder board with Cheshire West and Chester Council.
- Wirral Evolutions Ltd - a Council owned company, which delivers adult social care services: <http://www.wirralevolutions.org/>. The company shareholder board provides governance oversight. The board membership includes a Council member to make strategic decisions on the behalf of

the Council. Operational decisions are taken by the company board of directors.

- Wirral Growth Company - a limited liability partnership between the Council and Muse Developments Limited. The Council and Muse Developments Limited are equal partners in this venture and are jointly responsible for making all decisions. The partnership was created to promote the economic regeneration of the Borough.
- The Council also owns shares in two other companies both of which are currently dormant (Wirral Growth Company Nominee Ltd and Wirral Holdings Ltd).

What is Corporate Governance?

Corporate Governance generally refers to the processes by which organisations are directed, controlled, led and held to account.

The Council's governance framework aims to ensure that in conducting business it:

- Operates in a lawful, open, inclusive and honest manner
- Ensures that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- Has effective arrangements for the management of risk
- Secures continuous improvements in the manner in which it operates.

The purpose of the Governance Framework

The governance framework comprises the culture, values, systems and processes by which the Council is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

Adhering to this framework enables the Council to monitor the success of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate / cost effective services.

Both risk management and internal control measurements are a significant part of the Council's corporate governance framework and are designed to manage risk to a reasonable level.

These safeguarding processes cannot eliminate all risk

of failure to achieve the goals set by the Council's policies, aims and strategic objectives and can therefore only provide reasonable, rather than absolute assurances of their effectiveness.

The system of risk management and internal control is based upon an ongoing process, designed to identify and prioritise the risk to the achievement of the Councils' policies, aims and strategic objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

This statement builds upon those of previous years. Many of the key governance mechanisms remain in place and are referred to in previous statements, as well as in the Council's Code of Corporate Governance. These are available on the Council's website: www.wirral.gov.uk. This statement therefore describes the key changes and developments within the Council's governance framework during 2020-21 and up to the date of the approval of the annual statement of accounts.

The progress that has been made in dealing with the significant governance issue included in last year's statement and those governance issues that have been identified from this year's governance review are highlighted in this statement.

Overview of Governance Framework

Council	Committees including Policy & Resources	Audit & Risk Management Committee	Partnerships Committee	Corporate Governance	Risk Management	Audit
<ul style="list-style-type: none"> Approve Constitution Approve the Wirral Plan. Approve budget and policy framework. Hold decision making meetings in public 	<p>Part 3B of the Council's Constitution details the Terms of Reference for the Council's:</p> <ul style="list-style-type: none"> Policy and Service Committees Decision Review, Partnership and Scrutiny (Joint Health) Committees Statutory, Regulatory and Other Committees. <p>The Terms of Reference for the Policy and Resources Committee includes:</p> <ul style="list-style-type: none"> formulate, co-ordinate and implement corporate policies and strategies and the medium term financial plan (budget) provide a co-ordinating role across all other service committees and retain a 'whole-council' view of performance, budget monitoring and risk management undertake responsibility for developing and monitoring the enabling corporate services 	<ul style="list-style-type: none"> Scrutinise and approve Financial Statements on behalf of the Council Review Contract & Procurement Procedure Rules Review and scrutinise governance arrangements, including internal and external audit updates / reports, and the management of risk Holds meetings in public 	<ul style="list-style-type: none"> Undertake reviews and make recommendations on services or activities carried out by external organisations which affect the Borough of Wirral or any of its inhabitants, including the review and monitoring of the contractual and operational performance of shared service partnerships, joint ventures and outside organisations to which the Council makes a resource contribution. 	<ul style="list-style-type: none"> Review performance management and projects against milestones, resource allocation, risks and performance. The Corporate Governance Group has responsibility for overseeing the annual review of the governance framework and the preparation of the annual governance statement Corporate oversight by Council's additional governance boards; including Investment & Change Board The Corporate management team including the role of its three statutory officers: the Head of Paid Service (Chief Executive), the Monitoring Officer and the Chief Financial Officer 	<ul style="list-style-type: none"> Review risk registers for corporate, operational and project risks Corporate risks reviewed by the Senior Leadership Team and Audit & Risk Management Committee 	<ul style="list-style-type: none"> Set the internal audit strategy to meet the Council's overall strategic direction and provide assurance on risk management, governance and internal control arrangements Undertake annual programme of internal audits, present progress reports including recommendations for improvement in systems and control External Audit review and report on the Council's financial statements and vfm conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

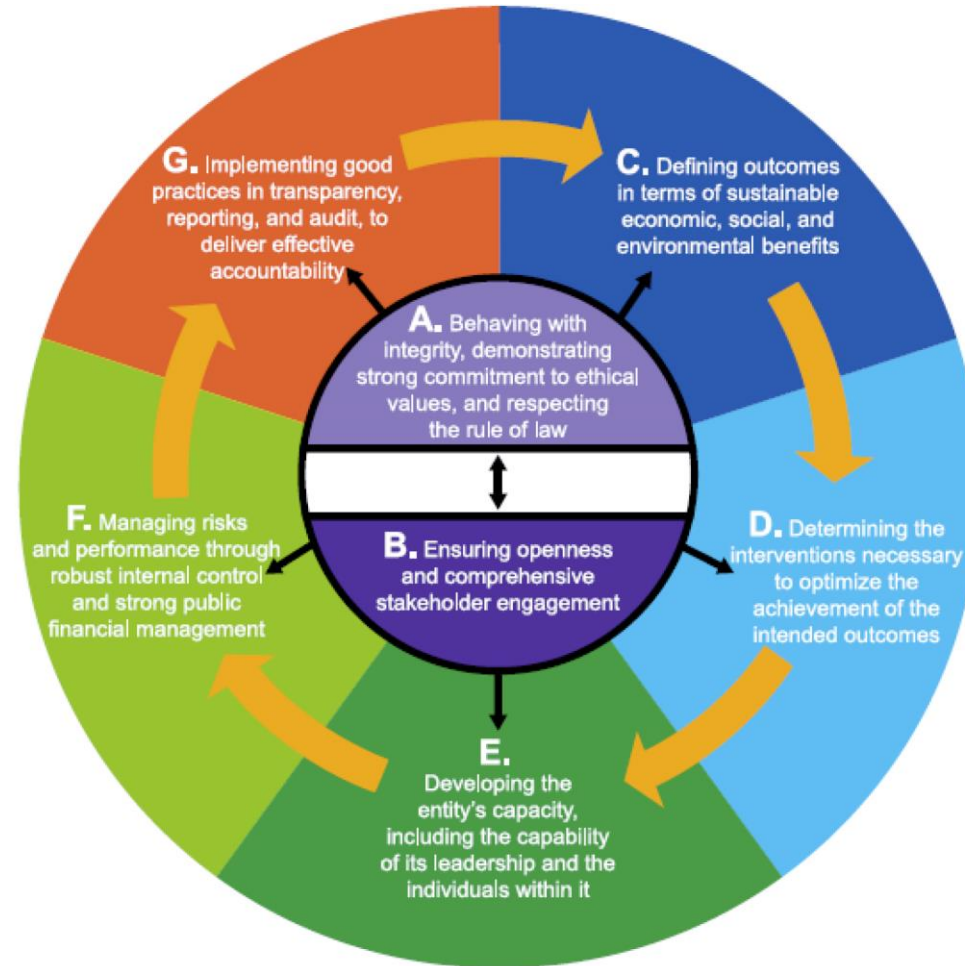
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REVIEW OF EFFECTIVENESS

Wirral Council has a responsibility for conducting a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the Chief Officers and senior managers within the Council who have responsibility for the development and maintenance of the governance environment. Their feedback and comments provided in Governance Assurance returns and meetings are an essential part of this review. It is also informed by the work of Internal Audit, the Chief Internal Auditor's Annual Report, together with findings and reports issued by the external auditor and other review agencies and inspectorates.

The Council aims to achieve good standards of governance by adhering to the seven core principles below, which form the basis of the Council's Code of Corporate Governance.



Reproduced from 'Delivering Good Governance in Local Government Framework 2014' published by CIPFA/IFAC

The results of the annual review of the effectiveness of the key elements of the Council's governance processes during 2020/21 are set out in the table below, demonstrating how the Council has complied with the seven principles set out in the CIPFA/SOLACE Framework during 2020/21.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2020/21
<p>A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 118</p>	<p>Key aspects of the Council's governance arrangements that have developed during 2020/21 have included:</p> <ul style="list-style-type: none"> • From the start of the pandemic in early 2020, the Council provided strong local leadership on compliance with COVID-19 regulations; this served to maintain public trust and respect for rule of law. The Council responded well to the initial & continued challenges of the pandemic and lockdown and feedback from community, voluntary groups and partners has confirmed how the Council's core values have been clearly evident in the cohesive response to support the local community across the wide range of activity and support including humanitarian, financial, advice and guidance. This has helped to strengthen the Council's standing and reputation as the Community Leader. • This has also helped to drive cultural change within the organisation. Internally, the cohesive, cross-departmental response to COVID-19 and the improved corporate and departmental communication and engagement (see Principle B), has meant the values, previously established via the People Strategy, have assumed a higher profile and become more embedded in behaviours, creating a stronger ethos and more connected and cohesive organisation. • The Council has been alert to the need to anticipate potential issues and demonstrate integrity. This has been evident in the proactive response to learn lessons from reviews in other authorities in respect of governance and ethical values, e.g. Best Value review (LCC) and Public Interest Reports in other authorities, to help prevent similar issues occurring locally. • The move to the new committee structure has provided a focus to further strengthen processes in respect of committee reporting and decision-making (further detail under Principle G). <p>Areas where it is recognised governance arrangements can be further strengthened include:</p> <ul style="list-style-type: none"> • It is recognised that in organisations of this size there remain some issues with values and behaviours and consistency of compliance; these will be addressed through a new appraisal process and stronger compliance enforcement, both discussed later in this statement • There is a need to formalise and standardise training provided for officers and members in areas such as ethics so the Council can better evidence the training delivered.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2020/21
<p>B. Ensuring openness and comprehensive stakeholder engagement.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 119</p>	<p>Key aspects of the Council's governance arrangements that have developed during 2020/21:</p> <p>From a positive base reflected in last year's AGS, there has been further significant strengthening of arrangements in this area with much stronger collaboration with a wide range of partners and stakeholders, and within the Council.</p> <p>The Council's COVID-19 response involved very close working with public sector, voluntary and community partners. The active and comprehensive stakeholder and partner engagement involved a multi-agency emergency response infrastructure which included, for example:</p> <ul style="list-style-type: none"> • Scientific, Technical and Advisory Committee which included health providers and the CCG • Tactical Co-ordination Group (TCG) which included Fire & Rescue • Humanitarian cell – including over 30 Voluntary, Community and Social Enterprise (VCSE) organisations • Outbreak Cell set up in Autumn 20 including NHS, Fire, Police, 3rd sector representation working to a local Outbreak Management Plan published on the website (and refreshed regularly) with responsibilities including Communications, testing and data <p>At the Chief Executive level, arrangements have included weekly meetings with all NHS Chief Executives, twice weekly meetings with leaders across the Liverpool City Region (COVID-19 and Other strategic issues), regular conversations at a senior level with key commercial partners (e.g. Peel & Muse), fortnightly meetings with all Wirral MPs and two weekly meetings with Group Leaders covering the COVID-19 response and Business as Usual (BAU).</p> <p>Dealing with the pandemic and remote working has led to a greater commitment to strengthen consultation and openness with staff, with initiatives including:</p> <ul style="list-style-type: none"> • regular Chief Executive communications • improved communications at Directorate level, including Live Directorate team events, staff engagement sessions, Directorate Newsletters (e.g. Neighbourhoods) • a greater emphasis on team meetings and regular line manager check-ins to ensure staff are briefed on key operational and corporate issues and assisted with pastoral care • periodic pulse surveys (e.g. May 2020, Sept 2020, Nov 2020).

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2020/21
<p>B. Ensuring openness and comprehensive stakeholder engagement. (continued)</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 120</p>	<p>Key aspects of the Council's governance arrangements that have developed during 2020/21 (continued):</p> <p>There has been a greater emphasis on developing and assisting senior and other managers within the Council with initiatives including refreshed Corporate Management Team (CMT) arrangements, monthly Manager network and Manager Micro sessions.</p> <p>The move to the new committee system has led to a more open and transparent approach, for Members and the public, with arrangements including 45 minutes set-aside for Members' questions at Full Council, sessions at each committee for taking questions from members of the public and briefings taking place with the Chair and other Party spokes-persons. There will be a post implementation review and some teething issues have arisen, e.g. the duration of some meetings, but it is recognised that the new committee structure has led to more open debate and improved collaborative working.</p> <p>Other examples of effective consultation and stakeholder engagement in the year have included:</p> <ul style="list-style-type: none"> • consultation on the Local Plan and Birkenhead Framework • extensive feedback from young people, parents, carers as part of research by Ofsted and Care Quality Commission looking into how SEN children have fared during COVID-19 • Children's Partnership arrangement including all relevant parties and an independent Chair from the 3rd sector • work of the domestic abuse alliance - all party engagement and a ground-breaking co-produced strategy which included those affected and offenders • the workings of the Disability Stakeholder group • a network of commissioned 'Community Connectors', initially in the East of the Borough but now in all Council wards, who have assisted with identifying local needs, together with a network of 'engagement officers' focussed on understanding community attitudes and behaviours towards key issues, e.g. COVID-19 testing and vaccines. <p>Areas where it is recognised governance arrangements can be further strengthened include:</p> <ul style="list-style-type: none"> • The need for a mechanism to better understand the reasons why some developers may complain to Members; allowing a clear distinction between genuine complaints and those unhappy with the outcome of a statutory decision.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2020/21
<p>C. Defining outcomes in terms of sustainable economic, social and environmental benefits.</p>	<p>Key aspects of the Council's governance arrangements that have developed during 2020/21:</p> <p>It is recognised that in the past 12 months, in response to the COVID-19 pandemic, the Council has been more in reactive mode; however it is now starting to make progress again in this area.</p> <p>Examples where the Council is maintaining a focus on longer term goals and outcomes include the following:</p> <ul style="list-style-type: none"> • Regeneration – there is real progress in outlining what the Council is setting out to achieve and several key major projects are now coming to fruition, e.g. Wallasey / Birkenhead docks, Eureka, Hind St, Urban Splash • Local Plan – the publication of the Draft Local Plan under Regulation 19 is now expected in autumn 2021; this will help provide the framework for where the Council seeks to be in the medium and longer term in respect of housing, infrastructure, schools, health, regeneration and growth • Climate Emergency – in July 2019 the Council announced its commitment to the Climate Emergency. Actions in year have included a recently approved policy, agreed action plan working with committees and community groups, a dashboard set up to monitor delivery and agreement to establish a working group that will measure and monitor the outcome of initiatives and their affect e.g. in respect of net carbon • The Health & Social Care Commissioning team continues to be geared up to identify long term goals using national policy, best practice and views of service users. <p>Areas where it is recognised governance arrangements can be further strengthened:</p> <p>Some key activities are in progress that will help define target outcomes. These include:</p> <ul style="list-style-type: none"> • Refreshing the Wirral Plan – A refreshed one year Wirral Plan was approved by full Council in October 2019. There was limited progress during 2020 and it was recognised that what the Council planned to achieve and how needed to be revised to take account of COVID-19. A project plan for the Wirral Plan Refresh was agreed in March 2021. The Plan, a broad Borough wide aspirational plan including performance measures, will set out the vision and key priorities for the Borough over a 5 year period from 2021 to 2026. The key actions and milestones have been agreed; these will lead to Policy Council approval, launch and a Partnership Summit planned for July 2021.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2020/21
<p>C. Defining outcomes in terms of sustainable economic, social and environmental benefits. (continued)</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 122</p>	<ul style="list-style-type: none"> • Developing the Corporate Plan - This will set out what the Council plans to achieve over the period in order to support delivery of the long-term vision captured within the Wirral Plan 2021-26 and will inform the Council's Medium Term Financial Strategy. The Framework has been reported to the Senior Leadership Team (SLT). The Corporate Plan and Wirral Plan will be developed in tandem – linked to the MTFS • Finalising the Change plan - The governance arrangements for the change plan are in the process of being finalised. The Change plan and the target operating model will link closely with the with Wirral Plan and Corporate Plan. <p>Areas where it is recognised that more needs to be done include:</p> <ul style="list-style-type: none"> • the Wirral Plan needs to ensure a more joined up Council wide approach for dealing with inequality including a focus on measurable outcomes. • as the new committee system develops, there needs to be a process and policy for how competing objectives between committees are managed (e.g. development v sustainability) to ensure a corporate and coherent approach to delivering the intended outcome • improvement is needed in terms of how to align resources to outcomes and priorities, with a system that is focussed on providing evidence that services and initiatives are delivering intended outcomes and securing value for money (vfm). A working group has been established to progress this issue, with a benchmarking exercise now being carried out in a selected area. <p>A significant development in respect of defining outcomes, that will have a key impact on the role of Council going forward, will be the restructuring of the NHS; with the introduction of an Integrated Care System for Cheshire & Merseyside. It is envisaged that the move from the Clinical Commissioning Group (CCG) to a regional commissioning footprint will have a generational change on the health agenda, with the Council having a very strong influence over what health will look like locally. The detail as to what functions and arrangements will be fulfilled locally and the associated transfer of staff and responsibilities will be determined during 2021/22, but it is envisaged the Health & Well-Being Board will have an increasingly important role.</p>

