



## Audit and Risk Management Committee

<b>Date:</b>	<b>Monday, 15 January 2024</b>
<b>Time:</b>	<b>6.00 p.m.</b>
<b>Venue:</b>	<b>Committee Room 1 - Birkenhead Town Hall</b>

**Contact Officer:** Joe D'Henin  
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Please note that public seating is limited therefore members of the public are encouraged to arrive in good time.

Wirral Council is fully committed to equalities and our obligations under The Equality Act 2010 and Public Sector Equality Duty. If you have any adjustments that would help you attend or participate at this meeting, please let us know as soon as possible and we would be happy to facilitate where possible. Please contact [committeeservices@wirral.gov.uk](mailto:committeeservices@wirral.gov.uk)

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

## AGENDA

- 1. WELCOME AND INTRODUCTION**
- 2. APOLOGIES FOR ABSENCE**
- 3. 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.

- 4. MINUTES (Pages 1 - 4)**

To approve the accuracy of the minutes of the meeting held on 12 December 2023.

## **5. PUBLIC AND MEMBER QUESTIONS**

Please telephone the Committee Services Officer if you have not received an acknowledgement of your question/statement by the deadline for submission.

### **5.1 Public Questions**

Notice of question to be given in writing or by email by 12 noon, Wednesday 10 January 2024 to the Council's Monitoring Officer via this link: [Public Question Form](#) and to be dealt with in accordance with Standing Order 10.

For more information on how your personal information will be used, please see this link: [Document Data Protection Protocol for Public Speakers at Committees | Wirral Council](#)

Please telephone the Committee Services Officer if you have not received an acknowledgement of your question by the deadline for submission.

### **5.2 Statements and petitions**

Notice of representations to be given in writing or by email by 12 noon, Wednesday 10 January 2024 to the Council's Monitoring Officer ([committeeservices@wirral.gov.uk](mailto:committeeservices@wirral.gov.uk)) and to be dealt with in accordance with Standing Order 11.1.

Petitions may be presented to the Committee if provided to Democratic and Member Services no later than 10 working days before the meeting, at the discretion of the Chair. The person presenting the petition will be allowed to address the meeting briefly (not exceeding three minute) to outline the aims of the petition. The Chair will refer the matter to another appropriate body of the Council within whose terms of reference it falls without discussion, unless a relevant item appears elsewhere on the Agenda. If a petition contains more than 5,000 signatures, it will be debated at a subsequent meeting of Council for up to 15 minutes, at the discretion of the Mayor.

Please telephone the Committee Services Officer if you have not received an acknowledgement of your statement/petition by the deadline for submission.

### **5.3 Questions by Members**

Questions by Members to dealt with in accordance with Standing Orders 12.3 to 12.8.

6. **INTERNAL AUDIT UPDATE (Pages 5 - 32)**
7. **ARMC ANNUAL REPORT 2022-23 (Pages 33 - 58)**
8. **ARMC ANNUAL SELF ASSESSMENT 2023 (Pages 59 - 70)**
9. **CORPORATE RISK MANAGEMENT UPDATE (Pages 71 - 80)**

The appendix to this report may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact [HelenTurner@wirral.gov.uk](mailto:HelenTurner@wirral.gov.uk) if you would like these documents in an accessible format.

10. **EXTERNAL AUDIT PROGRESS REPORT (Pages 81 - 98)**

The appendix to this report may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact [shaunallen@wirral.gov.uk](mailto:shaunallen@wirral.gov.uk) if you would like this document in an accessible format.

### **Terms of Reference**

The terms of reference for this committee can be found at the end of this agenda.

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## AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 12 December 2023

Present: Councillor J Johnson (Chair)

Councillors GJ Davies I Lewis  
P Basnett S Kelly  
M Skillicorn N Graham

Independent Persons J Byrne

### 28 WELCOME AND INTRODUCTION

The Chair opened the meeting and reminded everyone that the meeting was being webcast and a copy was retained on the Council's website.

### 29 APOLOGIES FOR ABSENCE

There were no apologies for absence.