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2020/21
<p>D. Determining the interventions necessary to optimize the achievement of the intended outcomes.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 123</p>	<p>Key aspects of the Council's governance arrangements that have developed during 2020/21:</p> <p>At the beginning of the COVID-19 pandemic emergency planning arrangements were introduced to determine and deliver the interventions necessary. The Leader of the Council gave delegated authority to the Head of Paid Service and each Director to take any action considered reasonably necessary to protect the health, safety or welfare of individuals. Under the new governance processes and structures put in place, various cells were established as part of the Command and Control system; these included Humanitarian, Scientific and Technical Advisory, Economic Resilience and Neighbourhoods. These cells each reported regularly to the Strategic Co-ordination Group (SCG) and Tactical Co-ordination Group (TCG). The Health and Care command structures dealt with the more operational elements of dealing with the pandemic. The frequency and structure of meetings and cells adapted during the pandemic; SCG and TCG met daily at the beginning of pandemic for quick responses and decision making and later moved to twice weekly and weekly as the Council moved from crisis through to recovery. The contingency planning cell structure and truncated report process blended the Council's necessary legal and financial steps with the JESIP emergency planning principles to ensure appropriate decision making, reporting and publication of decisions, with decisions presented through individual cells and into TCG for approval and SCG for ratification. This process has continued into the remobilisation and recovery of services post lockdowns. An audit review of this decision making process in the early stages of the pandemic confirmed that, with a small number of exceptions, recognising the unprecedented environment at the time, the expected procedures and documentation were complied with.</p> <p>Considerable work has been invested into the Council's medium and long term resource planning aimed at developing a sustainable financial and funding strategy. The process for securing an agreed Capitalisation Directive involved ensuring a robust five year balanced medium term financial plan, as evaluated by LGA and MHCLG, together with target operating model and change plan. This remains an area of significant challenge as noted below.</p> <p>The transition from the Cabinet to the Committee system has meant that the provision of financial advice is more robust and open to more challenge and scrutiny than previously, with quarterly monitoring to all of the policy and services committees and reports referred from policy and services committees to policy and resources committee. Similarly, the budget monitoring and setting process has been open to further scrutiny during 2020/21 as a result of moving to the committee system. For first time in 50 years there was universal political agreement to the 2021/22 budget. Recommendations for further improving the 2021/22 budget monitoring and 2022/23 budget setting process were presented to P&R committee on 17 March 2021.</p> <p>Examples of arrangements that have continued in this area include established processes for the consideration of Outline and Full Business Cases for key projects. Section B above includes examples where effective consultation with service users and citizens has helped to optimise service interventions.</p>

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2020/21
<p>D. Determining the interventions necessary to optimize the achievement of the intended outcomes (continued)</p>	<p>Areas where it is recognised governance arrangements can be further strengthened include:</p> <p>The Council faces a significant challenge to meet its very ambitious change agenda programme whilst still managing issues arising from the COVID-19 pandemic.</p> <p>The varied challenges of the significant change agenda include the number and scale of change programmes, schemes and initiatives, including those linked to the regeneration agenda, structural change with health, the need to maintain progress in respect of children's and social care and implementation of major IT developments, such as the replacement of the Enterprise Resource Planning (ERP) system. There remains a need to proceed at pace despite recognised capacity issues (see further detail under Principle E).</p> <p>Financial resilience remains a key challenge. The Council's external auditors Grant Thornton, issued an adverse value for money conclusion on the 2019/20 accounts, noting that the Council's use of reserves in recent years to balance the budget had led to an unsustainable financial position. The Council has received approval for a capitalisation directive to provide support for 2020/21 and 2021/22 in order to balance the budget. However, the auditors note this 'is only a temporary measure and the Council will need to make substantial savings in the next few years to return to establish a sustainable financial position'. The ongoing challenge will be to ensure the budget is rigorously monitored in year and the Medium Term Financial Plan (MTFP) remains in balance at all times and is delivered. This will require a greater focus on managing financial risk on the part of individual directorates and special project areas. To assist with this budgets will be subject to review in bi-monthly meetings the Chief Executive and Director of Resources are scheduled to have with individual Directors.</p>

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2020/21
<p>E. Developing the entity's capacity including the capability of its leadership and the individuals within it.</p>	<p>Key aspects of the Council's governance arrangements that have developed during 2020/21:</p> <p>The capacity of the Council to deal with the COVID-19 pandemic was significantly enhanced by the arrangements established for the active redeployment of staff to respond to emerging risk areas. At the height of the pandemic the Internal Agency team had deployed 329 staff from Council services that were closed, in addition to other staff that were redeployed. Areas supported by staff allocated by the Internal Agency included Adult care, PPE, the Food Hub, helplines, Hospitality Grants, delivery of school meals, helping with IT deliveries, vaccine sites, testing Sites, support to schools when they returned and were struggling with COVID-19 cases and support staff offered to to partners (NHS) schools and voluntary organisations.</p> <p>Staff satisfaction results have confirmed strong leadership from the Chief Executive and SLT during the COVID-19 pandemic. There have been initiatives to further strengthen the workings of SLT through externally delivered development and 121 coaching sessions.</p> <p>The Council has shown a commitment to organisational learning through internal lessons learned reviews, e.g. Public Health, external peer reviews, e.g. Planning, and seeking to apply the learning from Best Value and Public Interest reports relating to other councils.</p> <p>There remain many examples of how strong partnerships and collaborations are helping to increase corporate capacity. The Council continues to enjoy very close joint working relationships with health partners. The corporate response to the COVID-19 pandemic has resulted in close working with new community partners, including new community groups within the BAME community, and additional voluntary groups. Private sector partnerships have also improved with close working relationships with other anchor institutions in response to the pandemic.</p> <p>The capacity and capability of members and officers have been further developed through a strong Organisational Development function and enhanced arrangements for organisational learning. Examples in year have included:</p> <ul style="list-style-type: none"> • a refreshed Member Support Group working group which has worked closely with OD to provide training on the new committee system and specific training for committee chairs (with more planned following the May 2021 elections) • work with APSE (The Association for Public Service Excellence) in respect of Carbon Literacy has been delivered to SLT and leading officers and members and has helped to embed the Climate emergency • development programme for Assistant Directors including a roadmap to mentor through Solace (Neighbourhoods Directorate) • leading roles on various regional groups have provided further opportunities for learning, a sharing of best practice and networking.

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2020/21
<p>E. Developing the entity's capacity including the capability of its leadership and the individuals within it. (continued...)</p>	<p>Areas where it is recognised governance arrangements can be further strengthened include:</p> <p>There are areas where concerns remain over capacity. These include capacity to:</p> <ul style="list-style-type: none"> • deliver the significant change agenda, linked to the Medium Term Financial Strategy (MTFS), • oversee the delivery of the ambitious and challenging multi-project regeneration programme, with a recognition that the pace and scale of change required may necessitate changes to existing arrangements for delivery including governance • address the varied asset management issues, including the assessments needed to safely reopen the Council's administrative buildings and manage safety considerations • manage environmental Health and public health concerns • meet expectations in respect of serving the new committee structure, with its 13 committees and associated workshops, arrangements for consultation and public questions <p>Aside from specific areas, there is concern that several services face a fatigue and pressures on managers and staff linked to the conflicting elements of returning to business as usual whilst still dealing with pandemic and recovery / reinstatement. There is a need to develop a consistent approach across departments to ensure robust capacity planning; to address capacity concerns and prevent more significant issues occurring.</p> <p>Arrangements continue to develop in the area of performance appraisal. Formal performance arrangements were relaxed during 2020/21 in response to the pandemic; a new check-in process was launched and issued across the Council and this provided focus for employees. Formal performance, and in some cases professional (e.g. Public Health), appraisal systems will be reintroduced in 2021/22. A new appraisal system is to be introduced for 2021/22, together with a new on-line learning platform to ensure this can be maintained. A new process for Accountability Statements for Directors is also due to be introduced for 2021/22 linked to performance appraisal.</p> <p>Development areas in Children's services include plans to strengthen Member training for the role on Children's committee and to develop a leadership and management development model along the lines of a 'staff college' approach</p> <p>CIPFA published the Financial Management (FM) Code in October 2019. A key goal of the FM Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management The FM Code requires organisations to demonstrate that the processes they have in place satisfy the principles of good financial management. 2020/21 was a 'shadow' year for the implementation of the FM Code with the expectation that organisations would be fully compliant in 2021/22. With the impact of COVID-19 no assessment was completed in 2020/21. The Finance team are currently undertaking an assessment of compliance; this is planned to be reported to the Resources Departmental Management Team (DMT) in June; relevant actions will be implemented in 2021/22 in respect of any development areas identified from this assessment..</p>

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2020/21
<p>F. Managing risk and performance through robust internal control and strong public financial management.</p>	<p>Key aspects of the Council's governance arrangements that have developed during 2020/21:</p> <p>Performance management continues to become more developed. Performance in relation to COVID-19 and its impact has been reported effectively in 2020/21. A Power BI COVID-19 dashboard was used to provide updates on operational services during the pandemic with live COVID-19 dashboard reporting to TCG and SCG. This resulted in improved reporting to Group Leaders and MPs and Partners, with for example, early identification of the impact of the spike in the new variant identified in January 2021. It was also used for reporting to the Ministry of Housing, Communities & Local Government (MCHLG). On the back of the success of the COVID-19 reporting, and in line with the principles of the COVID-19 cell structure, Operational Performance dashboards have recently been developed for reporting to Departmental Management Teams (DMTs) and continue to be subject to further refining. In keeping with the principles of the COVID-19 cell structure a new Operational Performance Board (OPB) has been established. The OPB will meet monthly to share knowledge, increase collaboration and escalate risks/issues with a requirement that each Directorate will need to report a summary of 4/5 key data sets to the OPB . It is envisaged that the OPB will escalate risks and issues to SLT. Planned further improvements to performance management are noted below.</p> <p>Improvements in Health and Safety (H&S) arrangements and procedures has been a critical feature of the COVID-19 response. This has included supporting the development of new service offers and the remobilisation of services as repeated lockdowns and restrictions eased. The H&S team has worked closely with Public Health, including the development and application of a COVID-19 risk assessment, to take a cautious approach to reinstatement and ensure risks are effectively managed to protect staff and public. The Strategic Health Safety and Wellbeing Board was set up to address major risk areas; a top down approach chaired by the Chief Executive. Recent service improvements have included the recruitment of a dedicated tree management team to improve procedures following a serious accident. It is recognised there is still more to do, as outlined below.</p> <p>Risk management processes are becoming more embedded and mature. This is evident from the role of the Investment & Change Board, the risk profile evident in arrangements such as the process for Outline and Full Business cases, the developing practice for risks to move between corporate, departmental and service / project risk registers as mitigating controls are introduced and risks change, and the maturity of risk considerations, such as with the recent acquisition of the House of Fraser. Further planned improvements that have started and will continue to develop in 2021/22 include a recently commissioned corporate risk appetite exercise and ongoing work to develop an Assurance Map for all key corporate risks. It is recognised that there is still more to do to ensure that risk considerations are at the heart of all decisions, with additional consideration of risk to take place at OPB and SLT and plans for some Directorates to further develop their risk registers.</p>

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2020/21
<p>F. Managing risk and performance through robust internal control and strong public financial management (continued)</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 128</p>	<p>Areas where it is recognised governance arrangements can be further strengthened include:</p> <p>There was a relaxation of business as usual in some areas to focus on the pandemic, recognising that key staff in some areas had been redirected to work on initiatives to support the pandemic response. Examples included: a relaxation of formal appraisals, although this has been replaced with more regular check-ins, no requirement for business plans, and no formal corporate performance monitoring in 2020 of previous key service performance indicators. This reflected a shift to emergency response and revised priorities as detailed in Principles B & D above, with reporting and monitoring focusing on the pandemic response.</p> <p>There are plans to further strengthen performance management arrangements. These include :</p> <ul style="list-style-type: none"> • an SLT meeting to be dedicated to performance on a quarterly basis • plans to develop dashboard reporting for committees • the Chief Executive and Director of Resources to meet each Director every two months to review finance, HR, procurement, audit and risk performance. <p>It is recognised that more progress is needed in respect of Directorate Plans. It is envisaged that Directorate Plans and associated key performance indicators (KPIs) will be monitored through the OPB, with a link to objectives and the new appraisal system.</p> <p>It is planned that the updated Health and Safety strategy and policy will be reported to Members in June 2021. The H&S risk profile and risk register will be updated at this time. These updates will contribute to the development and implementation of a Health and Safety (H&S) Improvement Plan. Further work is planned to consider potential risks to the Council and what action is required where schools do not have an SLA with the Council for H&S and it is not known if schools have appropriate arrangements in place. More work is to be done to ensure robust arrangements are in place to investigate all relevant H&S incidents and adequately document and evidence the learning to ensure appropriate preventative action is taken, e.g. responsive work re lighting column incidents.</p>

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2020/21
<p>F. Managing risk and performance through robust internal control and strong public financial management (continued)</p>	<p>Areas where it is recognised governance arrangements can be further strengthened include (continued):</p> <p>Work is ongoing to strengthen the Council's arrangements in relation to information governance. There has been significant activity in 2020/21 in respect of Privacy Notices and Data Sharing agreements linked to COVID-19 response initiatives. An updated training programme 'Working safely on-line ' was released in Autumn 2020 to reflect the risk of increased working at home. The Information Governance Board (IGB) risk register currently has 9 risks assessed as high risk in relation to aspects of information management and governance structures, roles, procedures, and information security. Last year's AGS highlighted that during 2020/21 it was planned that the information governance monitoring strategy would be implemented to ensure that all elements of information governance are regularly reviewed by the Council's executive. This was planned to include key performance data, including for training and data breaches. Due to the impact of COVID-19 this has been delayed. The bi-annual SIRO report to SLT is outstanding and due to be reported in the near future. Additional detail, including action planned in 2021/22 is included in the Significant Governance Issue for Compliance below.</p> <p>There remain issues with non-compliance with corporate procedures in other areas such as procurement and HR. Additional detail, including action planned in 2021/22, is included in the Significant Governance Issue for Compliance below.</p> <p>There is a recognised need to improve corporate arrangements for benefits realisation. Areas to develop include the need to:</p> <ul style="list-style-type: none"> • better articulate a realistic assessment of the corporate benefits expected to accrue from projects • carry out a formal assessment to monitor the actual benefits realised in comparison to planned benefits outlined in the original business case; particularly where development schemes may last several years, e.g. Birkenhead development. <p>Other areas where plans are in place to strengthen governance arrangements, as noted by Directors in the annual governance review, included the need for an ongoing review of Personal Finance Unit (PFU) processes to ensure an effective and responsive service is delivered and areas highlighted in the Special Education Needs and Disabilities (SEND) Improvement Plan.</p> <p>The Council has a framework to ensure ongoing monitoring of assurance arrangements in respect of partnerships and alternative service delivery models through the Shareholder Board, however as a result of the move to a new committee system the board has not met in 2020/21. This will be rectified in 2021/22. A review of Wirral Evolutions is underway, a review of Edsential is planned and there is an Audit programme in place for Wirral Growth Company.</p>

Principle	Assessment of the effectiveness of the key elements of the Council's Governance processes during 2020/21
<p>G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.</p> <p>Page 130</p>	<p>Key aspects of the Council's governance arrangements that have developed during 2020/21:</p> <p>The change to the committee system allowed for a re-set and refresh of corporate arrangements and procedures and this has led to greater transparency. Improvements have included:</p> <ul style="list-style-type: none"> • a strengthening of arrangements for the publishing of officer and key decisions and ensuring committee reports are published in good time • more in the way of cross-party briefings and working groups which has generally provided Members with earlier sight of key issues • improved arrangements for consideration of questions, from other Members and the public (see B above). <p>Other relevant improvements have included:</p> <ul style="list-style-type: none"> • open and transparent public reporting in respect of the COVID-19 pandemic, e.g. weekly update on the latest statistics on the Council website and publishing of the Outbreak Management plans • greater focus on ensuring that public reports are understandable and provide easy access to information with, for example, an enhanced profile and role for the Report Authors Support Group • the Corporate Governance Group assuming greater responsibility for monitoring corporate compliance and holding to account repeat 'offenders' • additional examples of transparent reporting to ARMC, e.g. in respect of school deficits <p>Areas where it is recognised governance arrangements can be further strengthened include</p> <ul style="list-style-type: none"> • Monthly reporting of Internal Audit activity and the follow-up status of recommendations, paused during the response to the COVID-19 pandemic, to be re-introduced via dashboard reporting to DMTs from the end of May 2021.

Progress against the Significant Governance Issues reported in the 2019/20 AGS are set out in the table below..

Significant Governance Issue in 2019/20 AGS	Action taken to address the issue in 2020/21
<p>Financial Resilience</p> <p>The Council's increased budget gap represents a significant financial risk to Wirral Council</p> <p>Page 131</p>	<p>The Council has achieved a balanced budget and outturn in 2020/21, although this has been in part, by use of exceptional financial action agreed with MHCLG, to the value of £6.473m. This is an improvement to the forecast outturn at Quarter 3, where the organisation was expecting £8.9m to be required from the mitigating action. Earmarked reserves at year-end are £114.1m, however £26.6m relate specifically to COVID-19. Use of some reserves set aside for specific projects is budgeted for in 2021/22 as these projects materialise. The General fund is held at £10.7m and it is recognised that General Fund balances need to be strengthened as part of the medium term financial strategy. The Capital Outturn programme for 2020/21 resulted in £46m of capital expenditure against a revised budget of £82m, a number of schemes were re-profiled at Q3.</p> <p>The key financial impacts of the COVID-19 pandemic have been:</p> <ul style="list-style-type: none"> • Significant additional expenditure has been incurred as a response to the pandemic, largely funded by national funding. • Savings initiatives has largely been paused by limitations to resource through emergency activity • Sales, Fees and Charges, which support expenditure, has been limited, and only partly mitigated by a national compensation scheme • The movement from emergency to recovery to business as usual operations adds uncertainty which is difficult to assess. • Bad debt from residents, customers and clients has materialised as a result of the conditions in the external environment • Income from treasury activity has also deteriorated as cash flow has been prioritised and the trading environment has been limited by the pandemic <p>Financial risk associated with medium term sustainability continues to be a high profile. Members, SLT, Assistant Directors and the Finance team are working closely to identify and mitigate financial risks contained within organisational plans and strategies. A full review of how services will be delivered is in progress.</p> <p>COVID-19 required the Council to have a transitional Budget process for 2021/22 however a more formal, iterative Budget process looking at 2022/23 onwards is now in place with Committees. The Medium Term Financial Strategy, and Financial Resilience Plan was refreshed and updated in light of the opportunities and barriers highlighted by the COVID-19 pandemic. These updates were presented and ratified at Budget Council in March 2021.</p> <p>Revenue and capital reporting for service committees has been designed to more closely align with the distinct decisions those Committees have control over and a Finance Officer is in attendance at all relevant committees, and includes more targeted information, such as subjective reporting, earmarked reserves availability and pressures / savings narratives. Work continues on user-led reporting, which will reduce production effort and improve financial acumen across the organisation. A pilot will be conducted for quarter 1 of 2021/22.</p> <p>The Capital Programme and associated processes underwent a review during 2020/21 resulting in the reprofiling of scheme expenditure. Increased emphasis is placed upon deploying Council capital resources to support schemes which are income raising or support cost avoidance and reduction thereby aiding resilience.</p> <p>Financial Resilience & Management remains a Significant Governance Issue in 2021/22. See slide 27 for further actions planned.</p>

Significant Governance Issue in 2019/20 AGS	Action taken to address the issue in 2020/21
<p>Regeneration</p> <p>The Council needs to effectively drive and deliver key regeneration projects and growth, including Wirral Waters and the Wirral Growth Company (WGC), which are key to the achievement of the Council's financial resilience plans. This will require the Council to develop and deliver a comprehensive regeneration strategy that can attract the substantial resources needed to deliver the projects. The Local Plan needs to be delivered to help drive Regeneration and avoid potential Government Intervention</p>	<p>Public consultation on the final draft of the Birkenhead Regeneration Framework (Birkenhead 2040) began on 24 March 2021 for an 8-week period up to 19 May 2021. The Delivery Action Plans (DAP) – now referred to as 'Neighbourhood Frameworks' - for Hind Street, the Town Centre, Hamilton Park and Waterfront are currently being finalised to inform the Draft Local Plan. The delay to finalising these strategic documents is due to the need for them to come forward in line with the Local Plan timetable and also due to the impact of COVID-19.</p> <p>The final Neighbourhood Frameworks are being commissioned and are expected to be delivered in the next six months. Work has been taking place to underpin these briefs and ensure alignment with wider activity within the Wirral Waters area including progressing the highways programme and office development at Tower Road South, the Housing Infrastructure funded works at Northbank to enable the Legacy, Urban Splash and Belong residential projects, and the development of the partnership with Homes England and the Combined Authority to enable future delivery.</p> <p>The Integrated Masterplan for the Liscard Neighbourhood has been finalised. This provides a long-term framework to guide future investment and inform the Local Plan. The Integrated Masterplan is due to be reported to Members in June/July. Spend of the funding for Liscard awarded from the LCR Mayoral Town Centre Fund has been extended to the end of 2021 due to the impact of COVID-19.</p> <p>The New Brighton masterplan is currently under development. Initial stakeholder engagement and public consultation took place in autumn 2020 alongside a baseline review of the area. A range of options are currently being developed and will be considered by Members in early summer 2021 prior to public consultation.</p> <p>The Wirral Growth Company (WGC) submitted a planning application for the Birkenhead development in August 2020. This includes a detailed application for the first two office buildings and outline application for the wider masterplan area. The planning application was approved on 29 April 2021 subject to the signing of a section 106 agreement.</p> <p>Public consultation on the proposed Pasture Road development opened on 15 March 2021 and closed on 16 April 2021. Over 10,000 leaflets were posted to businesses and residents addresses to ensure people were aware of the proposals as well as advertising through local press and social media. The planning consultants for the Wirral Growth Company are currently collating the responses received with a view to the preparation of a Statement of Community Involvement. This will address the specific points and queries raised during the consultation process and will also set out how these will be addressed by the project / design team.</p> <p>The Publication of the Draft Local Plan under Regulation 19 is now expected in autumn 2021 with Submission for Examination in winter 2021/22. Intensive work is underway to:</p> <ul style="list-style-type: none"> • complete the preparation of the detailed Draft Local Plan and essential outstanding studies and workstreams • engage with key strategic brownfield site owners to bring forward housing development within the Local Plan period. <p>Regeneration remains a Significant Governance Issue in 2021/22. See slide 28 for further actions planned</p>

Significant Governance Issue in 2019/20 AGS	Action taken to address the issue in 2020/21.
<p>Non- Compliance</p> <p>Non-compliance with corporate policies and procedures across disciplines such as HR, finance, information, procurement, health & safety, and business continuity 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.</p>	<p>Specialist working groups are in place for key areas e.g. People Strategy, Information Governance, Health, Safety and Wellbeing. In addition, the Corporate Governance Group (CGG) has begun to take on an overview role to monitor corporate compliance with key policies and take appropriate action where any patterns of non-compliance develop. During the latter part of 2020/21 the CGG has agreed with service leads key compliance indicators for example for procurement, HR, Information Governance (IG) and Business Continuity. Key indicators have been reported to the CGG in recent months. The Intelligence team are in the process of incorporating key compliance data into the Directorate reporting Application.</p> <p>Procurement</p> <p>During 2020/21 the procurement team have redesigned the purchasing system to improve visibility, accountability and monitoring. This has included the introduction of new procurement smart forms, which are easier and quicker to complete and provide a more robust workflow. The Smartforms also include a new sequencing of approvals that take into account budget holder, head of service and finance. The Head of Commercial Procurement attended DMTs and SMTs during February and March and continues to provide monthly information to assist services in addressing non compliance. The procurement team have continued to provide support in terms of training, workshops and communications. In some areas compliance is better; the number of free standing invoices has reduced significantly as some payment types have been converted to Purchase Orders (POs). In other areas progress continues to be made but there remains further scope for improvement. The volume of Retrospective POs has started to reduce but more work is needed. Breach Notices, where invoices are received but there is no record of the procurement process, remain high in value and volume and reflect poor practice by commissioners. Exception requests are also high in value and volume. It is also recognised that a full review is needed of the contract process for how the Council procures asset maintenance including Schedule of Rates work and more can be done to improve compliance and vfm in contracts.</p> <p>Business Continuity</p> <p>Activity in the year focussed on senior managers and Directors. Regular instructions in respect of business continuity were given to managers to consider the changes COVID-19 has had on services and asking them to ensure that business continuity arrangements and instructions to staff adequately reflected the new operating arrangements. Specific activity included questionnaires aimed at reviewing the impact of COVID-19 and scenario planning (April / May 2020), a survey to assess the extent of completion of business continuity plans and managers' confidence in arrangements (October 2020) and reminders in respect of more BAU threats including IT (February 2021). Overall, it is considered that corporately the Council has responded well to the COVID-19 pandemic and responsive business continuity arrangements have worked appropriately. It is recognised however that business continuity plans across Council services are not at a consistent appropriate standard and more needs to be done to complete formal assessments and plans recognising other key threats such as IT risks.</p> <p>.</p> <p>.</p>

Significant Governance Issue in 2019/20 AGS	Action taken to address the issue in 2020/21
<p>Non- Compliance (continued)</p> <p>Non-compliance with corporate policies and procedures across disciplines such as HR, finance, information, procurement, health & safety, and business continuity 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.</p>	<p>Information Governance There have been more robust processes around FOI / EIR requests and a reduction in security breaches. It is recognised further work and support is required to support improvements in this area; some dates for returns have not been met but non-compliance with FOIs / EIRs and SARs deadlines has reduced. In several areas the Council has not complied with the publication requirements of the Transparency Code. A plan is now in place to ensure the Information Management Team facilitate requesting and collecting the required data from the relevant service areas, and actions are being taken to comply with May 2021 publishing requirements. As at 17 May 2021, only 45% of staff who are IT users had completed the required 'Working Safely On-line' essential training.</p> <p>Health & Safety As noted under Principle F above the key focus for Health and Safety in 2020/21 has been in relation to COVID-19 response. Completion of the 'Working Safely at Home' online training and the 'Working Safely Self-Assessment form in Self-serve remain low; active measures are being taken to increase completion rates..</p> <p>Compliance remains a Significant Governance Issue in 2021/22. See slides 29 and 30 for further actions planned.</p>

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Significant Governance Issue in 2019/20 AGS

Action taken to address the issue in 2020/21

New Political arrangements

There are significant implications for the Council in changing its decision making structure to a new form of governance. Across the Council, the change to potentially different ways of working and briefing with Members will require greater and different input from officers. The extent of the resource implications in the longer term will vary dependent on a number of factors. The process of change will raise a number of associated risks which will need to be identified and managed as part of the ongoing process of implementation and practice post September 2020. A key risk to the objectives of the decision made by Council is that a change to the form of governance arrangements fails to bring with it the desired change in culture.

All planned actions to mitigate the risks were completed. These included :

- ongoing training for Members and officers
- drafting of the new Constitution, including role descriptors, improved working protocols and mandatory training
- service review and staffing re-design within Democratic Services.

A Committee Services Cell was also established to assist with the transition; which has now stood down.

Working closely with Organisational Development the Member Support Group working group was refreshed. Training was provided for Committee members and Chairpersons, with a further refresh of Member training planned for following the May 2021 elections.

The introduction of the new Constitution and Committee system in September 2020 was a significant change in the Council's governance arrangements affecting all directorates of the Council.

It is generally recognised that the move to the new Committee system has worked well and has led to a more open and transparent approach, with improved communication of key policy issues. New arrangements have included time set aside for Members' questions at Full Council, a session at each committee that allows for questions from members of the public and all-party briefings.

The change to the committee system allowed for a re-set and refresh of the corporate arrangements and procedures in place which has helped to ensure that rigorous controls in respect of committee reporting, decision making and the recording of decisions, including officer and key decisions, are fully embedded. Linked to this, the role of the Report Authors Support Group has helped to ensure public reports are understandable and provide easy access to information.

There remain some issues to consider following the change in governance arrangements. These include consideration of whether the Council has the officer capacity to fully serve the new committee structure and meet all expectations. A post implementation review is planned for 2021/22.

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SIGNIFICANT GOVERNANCE ISSUES

The following table details the Significant Governance Issues facing the Council that have been identified from this year's review of the effectiveness of the Council's governance framework. In preparing this statement, the criteria used for 'significant governance' are issues which:

- Significantly undermine or threaten the achievement of a core organisational objective.
- Represent a significant failure to meet the principles (and sub-principles) of good governance (as detailed in the Code of Corporate Governance).
- Have resulted in significant public interest or have seriously damaged reputation.
- Are of significant concern to an inspector, external audit or regulator.
- Have been recommended by the head of internal audit or one of the statutory officers to be included.
- Require significant organisational and corporate cooperation to address it.