### 30 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.

- Cllr Naomi Graham declared a personal interest by virtue of her husband's employment, and pecuniary interests by virtue of being a member of Merseyside Pension Fund and employment for a charity that delivers educational services for the Council.
- Councillor Paula Basnett declared personal interests by virtue of being a Foster Carer, a member of the town deal board and the Chair of Wirral Chamber of Commerce.

### 31 MINUTES

**Resolved – That the minutes of the meeting held on 24 October 2023, be approved.**

### 32 PUBLIC AND MEMBER QUESTIONS

There were no questions, petitions or statements received for this meeting.

### 33 2022/23 STATEMENT OF ACCOUNTS, ANNUAL GOVERNANCE STATEMENT, EXTERNAL AUDITOR FINDINGS REPORTS. 2021/22 ANNUAL AUDIT REPORT.

The Senior Finance Business Partner presented the report of the Director of Finance which brought the final 2022/23 Statement of Accounts, the Audit Findings Reports of Wirral Council and Merseyside Pension, alongside the Annual Governance Statement for approval by the Committee as statutorily required on behalf of the Council. The report also presented the 2021/22 Annual Audit Report. The Senior Finance Business Partner highlighted a number of areas of note within the Statement of Accounts including levels of earmarked reserves, the removal of the requirement to produce group accounts, and increases in capital spend since production of the draft accounts.

The Head of Finance - Corporate notified to Members that further amendments to the Accounts were to be undertaken following a technical review by Grant Thornton. These related to amending a technical wording disclosure, the presentation of profits from the Wirral Growth Company, and the point of valuation of a school that had been brought back into the Council's Accounts. It was reported that the amendments were not anticipated to materially change the Accounts.

Representatives from Grant Thornton discussed the Audit Findings Reports detailed within the report which included observations relating to Council debt levels, heritage assets, and completeness of the fixed assets register. It was noted that the Audit work was substantially complete pending completion of work relating to Value of Money arrangements, and an unqualified opinion was anticipated for both the Council and Merseyside Pension Fund.

Members discussed the impact of scheduled regeneration projects on future accounts. The importance of the committee's role in scrutinising systemic risk relating to capacity and delivery taking into account the funding deadlines associated with those projects was noted. Members also explored Council management's responses to recommendations within the Audit Findings Report. In response to queries, The Director of Finance provided assurance that increases in debt levels related primarily to planned borrowing requirements for regeneration as part of the capital programme rather than any speculative investment.

#### **Resolved – That**

- 1. The changes to the draft 2022/23 Accounts and the External Audit Findings Reports for Wirral Council and Merseyside Pension Fund be noted;**
- 2. The Final 2022/23 Accounts (Council and Merseyside Pension Fund) be approved as presenting a true and fair view of the Council's and Merseyside Pension Fund's income and expenditure for the year and its overall financial position;**

- 3. The Annual Governance Statement 2022/23 be approved;**
  - 4. The Letters of Representation for Wirral Council and Merseyside Pension Fund be approved; and**
  - 5. The 2021/22 Annual Audit Report be approved.**
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## AUDIT AND RISK MANAGEMENT COMMITTEE

**MONDAY 15 JANUARY 2024**

<b>REPORT TITLE:</b>	<b>INTERNAL AUDIT UPDATE</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>

### REPORT SUMMARY

This report identifies and evaluates the performance of the Internal Audit Service and includes details of any issues arising from the actual work undertaken during the period 1 October to 31 December 2023. There are a number of items of note that are brought to the attention of the Members and these are identified at Appendix 1. The Internal Audit Quality Assurance Improvement Programme Self-Assessment, Internal Audit Charter and Internal Audit Strategy are included at Appendices 2, 3 and 4.

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

### RECOMMENDATION

The Audit and Risk Management Committee is recommended to note the report and endorse the Internal Audit Charter and Strategy.

## **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 appropriate as the service is required to comply with the very specific requirements of the Public Sector Internal Audit Standards for delivery and reporting frequency.