Significant Governance Issue	Action proposed during 2021/22	Lead Officer
<p>Financial Resilience & Management</p> <p>Failure to effectively plan / manage the Council budget and funding leads to poor decisions on service reductions, unplanned efficiencies and in year overspends, resulting in the withdrawal of Council services to communities, government intervention and S114 declaration.</p>	<p>The working model which underpins the financial strategy, the medium-term financial plan, continues to be used for both reporting and scenario planning. In order to improve its effectiveness, the whole model will be managed through a new reporting solution in Power BI (moving away from an Excel-based tool). This will improve accessibility for users, as well align internal controls on input with the approval mechanism (providing a distinction between formally approved budgets and plans which are under-construction or review).</p> <p>This reporting solution will also provide a more accessible in-year reporting solution, bringing data and information to key decision-makers much faster and in a manner which is more flexible. This is designed to improve financial acumen in budget holders, reduce errors caused by human interventions in production and streamline the control environment. This solution will have a soft launch for May (period 2) and formal launch for June 2021 (Quarter 1)</p> <p>Financial sustainability principles are built into every organisational initiative, including the efficiency programme, the target operating model, asset consolidation and the prevention programme.</p> <p>A series of corporate saving programmes are underway, which in part, address financial matters, which as they mature, will contribute to the intelligence underpinning the MTFs. These programmes include:</p> <ul style="list-style-type: none"> • Effectiveness and Efficiency Group • Target Operating Model • Asset Consolidation • Prevention Programme <p>The Council's emerging Change Programme is being developed to realise the savings targets set out in the Medium Term Financial Plan. The Programme is being developed around the three themes of People, Place and Organisation. Programmes are currently in design within these themes and the intention is to take a report to Policy and Resources Committee in July seeking approval for officers to proceed to implement the programme. Business cases for all projects brought through the respective programmes will be brought forward for Member approval.</p> <p>In 2021/22 further emphasis will be placed upon identifying capital schemes and programmes that are income raising or support cost avoidance and reduction and align with the Council's priorities. A number of improvements are planned in relation to the Capital and Asset Group; these include business case production and challenge, cradle to grave monitoring and training for officers and members.</p> <p>The internal assessment of the Council's compliance with the FM Code is planned to be completed in June 2021. It is envisaged that relevant actions will be implemented in 2021/22 in respect of any development areas identified from this assessment.</p>	<p>Shaer Halewood Director of Resources</p>

Significant Governance Issue	Action proposed during 2021/22	Lead Officer
<p>Regeneration</p> <p>If the major regeneration projects fail to deliver the anticipated benefits, it would undermine the Council's budgetary position, its economic growth aspirations and public and investor confidence in the authority</p> <p>Closely linked is the need to ensure the Council's arrangements for the consultation, publication and implementation of the Local Plan are delivered as failure to do so could result in intervention, a loss of control over future development and missed opportunities to promote economic growth.</p>	<p>The Investment strategy is being developed to support the funding model for the major regeneration projects. The Birkenhead Regeneration Strategic Business Case is to be completed by end of 2021. A Joint Regeneration Funding business case is to be developed with Homes England, LCR and Wirral Council for Autumn 2021. The Council is to prepare funding bids for new Government programmes as they are published, e.g. Levelling Up Fund, Intra-cities transport fund.</p> <p>Neighbourhood Frameworks are to be finalised in order to ensure a co-ordinated and phased approach to development.</p> <p>Public consultation is to be carried out to inform development plans. Consultation plans include:</p> <ul style="list-style-type: none"> • First phase of Birkenhead 2040 consultation to be completed by 4 June 2021 • Birkenhead Neighbourhood Frameworks to be consulted on alongside the draft Local Plan. <p>Alternative delivery models are being reviewed to ensure that effective delivery by the Council is maximised. Key dates include:</p> <ul style="list-style-type: none"> • Delivery Model option assessment commissioned by June 2021 • Delivery model option assessment completed, and delivery model business case developed by March 2022 <p>Key dates for the delivery of the Local Plan include:</p> <ul style="list-style-type: none"> • Publication of the Local Plan: (Regulation 19) Autumn 2021 • Submission to the Secretary of State - Late 2021 • Indicative date for Local Plan Adoption Late 2022. 	<p>Alan Evans, Director of Regeneration & Place</p>

Significant Governance Issue	Action proposed during 2021/22	Lead Officer
<p>Non-compliance with Policies and Procedures</p> <p>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 legal challenge, financial penalty and ultimately loss of life.</p>	<p>The CGG is taking on an increasingly stronger monitoring role. The Director of Resources has written to each Director concerning procurement compliance indicators, and plans to follow-up on a periodic basis to highlight key areas of non-compliance; including the identification of key repeat 'offenders'. For other areas, for example HR compliance, the next steps are to focus on messaging, guidance, support and training for a period of three months; following which more rigorous compliance action will be applied. The expectation is that Directors will have to account for any continued patterns of non-compliance across various key areas such as procurement, HR, information governance, including where necessary attendance at CGG.</p> <p>The Council has now embarked on a commissioning and contracting review to improve compliance and value for money in procurement contracts. Work is ongoing to implement a new ERP system; procurement and payments will be a key element of this system which it is envisaged will give access to more accurate budgeting and control information against contract and purchase orders. The new ERP system is due to be in place by 1 January 2022. A key area for action for 2021/22 will be to implement the action plan arising from the external review of the Schedule of Rates contracts.</p> <p>Business continuity initiatives in 2021/22 will include a wider focus for all team members, starting with the promotion of the Business Continuity Awareness week which starts on 17 May, and planned sessions from the corporate Risk, Continuity and Compliance manager with teams and manager groups to promote engagement and awareness. There is a need to fully update business continuity plans due to the prolonged response period of the crisis and support resources will be available to assist. However, it is recognised that updates may take some time to fully complete given the focus currently on re-opening Council services. It is recognised that it will be important to build on the experiences and lessons learnt from the COVID-19 response and reflect in BCPs the new ways of working and increased working from home capabilities and associated risks for example from a cyber attack and significant loss of IT.</p>	<p>Shaer Halewood Director of Resources</p>

Significant Governance Issue	Action proposed during 2021/22	Lead Officer
<p>Non-compliance with Policies and Procedures (continued)</p> <p>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 legal challenge, financial penalty and ultimately loss of life.</p>	<p>As regards Information Governance, the report to the 9 March 2021 Audit & Risk Management Committee set out a plan for 2021/22 which will help to ensure the Council's compliance in a number of information management and data protection policy areas. The Information Governance Board (IGB) risk register will be the subject of a dedicated IGB review in May 2021. Key activities to assist in mitigating and managing information governance risks that are planned or already underway include:</p> <ul style="list-style-type: none"> • new e-learning courses available to staff to ensure they are aware of their responsibilities when handling data • additional staffing resources being made available to work with the Data Protection Officer • continuous review of Information Management policies and procedures to ensure they adequately cover the changes to agile working • use of communication channels for staff awareness messages to remind them of responsibilities. <p>It is recognised that further work is required for the Council to comply fully with the requirements of the Payment Card Industry Data Security Standard (PCI DSS). A Project Officer has been allocated from the business change team to review work to date and then produce a project plan to ensure full compliance by end of 2021. Further training is required for Information Asset owners and Administrators given changes in personnel and the IGB is considering options. The move to the new XLP learn experience platform in October 2021 will prompt a refresh of related e-learning materials. It is recognised that there is a need to improve compliance data performance reporting to SLT and DMTs.</p> <p>The H&S Improvement Plan to be produced early summer will confirm the key actions necessary to improve corporate compliance in this area. A new approach for H&S compliance reporting to the corporate H&S Board and Steering Group is being developed. A new H&S risk assessment tool is being developed in Firmstep to allow reporting of risks, controls and gaps in management arrangements at an AD level and is due to go live in 2021. There are also plans to improve arrangements for recording Health and Safety training, improving the quality of manager risk assessments and including key performance indicators in the dashboard reviewed by SLT.</p>	<p>Shaer Halewood Director of Resources</p>



AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 5 July 2021

REPORT TITLE:	PROCUREMENT UPDATE
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

This report informs the Committee of the range and number of contracts awarded which have been subject to Contracts Procedure Rules (CPR's) Rule 17, Waiving the Rules (Rule 12) and Extension/Variation (Rule 13).

The Appendices provide details of the contracts subject to the Extension/Variation or Waiver rules for the period 1st October 2020 to 31st March 2021, which under Contracts Procedure Rule 17, requires that all contracts which meet the following criteria are reported to Audit and Risk Management Committee on a six monthly basis.

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

The report also includes a summary of the NO PO NO PAY policy progress.

The report supports all pledges of the Wirral Plan as the contracts and transactions referenced have been completed by all Council Departments.

This matter affects all Wards within the Borough.

This is not a key decision

RECOMMENDATION/S

The Audit and Risk Management Committee is requested to note the report.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 To provide the Audit and Risk Management Committee with assurance that the council is taking appropriate measures to comply with Contracts Procedure Rules.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The other option would be not to report this but we do so to ensure best practice and enhanced governance to reduce risk

3.0 BACKGROUND INFORMATION

- 3.1 Revised Contract Procedure Rules, approved by this Committee, came into effect on the 1st April 2016.
- 3.2 The rules place the responsibility for the approval of contracts on officers of the Council.
- 3.3 Each contract is posted on the Council's Contracts Register, The Chest, which is the regional eContracting Portal for North West local authorities
- 3.4 Within the revised Rules, four distinct Procedure Rules Approval Documents of approval are:

Awards
Exceptions
Extensions
Variations

These form the basis of all reports to this Committee in accordance with Rule 17.

- 3.5 The revised rules include the adoption of the Public Procurement Regulations 2015, the Transparency Code 2015 and the requirement to publish all contracts above £5k in value.
- 3.6 There have been 30 Exceptions approved for the period. Requests to waive the CPR's for under Public Contract Regulation threshold contracts (or where the thresholds do not apply) have been authorised only in the following circumstances, supported in all cases by the appropriate evidence;
- a) Goods, services or the execution of works are obtainable from one source or contractor and there is no reasonably satisfactory alternative.
 - b) Compatibility issues such that procurement from another source would be uneconomic given the investment in the previous infrastructure
 - c) A waiver of the rules would be in the interests of the Council, be lawful, and provide value for money

- d) Where there is a legal requirement to deal with a particular supplier
- e) Contracts awarded to suppliers because of exclusive rights

3.7 The details of the approved documents are detailed as follows

Description	Number Approved
Extension	22
Variation	37
Award	7
Exceptions	30

4.0 NO PO NO PAY

- 4.1 The NO PO NO PAY policy was introduced with effect from the 1st April 2019 and this report provides details of progress and the measures being applied to address non-compliance.
- 4.2 The policy does not apply to schools as they do not have access to the Council's procurement ordering system.
- 4.3 The analysis compares to the 6 months period 1st October 2020 to 30th April 2021 to the 2019/20 corresponding period.

Transaction Type	Total Volume	Total Value	Total Volume	Total Value
Period	2019/20		2020/21	
Purchase Order	6,707	£44.5m	7,982	£65.5m
Retrospective Purchase Order	3,209	£16.1m	2,161	£11.9m
All Purchase Order	9,916	£60.6m	10,143	£77.4m
Non Purchase Order (free standing invoices)	1,630	£14.2m	825	£5.0m
External Electronic Files from suppliers	8,860	£6.3m	5,754	£4.9m
Internal Electronic Files from digital systems	23,602	£71.4m	23,579	£82m
Total	44,008	£152.5m	40,301	£169.3m

4.4 The data indicates that that the measures applied so far have had some impact:

- Compliant Purchase Order Volumes have increased in volume and value.

- Retrospective Order volumes have reduced by 33% and values have reduced by 26%
- Free Standing Invoice have reduced by 49% in volume and 65% in value.

4.5 Departmental Analysis - Free Standing Invoices

Department	Invoice Descriptions	2019/20		2020/21	
		Volume	% of all Free Standing Invoices	Volume	% of all Free Standing Invoices
Regeneration and Place/ Neighbourhoods	Certificate of works	61	4%	18	2%
Corporate	Business Travel	36	2%	31	4%
Regeneration and Place	Education Works Invoices	45	3%	39	5%
Adult Care and Health	Public Health	8	0%	0	0%
Neighbourhoods	Transport	555	34%	109	13%
Misc (all departments)	Miscellaneous invoices all departments	925	57%	628	76%
Total		1630		825	

The data reflects significant progress towards the elimination of Free Standing Invoices with numbers reduced in all services with particular improvement in the Transport, and Miscellaneous categories.

4.6 Departmental Analysis – Retrospective Purchase Orders

These are transactions occur when a purchase order has been raised after the invoice has been received.

Department	% of all Retrospective Purchase Orders
Adult Care and Health	1
Children, Family and Education	20
Corporate Office	1
Law and Governance	1
Neighbourhoods	39
Regeneration and Place	27
Resources	11

Although notable reductions have been achieved work needs to continue to improve performance in four of the seven services.

Neighbourhoods
Children Family and Education
Regeneration and Place
Resources

To address this further, members the Corporate Procurement Team have attended Departmental Management Teams (DMT's) and Senior Management Teams (SMT's) for these services but have also conducted further training initiatives and workshops across the organisation

Work will continue with services to reduce and address reliance on RPO's.

5.0 FINANCIAL IMPLICATIONS

- 5.1 There are no direct financial implications arising from this report, however, the appendices detail a total of 96 requests approved in compliance with the Council's Contract Procedure Rules against an overall third party spend of in excess of £250m.
- 5.2 NO PO NO PAY programme will minimise or eliminate exposure to maverick spend and improve VFM from existing and new contracts.
- 5.3 Financial controls reduce the risk of fraud and exposure to the risks identified in section 8

6.0 LEGAL IMPLICATIONS

- 6.1 The Council must comply with its Contract Procedure Rules and relevant procurement legislation, guidance and best practice which will minimise the risk of legal challenge.

7.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 7.1 The programme of addressing these issues has received significant levels of support from Procurement Staff to deliver training and workshop initiatives and to provide regular communications and reminders.

8.0 RELEVANT RISKS

- 8.1 Failure to comply with the No Po No Pay Policy exposes the council to a range of risks including:
- Failure to control expenditure with suppliers and providers
 - Duplicate or overpayments for goods, services and works
 - Poor planning and control of contracts
 - Inefficient practices and controls within the services

9.0 ENGAGEMENT/CONSULTATION

9.1 The Corporate Governance Group, Departmental Management Teams, and Senior Management Teams receive monthly analysis of performance against the Contracts Procedure Rules and No PO No Pay Policy

10.0 EQUALITY IMPLICATIONS

10.1 There are no equality issues arising from this report, but equality implications are embedded into procurement processes

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 greenhouse gases

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APPENDICES

Appendix 1 Contract Awards
Appendix 2 Contract Exceptions
Appendix 3 Contract Extensions
Appendix 4 Contract Variations

BACKGROUND PAPERS

Data reports from the Firmstep Smartforms system, and Oracle iProcurement, General Ledger and Accounts Payable modules.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	24/09/2018
Audit and Risk Management Committee	23/09/2019
Audit and Risk Management Committee	18/11/2019
Audit and Risk Management Committee	28/01/2020
Audit and Risk Management Committee	10/03/2020
Audit and Risk Management Committee	16/11/2020

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Appendix 1 Contract Award

Record No	Contract Title	Start Date	End Date	Contract Description	Supplier	Contract Budget	Budget Source	Directorate	Service	Responsible Officer	Budget Holder Approval	Finance Approval
1	Electrical Works Schedule of Rates Contract	01/12/2020	30/11/2022	To carry out works for the Electrical Schedule of Rates Contract for the contract term. Works will include new installations, power, lighting, amendments, planned works, day to day works and emergency call outs.	KDE Ltd	£540,000.00	Revenue	Regeneration and Place	Asset Management	Neil Corser	N/A Neil corser	Finance BP Regeneration and Place
2	Two storey extension and external works at Mersey Park Primary School	01/12/2020	04/06/2021	Two storey extension including internal refurbishment and installation of a lift. External improvements and internal toilet refurbishment.	Lyjon Construction Ltd	£1,100,000.00	Capital	Regeneration and Place	Asset Management	Mike Woosey	N/A Mike Woosey	Finance BP Regeneration and Place
3	Care & Support within Poppyfield Extra Care Housing	01/04/2021	31/03/2026	Care provision for Care & Support within Extra Care Housing Wirral new Scheme developed in Saughall Massie - Poppyfield	Premier Care Limited	£3,399,546.25	Revenue	Neighbourhoods	Highways and Infrastructure	Donna Locke	Jayne Marshall	Finance BP Adults
4	Wirral Arboricultural Services Contract (Corporate Tree Maintenance Contract - DN462670)	01/04/2021	31/03/2026	Wirral Arboricultural Services Contract Apr 2021- Mar 2026 This contract includes, but is not limited to, the following services, and has an estimated indicative annual value of approximately £400,000. However, the Employer does not undertake or bind himself to procure any particular value of Service per annum or within the term of this contract: The services included within this contract will include but are not limited to: tree pruning – (crown lifting, crown thinning, crown reduction, deadwood removal and formative reduction), as per BS 3998:2010 – Recommendations for Tree Work; minor root pruning, aerial inspection, tree removal (dismantling in sections and clear felling), stump removal and tree planting as per BS 8545:2014 – Recommendations for trees from the nursery to independence in the landscape.	Man Coed VM Ltd	£2,000,000.00	Revenue	Neighbourhoods	Highways and Infrastructure	Simon Fox	N/A HOS Nicola Butterworth	Finance BP Neighbourhoods
5	Willow Tree Childrens Residential Centre	07/12/2020	03/09/2021	To extend and refurbish the Childrens Residential Centre to accommodate additional short and long stays for disabled children. This provision will save the Authority thousands of pounds by retaining disabled pupils in the Borough and not moving them out to other Local Authorities.	Read Construction Holdings Ltd	£850,000.00	Capital	Regeneration and Place	Asset Management	Mike Woosey	Lisa Newman	Finance BP Childrens
6	Enterprise Resource Planning Solution Financials and Procurement	08/02/2021	07/02/2026	Enterprise Resource Planning Solution Financials and Procurement covers 5 year contract period plus 2 optional years. This also includes internal staffing costs.	Insight Direct (UK) Limited	£5,225,890.00	Capital/Revenue	Resources	Digital and Improvement	Andy Dixon	Shaer Halewood	Finance BP Resources
7	Water Hygiene - Monitoring and Risk Assessments	01/04/2021	31/03/2025	The undertaking of Risk Assessment reports to determine and reduce any risk on temperatures that could lead to Legionella. Monthly monitoring of all buildings	HSL Compliance Ltd	£696,000.00	Revenue	Regeneration and Place	Const, Maint and Facilities - Senior Manager Construction & FM	Neil Corser	Jeanette Royle (HOS)	Finance BP Regeneration and Place

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Appendix 3 Contract Extension													
Record No	Contract Title	Start Date	End Date	Contract Description	Supplier	Contract Budget	Budget Source	Directorate	Service	Responsible Officer	Budget Holder Approval	Finance Approval	Procurement Approval
38	Integrated Sexual Health Service	01/04/2017	31/03/2022	<p>The aim of the Wirral Integrated Sexual Health Service is to manage and deliver an efficient and clinically effective service that responds effectively to the sexual and reproductive health needs of Wirral residents.</p> <p>All Local Authorities (including Wirral) have received additional grant funding from DHSC for routine commissioning of PrEP - this means that anyone at high risk of contracting HIV will be able to receive PrEP from their local sexual health clinic to reduce their risk of getting the virus.</p> <p>Local authority commissioned specialist (level 3) sexual health services are best placed to deliver PrEP as they have appropriate systems and processes in place for the delivery of specialist sexual health related care.</p> <p>This contract variation is for the routine commissioning of PrEP which is funded through the DHSC grant.</p>	Wirral Community NHS Foundation Trust/Sahir House	£20,671,175.00	Grant Income	Adult Care and Wealth	Health and Wellbeing	Hayley Clifton	Elspeth Anwar	Mark Goulding	Keith Sailes
39	Wirral Library Service - PC Booking and Print Control	14/12/2020	28/11/2022	To supply an off the shelf system for the library service to control access to and monitor PCs in Public Access IT suites. The solution will also give printing access to public printers and MFDs	Insight Media Internet Limited	£45,000.00	Revenue	Neighbourhoods	Leisure, Libraries and Engagement	Peter Apinall	Andrew Mccartan (HOS)	Sarah Cox	Tony Birkett
40	Supported Housing- for Homeless People (awarded to Forum Housing)	01/02/2021	31/01/2022	Delivery of Housing-related Support Service for up to 25 homeless people, within supported accommodation across various sites, known as 'The Links'.	Birkenhead Forum Housing	£1,264,236.00	Grant Income	Regeneration and Place	Housing Services	May Moran	Shelia Jacobs	David Dixon	Keith Patterson
41	Supported Housing - Accommodation Based Service for Women at Risk of or Fleeing Domestic Abuse	01/02/2021	31/01/2022	Provision of 12 bed refuge with housing related support, delivered 24:7, for women & their children who are fleeing domestic abuse. Also provides resettlement support, for up to 6 weeks, for those women who are ready to move on to independence.	Wirral Women & Children's Aid	£702,000.00	Grant Income	Regeneration and Place	Housing Services	May Moran	Shelia Jacobs	David Dixon	Keith Patterson
42	Semi-Independent, dispersed accommodation support service for homeless people	01/02/2021	31/01/2022	Provision of 64 units of accommodation based, short-term, housing-related support for vulnerable homeless people with complex support needs aged 18+ (Riverside Housing provide 50 units, Wirral Churches Ark provide 14 units). The Services provide semi-independent, dispersed housing and support to prevent homelessness and enable individuals to make an effective transition to independent living. They deliver housing support to enable homeless people with multiple needs to be assessed, supported, signposted and moved on in a positive way to accommodation that meets their long-term housing need.	The Riverside Group Ltd, Wirral Churchs Ark Project	£1,564,000.00	Grant Income	Regeneration and Place	Housing Services	May Moran	Sheila Jacobs	David Dixon	Keith Patterson
43	Supported Housing- for Homeless People (awarded to Forum Housing)	01/02/2021	31/01/2022	Delivery of Housing-related Support Service for up to 25 homeless people, within supported accommodation across various sites, known as 'The Links'.	Birkenhead Forum Housing Association Ltd	£1,264,236.00	Grant Income	Regeneration and Place	Housing Services	May Moran	Sheila Jacobs	David Dixon	Keith Patterson
44	Concerto Asset Management System	04/11/2020	03/11/2022	Annual support & maintenance for the authority's asset management system.	Concerto Support Services Ltd	£84,000.00	Capital	Regeneration and Place	Asset Management	Mandy Chesters	Jeannette Royle	David Dixon	Donna Long
45	Supported Housing - Accommodation Based Service for Women at Risk of or Fleeing Domestic Abuse	01/02/2021	31/01/2022	Provision of 12 bed refuge with housing related support, delivered 24:7, for women & their children who are fleeing domestic abuse. Also provides resettlement support, for up to 6 weeks, for those women who are ready to move on to independence.	Wirral Women & Childrens Aid	£702,000.00	Grant Income	Regeneration and Place	Housing Services	May Moran	Sheila Jacobs	David Dixon	Keith Patterson
46	Semi-Independent, dispersed accommodation support service for homeless people	01/02/2021	31/01/2022	Provision of 64 units of accommodation based, short-term, housing-related support for vulnerable homeless people with complex support needs aged 18+ (Riverside Housing provide 50 units, Wirral Churches Ark provide 14 units). The Services provide semi-independent, dispersed housing and support to prevent homelessness and enable individuals to make an effective transition to independent living. They deliver housing support to enable homeless people with multiple needs to be assessed, supported, signposted and moved on in a positive way to accommodation that meets their long-term housing need.	The Riverside Group Ltd / Wirral Churchs Ark Project	£1,564,000.00	Grant Income	Regeneration and Place	Housing Services	May Moran	Sheila Jacobs	David Dixon	Keith Patterson
47	WIRRAL COUNCIL CIVIL ENGINEERING CONSULTANCY SUPPORT – 2019/20	17/11/2020	27/10/2021	The contract is for the provision of multi-disciplinary ad-hoc consultancy services in Civil Engineering, supporting the Council's in-house resources.	Amey OW Limited	£600,000.00	Capital	Neighbourhoods	Highways and Infrastructure	Simon Fox	Simon Fox	Patrick Melia	Keith Patterson
48	Willow Tree Residential centre - Extension and Alterations	01/01/2021	21/05/2021	Construction contract to provide extension and alterations to an existing residential facility	Read Construction Holdings Limited	£647,451.32	Capital	Regeneration and Place	Asset Management	Jeannette Royle	Jeannette Royle	David Dixon	Keith Patterson
49	Schedule of Rates Tender for Mechanical Works	01/02/2021	31/01/2022	Day to day responsive repairs and maintenance and out of hours works - Mechanical Works to buildings owned by the Council or in which the Council has an interest	Consortia Intergrated Services Limited	£480,000.00	Revenue	Regeneration and Place	Asset Management	Tania Olsson	Jeannette Royle	David Dixon	Keith Patterson
50	Schedule of Rate Contract - Glazing Works	01/01/2021	31/12/2021	Day to day responsive repairs and maintenance and out of hours working - glazing to buildings owned by the council or in which the council has an interest	North West Construction Ltd	£84,000.00	Revenue	Regeneration and Place	Asset Management	Tania Olsson	Jeannette Royle	David Dixon	Keith Patterson
51	Schedule of Rate Contract - Roofing Works	01/01/2021	31/12/2021	Day to day responsive repairs and maintenance and out of hours working - Roofing Works to buildings owned by the Council or in which the Council has an interest	Mac Roofing and Contracting Ltd	£432,000.00	Revenue	Regeneration and Place	Asset Management	Tania Olsson	Jeannette Royle	David Dixon	Keith Patterson

Record No	Contract Title	Start Date	End Date	Contract Description	Supplier	Contract Budget	Budget Source	Directorate	Service	Responsible Officer	Budget Holder Approval	Finance Approval	Procurement Approval
52	Lift Maintenance Contract for Passenger Lifts 2019-2020	01/04/2021	31/03/2022	Lift Maintenance Contract for Passenger Lifts 2019-2020	Knowsley Lift Services Ltd	£150,000.00	Revenue	Regeneration and Place	Const, Maint and Facilities - Design & Construction Senior QS	Tania Olsson	Jeannette Royle	David Dixon	Keith Patterson
53	Accommodation-based and Outreach Support Service for Young Parents	01/04/2021	31/03/2022	Accommodation-based and Outreach Support Service for Young Parents	Magenta Living	£1,312,400.00	Grant Income	Regeneration and Place	Supported Hsg and Homeless - Supported Housing Officer	May Moran	Sheila Jacobs	David Dixon	Keith Patterson
54	Accommodation Based Support 25+ Riverside Group	01/05/2021	30/04/2022	Accommodation Based Support 25+	The Riverside Group	£2,522,821.40	Grant Income	Regeneration and Place	Supported Hsg and Homeless - Supported Housing Officer	May Moran	Sheila Jacobs	David Dixon	Keith Patterson
55	Accommodation Based Support 25+ Wirral Churches Ark	02/05/2021	01/05/2022	Accommodation Based Support 25+ Wirral Churches Ark	Wirral Church Ark Project	£2,522,821.40	Grant Income	Regeneration and Place	Supported Hsg and Homeless - Supported Housing Officer	May Moran	Sheila Jacobs	David Dixon	Keith Patterson
56	Accommodation Based Support 25+ YMCA	02/05/2021	01/05/2022	Accommodation Based Support 25+ YMCA	Birkenhead Ymca	£2,522,821.40	Grant Income	Regeneration and Place	Supported Hsg and Homeless - Supported Housing Officer	May Moran	Sheila Jacobs	David Dixon	Keith Patterson
57	LOCATA Software- Homelessness Module	03/04/2021	02/04/2022	LOCATA Software- Homelessness Module	LHS - Locata (Housing Services) Ltd	£320,000.00	Revenue	Regeneration and Place	Supported Hsg and Homeless - Supported Housing Officer	May Moran	Sheila Jacobs	David Dixon	Simon Birch
58	Birkenhead Market Facilities Management	01/05/2021	30/04/2022	Birkenhead Market Facilities Management	1 Call Business Solutions LTD	£128,500.00	Revenue	Regeneration and Place	Birkenhead Market - Market Manager	Robert Langer	Jeannette Royle	David Dixon	Keith Patterson
59	Organisational First Aid at Work	09/11/2020	09/07/2021	Provider to deliver essential first aid and other H&S training organisationally. This contract is to be extended by a further 12 months.	The Training Co	£60,000.00	£0.00	£60,000.00	Capital	Resources	HR and OD	Sam Strchan	Suzanne Moore