### **3.0 BACKGROUND AND AUDIT OUTPUT**

- 3.1 Internal Audit operate an effective reporting mechanism for Members of the Audit and Risk Management Committee that summarises audit work completed and identifies issues raised on timely basis. This report supports these arrangements by focussing on the following:
  - Any items of note arising from audit work conducted,
  - Any issues arising that require actions to be taken by Members,
  - Performance information relating to the Internal Audit Service,
  - Developments being undertaken to improve the effectiveness of the Internal Audit Service.

The information contained within this report is for the period 1 October to 31 December 2023.

### **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 are 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 The content and/or recommendations contained within this report have no direct implications for equality. However, the delivery of an effective internal audit service will assist in ensuring that the Council, its finances, and service provision are effectively managed and governed aiding the advancement of equality.

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

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

## **11.0 COMMUNITY WEALTH IMPLICATIONS**

- 11.1 The content and/or recommendations contained within this report have no direct implications for community wealth. However, the delivery of an effective internal audit service will assist in ensuring that the Council, its finances, and service provision are effectively managed and governed aiding the advancement of economic, social and environmental justice for all residents.

## **REPORT AUTHOR:**

**Mark P Niblock**  
Chief Internal Auditor  
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## **APPENDICES**

1. Internal Audit Activity – Summary Update
2. Internal Audit Quality Assurance Self-Assessment
3. Internal Audit Charter
4. Internal Audit Strategy

## **BACKGROUND PAPERS**

Internal Audit Plan 2023-24

**TERMS OF REFERENCE**

This report is being considered by the Audit and Risk Management Committee in accordance with Section B of its Terms of Reference.

(b) Internal Audit and Internal Control

(iv) Consider regular summary reports on the work of internal audit including key findings, issues of concern and actions in hand as a result of internal audit activity.

**SUBJECT HISTORY (last 3 years)**

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

## APPENDIX 1

<b>REPORT TITLE:</b>	<b>INTERNAL AUDIT UPDATE</b>
<b>ACTIVITY SUMMARY – 1 OCTOBER TO 31 DECEMBER 2023</b>	

### 1 Items of Note

#### 1.1 Income Control

1.2 An Audit was undertaken of the Income Control system as part of the Internal Audit Plan for 2023-24. The purpose of the audit was to determine whether the income control operation provides managers with reasonable assurance that the financial data is accurately and effectively processed. The key focus of the audit was an evaluation of the impact of the new ERP system on the previous operations in respect to the following risk areas: Roles & Responsibilities; Policy & Procedures; Cash Receipts; Bank Receipts; E>Returns; Suspense Accounts; Cashbook & Feeder Systems Reconciliations; Returned Payments; and Bank Reconciliations.

1.3 The audit resulted in a 'minor' organisational risk rating with one medium priority recommendation which related to the review and update of the procedures manual to reflect the current processes in place since the introduction of the ERP system. A number of additional improvements to enhance the control environment were also agreed and implemented during the audit process. These were subsequently reported as audit observations within the formal audit report but they will be tested during the follow-up review to ensure they are operating effectively.

#### 1.4 Payroll – Selfserve Bank Account Controls

1.5 Employee bank account details are amended by the employee through the Selfserve IT system, using their payroll number and password to access their details. Employee bank account details can also be amended through the Selfserve IT system by the Payroll Team if an employee is unable to perform the task themselves. A targeted review was undertaken as part of the Internal Audit Plan for 2023/24, to determine if the controls over employee bank account changes within the Selfserve system provide management with reasonable assurance that improper activities are detectable and incorrect payments can be effectively recovered.

1.6 The findings from the work undertaken have concluded that the controls over employee bank account changes within the Selfserve system are effective and provide management with reasonable assurance that improper activities are detectable. However, a small number of areas for improvement were identified in the systems in operation over the recovery of any incorrect payments generated. Four recommendations have been agreed with management that include: Enhancements to the guidance available to employees regarding the change of bank account information on Selfserve; and updating the Payroll manual to reference the processes for rectifying mistakes and recovering erroneous payments where applicable.