Appendix 4 Contract Variation															
Record No	Contract Title	Start Date	End Date	Contract Description	Supplier	Original Budget	Budget Adjustment	New Budget	Budget Source	Directorate	Service	Responsible Officer	Budget Holder Approval	Finance Approval	Procurement Approval
60	Northbank West ESIF Footway and Cycleway Scheme	17/08/2020	29/01/2021	Construction of a series of high quality public realm and landscaping improvements to the A5139 Dock Road between East Float Apartments and Duke Street, providing increased accessibility for pedestrians and cyclists to the Wirral Waters West Float development and increased attractiveness of the area for businesses and other investors in the area	Eric Wright Civil Engineering Ltd	£572,373.35	£500,000.00	£1,072,373.35	Grant Income	Neighbourhoods	High & Infrastructure	Amanda Keenan	Simon Fox	Sarah Cox	Keith Patterson
61	Just Checking	27/10/2020	27/10/2022	Provision of Just Checking equipment and support	Just Checking	£40,446.08	£40,446.78	£80,892.86	Capital	Adult Care and Health	Health and Wellbeing	Michelle Hanrahan	Jayne Marshall (HOS)	Sara Morris	Keith Sailes
62	Community Matters Lot 3	23/11/2020	30/04/2021	To bring about effective and lasting change to early help through communications and digital developments, including a branding, language and communication strategy and a new web-based resource for children and families.	Public Service Lab, Fender Primary School, Caritas, Women's Enterprising Breakthrough, Wired, Home Start Wirral	£2,490,500.00	£203,000.00	£2,693,500.00	Reserves	Children, Family and Education	Children's Services - Early Help	Elizabeth Hartley	Paul Boyce (HOS)	Peter Mcmillen	Keith Patterson
63	Early Intervention and Prevention - Young People and Carers (Adult and Young Carers)	31/03/2021	31/10/2021	Provide a range of early intervention and preventative services across the following: - Adult general support and opportunities for vulnerable people - Adult day opportunities for people with eligible needs - Shopmobility - Long-term conditions programme - Adult Carers health and wellbeing - Young Carers Services	Wirral Health and Wellbeing CIC	£6,354,537.00	£888,537.00	£7,243,074.00	Revenue	Adult Care and Health	Health Care	Carol Jones	Jayne Marshall	Sara Morris	Keith Patterson
64	Supply and Delivery of Bulk 6mm Untreated Brown Salt (BS3247:2011)	01/12/2020	30/11/2021	ESPO Framework 220 – De-icing Salt Issue 1 & Associated Products/Services The supply of untreated brown salt for winter gritting purposes.	Compass Minerals UK	£400,000.00	£59,985.00	£459,985.00	Revenue	Neighbourhoods	Highways and Infrastructure	Shaun Brady	Simon Fox (HOS)	Sarah Cox	Tony Birkett
65	Information and Advice Services	01/04/2021	31/03/2022	The Information and Advice Service will co-ordinate and deliver wide ranging information and advice services across wellbeing, care and support. The Service will provide integrated information and advice and include support at tribunals for Wirral residents. The Information and Advice Service will contribute towards maximising people's independence, helping to prevent reliance and dependency on more intensive care and support. The contract is initially for 3 year(s) starting on 01/ 04/ 2017, with the option to extend for a further two one year extensions.	Wirral CAB	£4,125,000.00	£911,499.00	£5,036,499.00	Grant Income	Adult Care and Health	Health and Wellbeing	Hayley Clifton	Rachael Musgrave	Sara Morris	Keith Patterson
66	Information and Advice Services	14/12/2020	13/12/2021	The Information and Advice Service will co-ordinate and deliver wide ranging information and advice services across wellbeing, care and support. The Service will provide integrated information and advice and include support at tribunals for Wirral residents. The Information and Advice Service will contribute towards maximising people's independence, helping to prevent reliance and dependency on more intensive care and support. The contract is initially for 3 year(s) starting on 01/ 04/ 2017, with the option to extend for a further two one year extensions.	Wirral CAB	£4,125,000.00	£150,000.00	£4,275,000.00	Grant Income	Adult Care and Health	Health and Wellbeing	Hayley Clifton	Rachael Musgrave	Angie Byrne	Keith Patterson
67	Community Connectors Service	14/12/2020	13/12/2021	To establish a network of community connectors within Wirral communities to tackle the issue of social isolation and promote active inclusion to support resident mental health and wellbeing. The community connectors will provide outreach and one to one support to encourage greater access to social groups and activities within the community and existing mainstream services. The service provider will also develop a network of volunteer community connectors, providing volunteer training and a programme of volunteer support during the lifetime of the contract.	Involve Northwest	£2,775,682.00	£598,881.60	£3,374,563.60	Grant Income	Adult Care and Health	Health and Wellbeing	Hayley Clifton	Rachael Musgrave	Angie Byrne	Keith Patterson
68	Shared Reading Programme	01/04/2021	31/03/2022	To improve wellbeing, self-esteem and confidence and reduce social isolation of vulnerable residents in Wirral through the delivery of shared reading groups. The service will develop a volunteer-led model to establish and deliver a range of shared reading groups within a variety of settings across the borough. The contract is initially for three years starting on 01/04/2018 with the option to extend for a further two one year extensions.	The Reader Organisation	£125,000.00	£25,000.00	£150,000.00	Grant Income	Adult Care and Health	Health and Wellbeing	Hayley Clifton	Rachael Musgrave	Angie Byrne	Keith Patterson
69	Community Matters (Lot 1, Lot 2 and Lot 3)	01/04/2021	30/06/2021	Providers are commissioned within Community Matters to deliver Early Help Services on behalf of the Local Authority. This request is to extend the contract from 01 April- 30 June 2021.	Home Start Wirral, Caritas Diocese of Shrewsbury, Fender Primary School, Wirral Information Resource for Equality and Diversity, Women's Enterprising Breakthrough, Public Services Lab.	£2,490,500.00	£134,187.00	£2,624,687.00	Revenue	Children, Family and Education	Modernisation and Support	Sarah Robertson	Elizabeth Hartley	Peter Mcmillen	Keith Patterson
70	Wirral Independence Service (WIS)	01/06/2015	31/05/2022	Wirral Independence Service (WIS)	Medequip Assistive Technology Ltd	£29,391,366.50	£20,000.00	£29,411,366.50	Grant Income	Adult Care and Health	Health and Care	Roger Chester	Robert Oxley (HOS)	Angie Byrne	Keith Patterson
71	Bang the Table Consultation Software	05/10/2020	04/10/2021	Provision of online suite of consultation tools and online portal to enable Covid 19 compatible consultation on the Local Plan and related regeneration masterplans to be undertaken. This is a one year pilot to determine its effectiveness for wider corporate use. The system will replace the existing 'Objective' consultation portal which is not suitable for use in the Covid 19 environment. After the pilot a full tender/ quotation will be undertaken.	Bang the Table UK Pty Ltd	£13,950.00	£2,000.00	£15,950.00	Revenue	Resources	Digital and Improvement	Keith Keeley	Andrew Fraser	David Dixon	Donna Long
72	Youth Engagement	01/04/2020	31/03/2021	A service in Birkenhead acting as the Birkenhead Hub. It raises awareness and training activities with schools, health care service providers, housing organisations, the private, voluntary and community sector and other key stakeholder, with a specific focus on targeted youth support and supporting partner agencies to respond to meet their needs.	Shaftsbury Youth Club	£27,200.00	£13,600.00	£40,800.00	Revenue	Children, Family and Education	Modernisation and Support	Sarah Robertson	Anna Jones	Peter Mcmillen	Tony Birkett
73	Safe Families for Children Service in Wirral	01/04/2021	31/03/2022	This service provides family support as well as the hosting of children for overnight stays who are aged 0- 18 years.	Safe Families for Children	£95,000.00	£23,750.00	£118,750.00	Revenue	Children, Family and Education	Modernisation and Support	Sarah Robertson	Elizabeth Hartley	Peter Mcmillen	Tony Birkett
74	External Audit Fees	01/03/2018	31/03/2023	External Audit Fees	Grant Thornton UK LLP	£677,564.00	£44,289.00	£721,853.00	Revenue	Resources	Finance	Diane Grisdale	Shaer Halewood	Natalie Davenport	Donna Long

Record No	Contract Title	Start Date	End Date	Contract Description	Supplier	Original Budget	Budget Adjustment	New Budget	Budget Source	Directorate	Service	Responsible Officer	Budget Holder Approval	Finance Approval	Procurement Approval
75	Community Matters- Lot 2 Mental Health	01/04/2021	30/06/2021	Open Door Charity are commissioned within Community Matters to deliver Early Help Services with a Mental Health Focus, on behalf of the Local Authority. This request is to extend the contract from 01 April- 30 June 2021.	The Open Door Centre	£240,000.00	£15,000.00	£255,000.00	Revenue	Children, Family and Education	Modernisation and Support	Sarah Robertson	Elizabeth Hartley	Peter Mcmillen	Tony Birkett
76	Information and Advice Services	15/09/2020	31/03/2021	The aim of the service is to co-ordinate and deliver a wide ranging offer of information and advice to support local people to be as independent as possible, helping to prevent reliance and dependency on more intensive care and support. The demand for the service has been high during COVID19 and the service has responded accordingly. The contract variation and additional activity will be funded through the national COVID19 grant funding the Council received earlier in the year. The additional funding will support: • Employment of one full time advisor • 2 x part time case workers • 15 new volunteers • IT equipment to support staff and	Wirral CAB	£4,125,000.00	£65,120.00	£4,190,120.00	Grant Income	Adult Care and Health	Health and Wellbeing	Hayley Clifton	Rachael Musgrave	Angie Byrne	Keith Salles
77	Property Pool Plus Housing Register IT System	18/11/2017	02/10/2021	To provide the IT system for the Sub regional Choice Based Lettings Scheme known as Property Pool Plus. Contract procured for the sub region via Knowsley Council. The administrating organisation for Wirral is Wirral Council.	Civica UK Ltd	£85,600.00	£7,400.00	£93,000.00	Revenue	Regeneration and Place	Housing Services	Joanne Barrett	Lisa Newman (HOS)	David Dixon	Simon Birch
78	Royal Mail Postal Service	01/05/2020	01/04/2021	Royal Mail Postal Service, postage charges for franked and business mail	Royal Mail	£164,934.47	£53,000.00	£217,934.47	Revenue	Resources	Digital and Improvement	Joanne Horne	Simon Cuerden	Natalie Davenport	Keith Patterson
79	Strategic Transport Planning Partnership Support	08/07/2019	07/07/2021	Establishment of a long term partnership with a transport planning consultancy to provide the Council with transport planning and transport modeling support	Mott MacDonald Ltd	£1,875,000.00	£750,000.00	£2,625,000.00	Capital / Grant Income	Regeneration and Place	Major Growth and Housing Delivery	Julie Barnes	Julie Barnes	David Dixon	Keith Patterson
80	Internet services for Wirral Council and the migration of IP addresses and DNS ranges	11/12/2020	31/08/2021	The provision of internet services for Wirral Council corporate users. A new connection to the Wirral Council Data Centre located within the Merseytravel building Georges Dock Liverpool. A new connection to the Wirral Council Data Centre located within the Treasury Building Cleveland Street Birkenhead	The Networking People (TNP) Ltd	£100,000.00	£50,769.00	£150,769.00	Revenue	Resources	Digital and Improvement	John Williams	Peter Moulton	Natalie Davenport	Keith Patterson
81	Independent Valuer	01/02/2021	31/01/2022	To extend Property Valuer for a further 12 months as outlined in the tender document	Savils (UK) Limited	£300,000.00	£30,000.00	£330,000.00	Revenue	Resources	Merseyside Pension Fund	Susannah Friar	Donna Smith	Natalie Davenport	Donna Long
82	Birkenhead Market Facilities Management Contract	05/02/2021	31/08/2021	Provide essential additional cleaning and security services in Birkenhead Market. The variation is to provide additional cleaning/maintenance services to public conveniences at various locations throughout Wirral. This is required to mitigate ongoing staffing difficulties within the current service.	1 Call Business Solutions Ltd	£128,500.00	£16,500.00	£145,000.00	Revenue	Neighbourhoods	Parks & Environment	Deeta Cooper	Richard Kirk	Patrik Mella	Donna Long
83	VOICE - 949VWF : CLIENT CARE MANAGEMENT AND INFORMATION	01/04/2021	02/12/2023	The existing contract covers the supply, installation, configuration and annual support of the Liquidlogic & ContrOCC systems covering both Adults & Children's services. The contract variation is to extend the scope to include the Early Years & Education module (EYEs). The contract start date for EYEs is 01/04/2021, whilst the end date of 2/12/2023 is for the	Liquidlogic Ltd	£9,090,000.00	£1,064,000.00	£10,154,000.00	Capital / Revenue	Resources	Digital and Improvement	Ian Upton	Tricia Thomas	Peter Mcmillen	Keith Patterson
84	Education Provision	01/03/2020	31/03/2021	Education Provision	Ranstad	£150,000.00	£50,000.00	£200,000.00	Grant Income	Children, Family and Education	Improving Education Outcomes - Head of Service Virtual School	Trish Lewis	Trish Lewis	Sue Ashley	Tony Birkett
85	Community Connectors Service	01/02/2020	31/01/2023	Community Connectors Service	Involve Northwest	£2,775,682.00	£2,448.00	£2,778,130.00	Grant Income	Adult Care and Health	Commissioning - Commissioning & Contracting Manager	Hayley Clifton	Rachael Musgrave	Angie Byrne	Keith Salles
86	Community Matters- Lot 2 Mental Health	01/04/2019	30/06/2021	Community Matters- Lot 2 Mental Health	The Open Door Café	£346,666.00	£10,000.00	£356,666.00	Revenue	Children, Family and Education	Contracts and Commissioning - Commissioning Support Officer	Sarah Robertson	Elizabeth Hartley	Peter Mcmillen	Keith Patterson
87	Community Matters (Lot1, Lot 2, Lot 3)	07/01/2019	30/06/2021	Community Matters (Lot1, Lot 2, Lot 3)	Home Start Wirral, Caritas Diocese of Shrewsbury, Fender Promary, Wirral Information Resource For Equality and Diversity, Women's Enterprising Breakthrough, Public Services Lab	£2,490,500.00	£96,666.00	£2,587,166.00	Revenue	Children, Family and Education	Contracts and Commissioning - Commissioning Support Officer	Sarah Robertson	Elizabeth Hartley	Peter Mcmillen	Keith Patterson
88	Safe Families for Children Service in Wirral	01/04/2021	31/03/2022	Safe Families for Children Service in Wirral	Safe Families for Children	£95,000.00	£15,833.33	£110,833.33	Revenue	Children, Family and Education	Contracts and Commissioning - Commissioning Support Officer	Sarah Robertson	Anna Jones	Peter Mcmillen	Keith Patterson
89	Family Coaching Pilot	27/11/2020	27/11/2021	Family Coaching Pilot	Public Services Lab	£123,932.00	£26,332.79	£150,264.79	Revenue	Children, Family and Education	Contracts and Commissioning - Commissioning Support Officer	Sarah Robertson	Elizabeth Hartley	Peter Mcmillen	Keith Patterson
90	Integrated Sexual Health Service	01/04/2017	31/03/2022	Integrated Sexual Health Service	Sahir House, Wirral Community NHS Trust	£20,736,782.00	£65,607.00	£20,802,389.00	Grant Income	Adult Care and Health	Commissioning - Commissioning & Contracting Manager	Hayley Clifton	Elsbeth Anwar	Angie Byrne	Keith Patterson

Record No	Contract Title	Start Date	End Date	Contract Description	Supplier	Original Budget	Budget Adjustment	New Budget	Budget Source	Directorate	Service	Responsible Officer	Budget Holder Approval	Finance Approval	Procurement Approval
91	Royal Mail Postal Service - supplementary/variation payment to cover short fall due to Covid	01/05/2020	24/04/2021	Royal Mail Postal Service - supplementary/variation payment to cover short fall due to Covid	Royal Mail	£164,934.47	£11,234.47	£176,168.94	Revenue	Resources	Distribution Services - Distribution Team Leader	Joanne Horne	Simon Cuerden	Natalie Davenport	Tony Birkett
92	New Chester Road Gully Repairs and Alterations	03/08/2020	21/08/2020	New Chester Road Gully Repairs and Alterations	Rhino Asphalt Solutions Limited	£45,136.52	£3,166.62	£48,303.14	Revenue	Neighbourhoods	Highways Contract - Team Leader (Contract Commercial)	Lian Challis	Phil Miner	Sarah Cox	Tony Birkett
93	Mapinfo Professional GIS Software Support and Maintenance	24/09/2020	23/09/2021	Mapinfo Professional GIS Software Support and Maintenance	Contract Data Research T/A CDR Group	£11,900.00	£1,310.00	£13,210.00	Revenue	Resources	Digital and Improvement - ICT and Digital Solutions Manager	Victoria Chapman	Tim Power	Natalie Davenport	Donna Long
94	CBRE to advice Wirral Council on the Local Investment Strategy	24/02/2021	23/02/2022	CBRE to advice Wirral Council on the Local Investment Strategy	CBRE Ltd	£1,500,000.00	£60,000.00	£1,560,000.00	Revenue	Regeneration and Place	Estates Management - Senior Asset Surveyor	David Dickenson	Slobhan Nagle	David Dixon	Keith Patterson
95	Occupational Health	01/04/2021	31/03/2022	Occupational Health	Health Work	£888,000.00	£165,000.00	£1,053,000.00	Revenue	Resources	Health, Safety and Wellbeing - OH and Wellbeing Co-ordinator	Michelle Hughes	Andy McMillan	Natalie Davenport	Keith Patterson
96	Employee Assistance Programme - Lot 3	01/04/2021	31/03/2022	Employee Assistance Programme - Lot 3	Health Assured	£888,000.00	£57,000.00	£945,000.00	Revenue	Resources	Health, Safety and Wellbeing - OH and Wellbeing Co-ordinator	Michelle Hughes	Andy McMillan	Natalie Davenport	Keith Patterson

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AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 5 July 2021

REPORT TITLE:	REGULATION OF INVESTIGATORY POWERS ACT 2000(RIPA)
REPORT OF:	DIRECTOR OF LAW AND GOVERNANCE (MONITORING OFFICER)

REPORT SUMMARY

- (a) This report informs the Committee of the outcome of an inspection on 21 May 2021 by the Investigatory Powers Commissioner (IPCO).
- (b) It also invites the Committee to agree to additions to the Policy and Procedure Guidance on the Council’s use of covert surveillance in the light of the IPCO’ s recommendations on data retention and security

RECOMMENDATIONS

The Audit and Risk Management Committee are recommended to

- 1) That the Committee note the contents of the report of the Inspector appointed by the Investigatory Powers Commissioner on the use of covert surveillance by the Council and adopts its recommendations.
- 2) That the Committee approve the Policy and Procedure Document contained in Appendix 3 on the use of powers under the Regulation of Investigatory Powers Act 2000 (RIPA) as amended by the additional Section 12 on Data Security and Retention.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATIONS

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

2.0 OTHER OPTIONS CONSIDERED

- 2.1 To ignore IPCO's advice .This was rejected because it could lead to serious breaches of RIPA and the Data Protection Act 2018 and adverse reports on future inspections