- 1.7 Early Voluntary Retirement/Severance (EVR/S)
- 1.8 An audit is currently being undertaken to review and evaluate processes in operation over the corporate EVS and EVR systems for efficiency and effectiveness. The objective of the audit is to obtain assurance that the latest Council policies and procedures are transparent, effectively communicated and accurately and consistently applied. Upon completion, the report will identify findings from a review of the latest EVS tranche, which was publicised in January 2023 and any EVR applications received from January 2023 to 29 August 2023. The outcome from this exercise will be reported to this Committee upon completion.
- 1.9 Climate Emergency
- 1.10 Follow up audit reviews have taken place during the period to assess progress made to implement 17 recommendations agreed with management following an audit completed in 2023 of the Council's Climate Emergency arrangements.
- 1.11 The Council continues to make progress and as at the 31 November 2023 14 of the 17 recommendations have been effectively implemented and 3 remain outstanding. It is acknowledged that these actions are of a cross cutting service nature and consequently require significantly greater effort to implement, however it is important that senior management remain focussed on implementing these important strategic actions at the earliest opportunity to ensure that the Council remains on target to achieve its corporate objectives in this area.
- 1.12 Outstanding recommendations relate to communicating to the workforce the importance of including cc data on the mileage claim forms to ensure accurate capturing of 'grey fleet' emissions data, and two recommendations relating to the clarification and implementation of a procurement strategy for the achievement of the Environmental and Climate Emergency Plan targets. It is acknowledged that some work is currently taking place with regard to these recommendations.
- 1.13 Matrix System
- 1.14 Following an audit review of the Matrix system earlier this year a number of actions were agreed with senior management to improve systems in operation and address any underlying risks, the findings from the audit were reported to this Committee in October 2023 and an update on implementation progress requested.
- 1.15 An audit follow up was completed this period that included significant liaison with senior officers responsible for implementing actions and an update provided that identifies progress being made to implement agreed actions. This confirms that all of these have now either been implemented or are currently in progress. The following activity is currently ongoing:
- Review of current processes in place to access the Matrix system, place and manage orders.
  - Refresher training for HR/OD and Procurement officers on end-to-end system use, and full suite of available reporting.
  - Weekly operational meeting for HR/OD teams to discuss system issues,

orders and placements.

- 1.16 In addition, Internal Audit are also advised that prior to the contract expiry date HR/OD and Procurement officers will be reviewing and considering alternative solutions in conjunction with other local authorities across the region, ensuring that value for money is obtained, that any future arrangements remain fit for purpose and are commercially viable. We are assured that all aspects of the Councils requirements in this area will be considered including justification for agency appointments and associated costs in different areas.
- 1.17 Waste Commissioning Contract
- 1.18 Internal Audit remain a member of the Refuse Collection & Street Cleansing Contract Review Board looking ahead to the future delivery of this major service when the existing contract expires in 2027. The timeframe for the completion of the Outline Business Case is May 2024 and the Final Business Case is November 2024 via the appointed consultant, approved by the relevant service committee.
- 1.19 Member engagement sessions and community consultations are currently taking place, and internal audit plan to perform targeted work on the existing contract in the final quarter of the 2023-24 financial year to ascertain assurances and any learning points from the current contract management processes regarding financial, governance, and performance issues.
- 1.20 Holiday, Activity and Food Programme (HAF)
- 1.21 An audit review of the effectiveness of the Holiday, Activity and Food programme, coordinated by the Council's delivery partner Edsential has been completed this period, evaluating the robustness of arrangements to authorise, disburse and monitor Government funding to approved local providers of this service to vulnerable communities. This review has been undertaken at the request of the Director of Law and Governance.
- 1.22 It is pleasing to note that the findings of the work identified a strong control environment in operation that included accurate entries onto grant claims on behalf of the Council by officers at Edsential and robust challenge by the Council's Children's Services senior officers reviewing applications for funding before disbursement to a range of direct service providers. Declarations of interest are clearly evidenced and detailed records are maintained of programme delivery. This includes numbers receiving the service, checking of safeguarding policies, inspection of food quality, insurances, training, and feedback from the recipients of the service.
- 1.23 Two relatively minor issues arising from this work were the need to include an element within the Edsential spreadsheet to assist highlighting when the next inspection visit is due, and the need for future SLA's with the Council to include the right of access to records if required. Both these points have been actioned by the relevant officers.