3.0 BACKGROUND INFORMATION

- 3.1 The Regulation of Investigatory Powers Act 2000 (RIPA) governs how public bodies use surveillance methods. The Council may use covert surveillance for the purpose of preventing or detecting crime or preventing disorder.
- 3.2 The origin of RIPA lies in the Human Rights Act 1998 which places restrictions on the extent to which public bodies may interfere with a person's right to respect for his or her home and private life and correspondence during the course of an investigation into suspected criminal activities. The provisions of RIPA ensure (in summary) that any such interferences are in accordance with the law and are necessary and proportionate (i.e. the seriousness of the suspected crime or disorder must outweigh any possible interferences with the personal privacy of the persons being investigated and of persons who associate with them).
- 3.3 The Council's Constitution authorises Directors to designate Heads of Service and Service Managers to authorise the use of covert surveillance in accordance with the procedures prescribed by RIPA. Since 1 November 2012 such authorisations require the further approval of a magistrate where the legislation applies.
- 3.4 The Office of Surveillance Commissioners (OSC) was responsible for overseeing the operation of RIPA. The OSC inspected the Council on 13 May 2015. The outcome of that inspection was reported to the Committee on 22 September 2015. The Committee approved amendments to the Council's Policy and Guidance Document made in response to the Report and subsequently on 22 November 2016.
- 3.5 The functions of the OSC have now been transferred to the Investigatory Powers Commissioner Sir Brian Leveson. One of the Commissioner's inspectors (Graham Wright) conducted an inspection of the Council's use of RIPA on 17 December 2018. The outcome of that inspection is attached at Appendix 1 and was reported to this Committee on 11 March 2019 which adopted its recommendations

3.6 The Council's Policy and Guidance Document was amended to include expanded sections on surveillance of open social media sites at meetings of this Committee on 11 March 2019 and 27 January 2020

4.0 INSPECTION ON 21 MAY 2021

- 4.1 The Investigatory Powers Commissioner instructed Graham Wright to conduct a further inspection of the Council's use of RIPA in April 2021 His report dated 21 May 2021 is attached at Appendix 2. The inspection was conducted remotely because of the restrictions imposed as a result of the COVID 19 pandemic. All documents requested by Mr Wright were forwarded to him.
- 4.2 The report of the previous inspection on 17 December 2018 is attached at Appendix 1. Mr Wright was satisfied that the Council had carried out the recommendations made in that report.
- 4.3 Mr Wright was satisfied with the arrangements made for the annual training of authorising officers and applying officers. He considered the training was very helpful and noted that over 40 staff had attended sessions in 2019 and 2020. Further training should be organised for this year.
- 4.4 Mr Wright examined three authorisations given by Authorising Officers for covert surveillance . All had been approved by a magistrate although he had some criticisms to make of some gaps in one of the two authorisations for surveillance of retailers suspected of under age sales of tobacco . On the other hand the authorisation for covert surveillance of suspected fly tipping sites was regarded as exemplary and a model for future applications.
- 4.5 Mr Wright was satisfied that this Committee received regular reports on the use of RIPA and was responsible for approving any policy changes.
- 4.6 Mr Wright considered that the Council Policy and Procedure on the use of Powers under the Regulation of Investigatory Powers Act was a useful guide to practitioners and had been suitably expanded to include the use of social media to support investigations. It is attached at Appendix 3.
- 4.7 In particular there was now more detailed guidance on the use of internet and social networking sites for those departments "outside of the usual RIPA audience" viz Children's Services. Social workers were using information from those sites quite properly to protect children but needed to be made aware of those circumstances where authorisation for directed surveillance would be required because the monitoring of the site was planned to be repeated and systematically targeted on specific individuals.
- 4.8 There are regular quarterly meetings of RIPA co-ordinators chaired by a solicitor who gives advice and guidance on this complex area of the law. Social workers from the Children's Services Department are now invited in order to discuss issues of common concern and particular areas of difficulty. They were invited to the annual training events held in 2019 and 2020 and will be invited to future training events.

- 4.9 Any staff wishing to conduct social media research must seek approval from a RIPA trained officer who will assess whether an authorisation needs to be sought as would be the case if the monitoring were repeated ,systematic and targeted visits to a site. If no authorisation is required a log of the internet activity will be completed to be reviewed periodically by the solicitor assigned to RIPA.
- 4.10 IPCO had written to all authorities in September 2020 expressing concerns about the security and retention of personal data which are derived from RIPA authorised investigations. The letter is attached at Appendix 4.
- 4.11 The letter had been discussed at the quarterly meetings of the RIPA co-ordinators. A draft policy had been produced which is attached at Appendix 5 .It has been approved by Mr Wright and the Committee is recommended to approve it for incorporation into the Policy and Procedure Document as an additional Section 12.

5.0 CHANGES IN LEGISLATION

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

6.0 ANNUAL TRAINING

- 6.1 This took place on 7 July 2020 and was conducted remotely by Stephen Morris who is one of the trainers employed by Act Now Training Ltd who are acknowledged experts in this field.
- 6.2 It was attended by officers who are required to undertake refresher training every 2 years.
- 6.3 Mr Morris dealt in detail with the requirements for authorisations under RIPA and the quality of his training has been commended by Mr Wright.
- 6.4 Further training will be organised for this year in accordance with the recommendations of IPCO.

7.0 ADDITIONS TO THE POLICY AND PROCEDURE DOCUMENT

- 7.1 This document is attached as an Appendix 3 to the report .It updates the Guidance in the light of IPCO's letter on data security and retention and the Committee is invited to approve this document.

8.0 FINANCIAL IMPLICATIONS

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

9.0 LEGAL IMPLICATIONS

9.1 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.

10.0 RESOURCE IMPLICATIONS:ICT,STAFFING AND ASSETS

10.1 .Staff experienced in the use of RIPA left the Council's employment in 2018 and 2019 .Their replacements and social workers in the Children's department will require continuous training and advice and guidance on the law and the various techniques of covert surveillance.

11.0 RELEVANT RISKS

11.1 These have been discussed in previous reports.

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

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

11.4 Where RIPA does not apply but covert surveillance would be legitimate necessary and proportionate then it would have to be authorised by the Authorising Officers in accordance with the Data Protection Act 2018 e.g to supply evidence in disciplinary or care proceedings as explained in paragraphs 10 and 11 of the Policy and Procedures Guidance Document.

12.0 ENGAGEMENT/CONSULTATION

12.1 None.

13.0 EQUALITY IMPLICATIONS

13.1 None.

14.0 ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS.

14.1 Covert Surveillance is intended to be used to detect environmental offences such as fly tipping. The use of covert cameras to monitor sites where waste is unlawfully deposited is lawful if it is necessary and proportionate and approved by a magistrate. The siting of the cameras has to ensure that any invasion of the privacy of innocent persons is minimised.

REPORT AUTHOR: Colin Hughes
Consultant Solicitor
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email: colinhughes@wirral.gov.uk

APPENDICES

- Appendix 1 - Report of the Inspector on 17 December 2018. **(COLIN PLEASE CONFIRM)**
- Appendix 2 - Report of the Inspector on 21 May 2021.
- Appendix 3 - Revised Policy and Procedure on the use of Powers under the Regulation of Investigatory Powers Act 2000.
- Appendix 4- IPCO's letter of September 2020.
- Appendix 5- Draft Policy on Security and Retention of Personal Data Derived from RIPA Investigations.

REFERENCE MATERIAL

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

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Reports to the Audit & Risk Management Committee	25 September 2017 12 February 2018 24 September 2018 11 March 2019 27 January 2020 16 November 2020

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IPCO

Investigatory Powers
Commissioner's Office

PO Box 29105, London
SW1V 1ZU

Mr Paul Satoor
Chief Executive
Wirral Metropolitan Borough Council
Wallasey Town Hall
Brighton Street
Wallasey
CH44 8ED

21 May 2021

Dear Chief Executive,

IPCO Surveillance and CHIS Inspection of Wirral Metropolitan Borough Council

Your Council was recently the subject of a remote inspection by one of my Inspectors, Mr Graham Wright, who looked at your use of powers and procedures in relation to directed surveillance and CHIS. This was facilitated through Mr Colin Hughes (Group Solicitor and RIPA Monitoring Officer) as well as Mr Paul Martin (Principal Solicitor and due to take over responsibility as RIPA Monitoring Officer), who provided information during professional discussion and a video conferencing session.

The information provided has demonstrated a level of compliance that removes, for the present, the requirement for a physical inspection. The two recommendations from the previous inspection in December 2018 have been discharged. These related to the need for enhanced guidance and training in relation to the use of social media by Council staff.

There have been three authorisations for directed surveillance granted since the previous inspection and copies of the relevant forms were made available for Mr Wright to examine. He makes the following points in relation to those authorisations:

1. It is pleasing to note that Trading Standards now seek a directed surveillance authorisation for test purchase operations where a member of Trading Standards staff covertly observes the under-age volunteer attempting to make the test purchase. The applications in relation to the two such operations were adequately detailed, but in authorisation URN: TP8 2019/2020, the authorising officer's input was rather cursory in relation to necessity and proportionality; the officer had failed to set a review date; and the expiry date of the authorisation was not given.
2. In relation to the authorisation regarding an investigation into repeated fly-tipping, the application and input from the authorising officer were exemplary and might be used as an example of how things should be done. Reviews were carried out at regular intervals and a cancellation submitted, setting out the results of the activity.

My Inspector has reviewed your Council's RIPA Policy. This document, *Policy and Procedure on the Use of Powers Under the Regulation of Investigatory Powers Act*, is a useful guide to practitioners and has been suitably expanded in relation to the use of social media to support investigations.

The RIPA Monitoring Officer outlined his oversight activity, including a description of the processes used to ensure that no unauthorised surveillance or CHIS management activity takes place. Key to this are the regular meetings of the RIPA Co-ordinators Group which discusses emerging issues, training needs and usage of the powers. This group pays particular attention to the use of social media, and its membership has been expanded to include a wider range of departments.

Although your Council has only used the powers sparingly, Mr Hughes was reminded of the importance of ensuring that the designated authorising officers maintain their level of training. Two of the three authorising officers have received refresher training since the last inspection and the third is due to attend, but has in the meantime been unable to grant authorisations until this training has taken place.

In respect of staff who may currently undertake surveillance duties (including internet and open source research) as part of their professional role, Mr Hughes stated that there had been two sessions of training since the previous inspection, and over 40 staff have attended. Further training will take place this year.

The monitoring of social media and the internet can offer initial investigative leads and assist with your enforcement or other responsibilities, but it behoves you to ensure that such resources as these are used in a controlled, auditable, and well understood manner. The Home Office Covert Surveillance and Property Interference Code of Practice provides some helpful advice on this point. Mr Hughes provided My Wright with details of how your organisation approaches these activities:

- that guidance is provided to staff within the relevant policy and operating procedures;
- any staff wishing to conduct social media research must seek approval from a RIPA trained officer who will assess whether an authorisation need be sought. If not, a log of the internet activity will be completed and this log is periodically reviewed by the RIPA Monitoring Officer and SRO; and
- that staff were not permitted to use covert profiles or pseudonymous accounts to conduct internet or social media enquiries.

The Council owns town centre CCTV systems. These have not been used covertly since the date of the last inspection. A suitable protocol with Merseyside Police has been drawn up in relation to their use of the systems.

In accordance with section 4.47 of the Home Office Covert Surveillance and Property Interference Code of Practice, you provide Elected Members on the Audit and Risk Committee with an annual report sufficient to enable them to determine that the Council's policy remains fit for purpose, together with regular reports on RIPA activity (or inactivity).

In relation to the matter of Data Assurance, I wrote to you in September 2020 setting out my concerns about this matter. You Council already had an information security policy, but the RIPA Co-ordinators Group have held several meetings and taken action in response to my letter. Enquiries have been made in relation to the process for the retention, review and destruction of CCTV product and this has been found to be satisfactory. In addition, a policy specific to material acquired through RIPA activity (including CCTV images) has now been drawn up, to supplement the Council-wide regime. This RIPA specific policy, *Security and Retention of Personal Data Derived From RIPA Investigations*, introduces procedures for the secure retention of material, reviews of the grounds for retention, and the subsequent destruction of material. Structured reviews of material will be carried out and submitted to the SRO. This is an area of compliance which IPCO will focus on more deeply in future inspections. In particular, we shall expect to see that the additional guidance provided to staff has enabled practitioners to understand fully their responsibilities and that the Safeguards have been applied in practice.

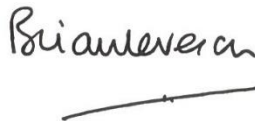
In conclusion, it must be emphasised that although your Council has only used the RIPA powers very sparingly, it is vital that the relevant staff are appropriately trained should the need to authorise covert activity arise. It is also important that officers engaged in investigatory areas where RIPA considerations are not so immediately apparent (for example Children's Services), maintain their levels of knowledge and know whom to approach for guidance. Your training provision and the RIPA Co-ordinators Group are very helpful towards ensuring this.

Mr Hughes has given assurances to the Inspector that the integrity of your Council's processes and governance procedures will be maintained to ensure that high standards of compliance with the Act and relevant codes of practice are achieved. He is a most conscientious and experienced officer, with whom Mr Wright has had dealings over a number of years, and he has been instrumental in the good standards that exist. His successor has a hard act to follow, but inherits a sound and compliant RIPA regime.

I hope that this video-based inspection has proved to be a worthwhile exercise. My Office is available to you should you have any queries following the recent inspection, or at any point in the future. Contact details are provided at the foot of this letter.

I shall be grateful if you would acknowledge receipt of this letter within two months.

Yours sincerely,



The Rt. Hon. Sir Brian Leveson
The Investigatory Powers Commissioner

Please be aware that IPCO is not a "public authority" for the purpose of the Freedom of Information Act (FOIA) and therefore falls outside the reach of the FOIA. It is appreciated that local authorities are subject to the FOIA and that they may receive requests for disclosure of our reports. In the first instance the SRO should bring the matter to the attention of the IPCO Data Protection Officer (at: info@ipco.org.uk), before making any disclosure. This is also the case if you wish to make the content of this letter publicly available.

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

3.0 COVERT SURVEILLANCE

3.1 The term surveillance includes

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

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

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

3.4 Covert surveillance can be either

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

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

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

- 3.7 An authorising officer for a public authority may only grant authorisation to carry out directed surveillance if it is necessary in the interests of:
- national security (**not** applicable to local authorities);
 - preventing or detecting crime;
 - public safety (**not** applicable to local authorities);
 - protecting public health (**not** applicable to local authorities);
 - assessing or collecting any tax, duty, levy or other imposition, contribution or charge payable to a government department (**not** applicable to local authorities); or
 - is specified by regulations.
- 3.8 **Local authorities may only authorise use of covert directed surveillance on the ground that it is necessary in the interests of preventing or detecting crime or of preventing disorder.** The use of surveillance must also be proportionate to what is being sought to achieve and a magistrates approval required as set out below.
- 3.9 From 1 November 2012 a magistrates approval 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.
- 5.6 An authorisation or notice must be cancelled as soon as it is no longer necessary for the service provider to comply with the notice or the conduct required by the notice is no longer proportionate to what was sought to be achieved.
- 5.7 The **Senior Responsible Officer (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 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.

12. SECURITY AND RETENTION OF PERSONAL DATA DERIVED FROM RIPA INVESTIGATIONS

12.1. SECURITY FROM UNAUTHORISED ACCESS

(a) CCTV images.

- (i) The manager shall designate those persons who shall have access to retained images being only those who have a need to know i.e. those closely involved in the investigation.

(ii) The images must be secured against unauthorised interference and editing by being stored securely and labelled in Council premises to which access is restricted. Records Management could offer that facility.

(iii) The images should only be capable of being viewed in Council premises not in an employee's home.

(iv) Disclosure to 3rd parties e.g. the police should (in the absence of a court order) only be authorised by a RIPA Co-ordinator or Authorising Officer and be for the purpose of preventing or detecting crime or for the purpose of legal proceedings. Such disclosures must be recorded in writing and be capable of being justified after a data protection impact assessment has been carried out which weighs in the balance intrusions into a person's privacy against the objective of crime prevention and detection. The authorisation should stipulate the period during which the personal data may be retained before destruction.

(b) Other records of investigations.

- (i) To the extent that they include personal data ,such records should only be accessible to those persons who have a need to know being those closely involved in the investigation and be the minimum necessary for the purpose of detecting or preventing crime or for the conduct of legal proceedings.

(ii) Disclosures to 3rd parties should only be allowed in the circumstances set out in 1(a)(iv) above

(iii) Copying and transmission of personal data (pathways) should be limited to what is strictly necessary for the purposes of an investigation. The manager should

identify those pathways and be able to demonstrate that each one was necessary and could not have been eliminated. The more pathways there are, the greater the risk of unauthorised access. Managers should consider the advantages of storing RIPA records on Microsoft TEAMS with access restricted to those employees who are closely involved in the investigation.

(iv) Electronic files containing personal data should be password protected or encrypted and access limited to those persons who have a need to know. A display of personal data on a computer screen should only take place in a setting in which no unauthorised person is present e.g. not in an open plan office or in a room at home to which other members of the household have access or are present.

(v) Paper files containing personal data should be stored securely in locked cupboards or cabinets on Council premises and not in an employee's home or vehicle and be accessible only to those employees authorised by the RIPA co-ordinator who are closely involved in the investigation.

(vi) Staff should follow the Council's security procedures as set out in its general policies on data protection.

12.2. RETENTION AND DESTRUCTION.

(a) CCTV images.

(i) Images should not be retained for longer than is necessary to fulfil the purpose of preventing or detecting crime or for disclosure in legal proceedings including the requirements of the code of practice issued under the Criminal Procedure and Investigations Act 1996 which requires retention of all material relevant to a criminal investigation.

(ii) Subject to the above, images of persons whose privacy has been the subject of inadvertent interference should be destroyed within a month of being recorded.

(iii) Images should be destroyed as soon as the purposes in 2(a)(i) have been achieved by making access to them impossible. This will usually be no later than one month after the end of the investigation. If there has been a prosecution, however, images should be securely retained until 6 years have elapsed since the conclusion of the case or immediately thereafter if the data subject has been acquitted and there is no prospect of an appeal. Compliance is the responsibility of the RIPA co-ordinator who should carry out and record in writing monthly reviews of the necessity of retaining CCTV images.

(b) Other records containing personal data.

(i) The above procedures should also be applied to other records of personal data save that the reviews by the RIPA co-ordinator of the need to retain personal data should be conducted at not more than 6 monthly intervals and take account of legal constraints on destruction e.g. in relation to child care and adoption records. Records of RIPA investigations should only be retained if retention would enable the welfare of the child to be better safeguarded. Personal data relating to persons outside the child's family should generally be destroyed unless it concerned an investigation into possible abuse.

(ii)The outcomes of the 6 monthly reviews should be recorded in writing and made available to the Senior Responsible Officer (the Council's Monitoring Officer or the solicitor to whom he has delegated day to day management of RIPA).

(iii)Any problems concerning the reviews should be discussed at the quarterly meetings of RIPA Co-ordinators.

DATE 28 JUNE 2021

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Investigatory Powers
Commissioner's Office

PO Box 29105, London
SW1V 1ZU

By Email

September 2020

Dear Sir/Madam,

Assurance of data handling and retention safeguards

In light of the recent and serious compliance failings by part of the UK intelligence community, I have asked the IPCO inspectorate to carry out a full review of the ways in which data is handled by the public authorities we oversee. This work, which was initiated in late 2019, has comprised initial discussions with a range of authorities in relation to their data holdings. This includes any data obtained under the Investigatory Powers Act (IPA) 2016 and the Regulation of Investigatory Powers Act (RIPA) 2000 and which is therefore the subject of oversight by my office. This programme is intended to promote compliance with these acts and the Codes of Practice, and with other legal obligations including the Data Protection Act (DPA) 2018. You will be aware that the current restrictions have meant that our working model has changed and that any contact with our inspectors will be conducted remotely for the foreseeable future. Nonetheless, my inspectors will contact you to discuss data assurance alongside our usual inspections.

The objectives of the Data Assurance programme are:

- To inspect and investigate compliance with data safeguards to establish a high level of confidence that all data obtained under the powers overseen by IPCO is retained lawfully.
- To embed and encourage best practice for compliance at each authority we oversee.
- To assist the authorities we oversee to understand and investigate the compliance challenges arising from the use of bespoke, off-the-shelf and shared data handling programmes and technical storage environments.

My inspectors have identified that many organisations are retaining data for longer than is necessary or appropriate for a number of reasons. Firstly, in many cases authorities have not fully implemented data retention and disposal policies, secondly, many authorities operate with a culture of comprehensive retention to prevent operational data loss, and finally, systems used to transfer and securely store data may not promote or enable appropriate disposal processes.

For example, consider that an authority seeks and is granted a directed surveillance authorisation. Under that authorisation, surveillance is conducted for a period of time and provides information to meet the objectives of the investigation. As part of the investigation, one officer emails the results of the surveillance to a colleague and their manager, both of whom save a copy on their desktop and in Outlook for future reference. The officer also emails the product to a legal colleague so that the product may be used as evidence during criminal proceedings, it is therefore disclosed to a court and retained in a password-protected file for further use in the event of an appeal. At this point, no decision is taken as to how long that data should be retained, and the copies on both Outlook and the desktops are retained.

Although this example demonstrates legitimate use of the data for investigative and evidential use of the data, this approach is unlikely to be compliant with the code of practice for surveillance. The data pathway described includes retention on a personal desktop and in Outlook as well as a password-protected evidential copy. In this example, no retention, review or disposal process is in place for either pathway. In cases such as this, my inspectorate have found that data is being retained longer than is necessary, and at times indefinitely. I urge you to review your obligations under IPA and RIPA and to revisit the safeguards in the Codes of Practice¹ to ensure that appropriate policies and processes are in place within your authority.

Starting in 2020, IPCO inspections will include data assurance and will require the following to be made available to my inspectors: safeguarding policies; retention and disposal schedules; access to any systems used to store data obtained under IPA and RIPA. Through each inspection, my office will ask you to demonstrate the adequacy of your policies, including physical security of data, adequacy of staff training, steps to minimise copying of data and processes to ensure all relevant data and copies are deleted at the appropriate time.

This work is a central part of IPCO's role to assist public authorities to use these powers lawfully, in the public interest. I anticipate that this programme will allow my office to establish a good level of confidence in the safeguarding practices of the authorities I oversee. I recommend that you take the following actions, which will assist you in demonstrating compliance and adherence to your obligations to safeguard any data you have obtained or may obtain:

- 1) Review the safeguarding obligations in the relevant Code of Practice for any powers used by your authority.
- 2) Ensure that internal safeguard policies for retaining, reviewing and disposing of any relevant data are accurate and up-to-date.
- 3) Ensure that the authorising officer for your authority has a full understanding of any data pathways² used for RIPA or IPA data.
- 4) Ensure that all data obtained under IPA and RIPA is clearly labelled and stored on a data pathway with a known retention policy.
- 5) Review the wording of safeguards in any applications to obtain data under IPA and RIPA and ensure that they accurately reflect the retention and disposal processes at your authority³.
- 6) Review whether data obtained under previous authorisations is being retained for longer than is necessary and, if appropriate, consider disposing of retained data.

If you have any questions about this programme or the recommendations we have made, please do not hesitate to contact IPCO at Info@IPCO.org.uk. Although we are not conducting inspections in person, my inspectors are available to answer any questions you have, and will be conducting inspections remotely, on a rolling basis, throughout the year.

Yours sincerely



The Rt. Hon. Sir Brian Leveson
The Investigatory Powers Commissioner

¹ Communications Data Code of Practice Chapter 13, CHIS Code of Practice Chapter 8 and Property Interference and Surveillance Code of Practice Chapter 9 set out safeguarding requirements.

² For example, directed surveillance data may be simultaneously stored on several data pathways: Pathway one – CCTV video product is transferred onto a CD and kept in a secure cabinet; Pathway two – a copy of the video is sent via email and stored on a common storage drive; Pathway three – a copy of the video is received via email and saved in an Outlook folder by a legal officer; Pathway four – a copy of the video is received via email and stored in a password protected evidential casework folder by a legal officer.

³ For example, if all data will be retained for a set period of time this should be stated in your application, or the application should refer to the internal safeguards policy document.

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

25 January 2019

Dear Mr Robinson,

Inspection Report – Wirral Metropolitan Borough Council

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

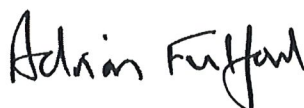
I am pleased to note that the previous recommendations have been adequately addressed and are now discharged, together with the overall very positive tenor of the present report.

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

I fully endorse the report.

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

Yours sincerely,



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

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IPCO

Investigatory Powers Commissioner's Office

Inspection – Wirral Metropolitan Borough Council

1. Date of inspection

17th December 2018

2. Inspector

Graham Wright

3. Introduction

- 3.1 Wirral Metropolitan Borough Council (MBC) is one of five such councils in Merseyside. It covers the Wirral peninsular, a mixture of urban and rural areas and a population of approximately 310,000.
- 3.2 The previous inspection of Wirral MBC was conducted in May 2015 by OSC Assistant Surveillance Commissioner, Sir David Clarke. Since that time there have been 12 authorisations for directed surveillance granted. None of the authorisations involved the acquisition of confidential information and I was not informed of any errors.
- 3.3 The Chief Executive is Mr Eric Robinson and the address for correspondence is Wallasey Town Hall, Brighton Street, Wallasey CH44 8ED (email: ericrobinson@wirral.gov.uk).

4. Inspection approach

- 4.1 I had an initial meeting with the Chief Executive, Mr Philip McCourt (Director of Governance and Assurance) who is the appointed 'senior responsible officer' and Mr Colin Hughes (Group Solicitor) who is the RIPA Monitoring Officer. We discussed the aims of the inspection and the rise of use of the internet and social networking sites (SNS).
- 4.2 I then met with the following members of staff:
- Mark Camborne – Strategic Commissioner Environmental and Community Services (authorising officer)
 - Caroline Laing – Constituency Manager (authorising officer)
 - Mike Cockburn – Commissioner Environmental and Community Services (authorising officer)

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

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

5. Review of progress on recommendations

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

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

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

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

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

6. Policies and procedures

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

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

8. Inspection Findings

Directed Surveillance

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

Use of the Internet and Social Networking Sites

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

9. Good Practice identified

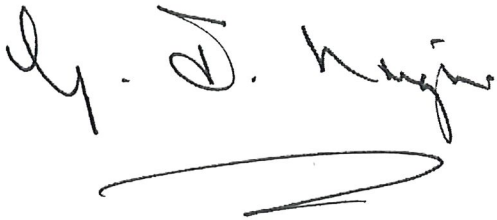
- 9.1 The practice of having persons identified and trained to make applications – paragraph 6.2.

10. Conclusion

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

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

11. Recommendations

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

OFFICIAL- SENSITIVE

DISCLAIMER

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

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

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

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

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

OFFICIAL – SENSITIVE

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

Date: 12 February 2019

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

Dear Lord Fulford

INSPECTION REPORT - WIRRAL BOROUGH COUNCIL

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

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

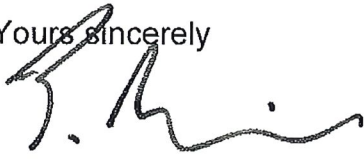
- 1) A report will be prepared for the next meeting of the Council's Audit and Risk Management Committee on 11 March 2019 in which additions to the Policy and Guidance on RIPA will be recommended for its approval that take into account;
 - (a) The recently revised Covert Surveillance and Property Interference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

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

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

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

Yours sincerely

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

Eric Robinson
Chief Executive

SECURITY AND RETENTION OF PERSONAL DATA DERIVED FROM RIPA INVESTIGATIONS:

APPENDIX 5

1. Security from unauthorised access.

(a) CCTV images.

(i) The manager shall designate those persons who shall have access to retained images being only those who have a need to know i.e. those closely involved in the investigation.

(ii) The images must be secured against unauthorised interference and editing by being stored securely and labelled in Council premises to which access is restricted. Records Management could offer that facility.

(iii) The images should only be capable of being viewed in Council premises not in an employee's home.

(iv) Disclosure to 3rd parties e.g. the police should (in the absence of a court order) only be authorised by a RIPA Co-ordinator or Authorising Officer and be for the purpose of preventing or detecting crime or for the purpose of legal proceedings. Such disclosures must be recorded in writing and be capable of being justified after a data protection impact assessment has been carried out which weighs in the balance intrusions into a person's privacy against the objective of crime prevention and detection. The authorisation should stipulate the period during which the personal data may be retained before destruction.

(b) Other records of investigations.

(i) To the extent that they include personal data, such records should only be accessible to those persons who have a need to know being those closely involved in the investigation and be the minimum necessary for the purpose of detecting or preventing crime or for the conduct of legal proceedings.

(ii) Disclosures to 3rd parties should only be allowed in the circumstances set out in 1(a)(iv) above.

(iii) Copying and transmission of personal data(pathways) should be limited to what is strictly necessary for the purposes of the investigation. The manager should identify those pathways and be able to demonstrate that each one was necessary and could not have been eliminated. The more pathways there are, the greater the risk of unauthorised access. Managers should consider the advantages of storing RIPA records on Microsoft TEAMS with access restricted to those employees who are closely involved in the investigation.

(iv) Electronic files containing personal data should be password protected or encrypted and access limited to those persons who have a need to know. A display of personal data on a computer screen should only take place in a setting in which no unauthorised person is present e.g. not in an open plan office or in a room at home to which other members of the household have access or are present.

(v) Paper files containing personal data should be stored securely in locked cupboards or cabinets on Council premises and not in an employee's home or vehicle and be accessible only to those employees authorised by the RIPA co-ordinator who are closely involved in the investigation.

(vi) Staff should follow the Council's security procedures as set out in its general policies on data protection.

2.RETENTION AND DESTRUCTION.

(a) CCTV images.

(i) Images should not be retained for longer than is necessary to fulfil the purpose of preventing or detecting crime or for disclosure in legal proceedings including the requirements of the code of practice issued under the Criminal Procedure and Investigations Act 1996 which requires retention of all material relevant to a criminal investigation.

(ii) Subject to the above, images of persons whose privacy has been the subject of inadvertent interference should be destroyed within a month of being recorded.

(iii) Images should be destroyed as soon as the purposes in 2(a)(i) have been achieved by making access to them impossible. This will usually be no later than one month after the end of the investigation. If there has been a prosecution, however, images should be securely retained until 6 years have elapsed since the conclusion of the case or immediately thereafter if the data subject has been acquitted and there is no prospect of an appeal. Compliance is the responsibility of the RIPA co-ordinator who should carry out and record in writing monthly reviews of the necessity of retaining CCTV images.

(b) Other records containing personal data.

(i) The above procedures should also be applied to other records of personal data save that the reviews by the RIPA co-ordinator of the need to retain personal data should be conducted at not more than 6 monthly intervals and take account of legal constraints on destruction e.g. in relation to child care and adoption records. Records of RIPA investigations should only be retained if retention would enable the welfare of the child to be better safeguarded. Personal data relating to persons outside the child's family should generally be destroyed unless it concerned an investigation into possible abuse.

(ii) The outcomes of the 6 monthly reviews should be recorded in writing and made available to the Senior Responsible Officer (the Council's Monitoring Officer or the solicitor to whom he has delegated day to day management of RIPA).

(iii) Any problems concerning the reviews should be discussed at the quarterly meetings of RIPA Co-ordinators.

C.HUGHES.

Solicitor.

22/2/21

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