## 1.24 Cyber Security

1.25 Digital and Improvement are in the process of recruiting a cyber security team that will bring enhanced in-house cyber security expertise to the Council. The team will be responsible for developing and managing the ICT Digital Security and Cyber Risk function of the Council, and for implementing any remaining outstanding Internal Audit recommendations in this area. This is a very positive step forward in future proofing the security of our systems and networks to protect the data of Wirral's residents and to ensure continued services in the face of ever-increasing threats of this nature.

1.26 It is anticipated that Internal Audit will be in regular dialogue with the team to provide additional advice and support where necessary. Following a recent cyber-attack on Zellis a payroll services provider, who currently provide Wirral Councils payroll service, Internal Audit have commenced an access controls review to ensure appropriate controls are in place to identify any potential hacking attempts. Details of the outcome of this review will be provided at the next meeting of this Committee.

## 1.27 Information Governance

1.28 Information Asset Owners and Administrators play a key role in protecting the information contained within the assets owned by the Council. We are advised that training has been sourced and is due to be uploaded onto the learning platform imminently to ensure that it is available to all. Internal Audit are recommending that all Information Asset Owners and Administrators complete this training and we will be monitoring the uptake when conducting cyber security audit assignments and reporting accordingly.

1.29 The role of the Information Governance Board is currently being reviewed by the SIRO including its role, responsibilities and work plans with emphasis on enhancing the effectiveness of corporate information management and governance. Internal Audit will be contributing to this review through its direct involvement with the group.

1.30 In addition, Internal Audit have assignments scheduled for this quarter that include reviewing the new Early Years Education System (EYES), specifically focussing on management and governance of the data flow in and out of the system which will help inform more targeted audit work in the 2024-25 ICT audit plan.

## 1.31 Counter Fraud Activity

1.32 During the period the team have completed twelve reviews into fraud allegations received. These allegations relate to Housing Benefit, Council Tax Support, Discretionary Housing Payments, Direct Payments, Council Tax Discounts & Exemptions. Further details including any amounts recovered will be included in the next update report to this Committee.

1.33 During November 2023 Internal Audit coordinated a successful Counter Fraud campaign aimed at both members of the public and the Council workforce. The campaign coincided with the International Fraud Awareness week and involved



collaboration with a number of North-West Authorities. Following the exercise the Council has received a significant increase in the number of referrals and requests from both staff and members of the public for support and assistance in this area.

## 2. **Audit Recommendations**

2.1 All of the actions identified in audit reports for the period have been agreed with management and are being implemented within agreed timescales. The current BRAG status for these items are currently classified as amber or green as a consequence. Internal Audit continue to monitor progress and report any slippages to senior management and the Operational Performance Group via the Power Bi dashboard on a monthly basis. Any significant items outstanding beyond agreed timescales and without sufficient mitigations will be reported to this Committee for any appropriate actions to be taken.

## 3. **Internal Audit Performance Indicators**

3.1 The Service constantly evaluates and measures the effectiveness of its performance in terms of both quality and productivity by means of a number of performance indicators in key areas as identified below:

<b>IA Performance Indicator</b>	<b>Annual Target</b>	<b>Actual % Delivery to date</b>
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms for the reporting period indicating satisfaction with the Internal Audit service.	90	100
Percentage of internal audit reports issued within 14 days of the completion of fieldwork.	100	90

3.2 There are currently no significant issues arising.

## 4. **Internal Audit Planned Work - Quarter 4**

4.1 Audit work is currently being delivered in accordance with the Internal Audit Plan for 2023-24 as endorsed by this Committee in March 2023. 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. Work currently ongoing or identified for the remainder of the quarter includes the following:

- Financial Resilience – Budget Processes
- Merseyside Pension Fund (Collaborative work with Greater Manchester and West Yorkshire Fund Auditors)

- Corporate Health and Safety
- Oracle Fusion (MPF)
- Town Deal Regeneration Initiative
- Payments Systems – Duplicate Payments/Purchase Orders
- Schools Audits
- Mayor Charity
- Regeneration Schemes – Programme and Project Governance
- Adults - Direct Payments
- ICT Access Control
- EVS/EVR
- Grants
- Market Review
- Counter Fraud

## 5. Internal Audit Developments

### 5.1 Continuous Improvement

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

- Development of Client Reporting arrangements to include more real time interaction, with the emphasis on digitising the action implementation feedback,
- Continued ongoing developments involving the Mersey Region Counter Fraud group led by Wirral Internal Audit,
- Continuing development of the Wirral Assurance Map identifying areas of assurance for the Council for utilisation in audit planning and risk management process,
- Ongoing development of collaborative working arrangements for the delivery of Pension Fund audits across the Northern Pool,
- Ongoing development of performance management and reporting database,
- Development of the Internal Audit Manual in line with evolving best professional practice,
- Ongoing development of reciprocal arrangement with neighbouring authorities for audits of 'owned' non internal audit services.

## 5.2 Quality Assurance Improvement Programme

5.3 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Internal Audit develops and maintains a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity.

The purpose of the QAIP is to provide reasonable assurance that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the PSIAS definition of Internal Auditing and Code of Ethics;
- Operates in an effective and efficient manner; and
- Is perceived by Stakeholders as adding value and improving Internal Audit's operations.

5.4 Internal Audit's QAIP, has been developed in accordance with PSIAS Standard 1300 (Quality Assurance and Improvement Programme). It documents the approach that is taken in respect of the following:

- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner (Ref: 1300);
- Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics (Ref: 1300);
- Helping the Internal Audit activity add value and improve organisational operations (Ref: 1300);
- Undertaking both periodic and on-going internal assessments (Ref: 1311); and
- Commissioning an external assessment at least once every five years, the results of which are communicated to the Audit and Risk Management Committee in accordance with Standard 1312 and 1320.

5.5 The QAIP outlines measures which are applied to ensure that Internal Audit continues to operate effectively and efficiently and identifies and responds to opportunities for improvement. These measures are detailed below:

- An internal quality control checklist;
- Customer Questionnaires and Annual Performance Evaluation Feedback Forms designed to obtain client feedback, the outcome of which facilitates effective monitoring of the internal audit activity and enables opportunities for improvement to be identified; and
- An Auditor Skills Appraisal Assessment system that incorporates post audit assessments to identify improvement areas and any training/ development needs;
- Internal performance targets that are monitored and regularly reported to the Audit and Risk Management Committee.

5.6 PSIAS Standard 1320 requires that the form and content of the QAIP should be established through communication with the 'Board' (Audit & Risk Management Committee). Committee originally approved the QAIP in 2015 and subsequent annual updates thereafter.

- 5.7 Internal Audit undertakes a self-assessment review of its activities against the QAIP annually to ensure that the service continues to comply with all aspects of the programme and informs this Committee of the outcome. The findings and outcome of the recent exercise is attached at Appendix 2 and details the actions currently undertaken by the service to ensure continued compliance. It is very pleasing to note that the service continues to comply with all aspects of the programme.
- 5.8 Internal Audit Charter and Strategy.
- 5.9 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Internal Audit develops and maintains an Internal Audit Charter and Strategy for the service that defines the purpose, authority and responsibility of the service as well as identifying how it will be delivered; and that these are reviewed and updated regularly and presented to the organisations Audit Committee for endorsement. These documents are attached at Appendices 3 and 4 to this report.

**Quality Assurance and Improvement Programme Review – 2022-23**

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Ref	Requirement	Evidence	Frequency of review	Who is involved?	Improvement Actions/ No issues
<b>1. Development of the Quality Assurance and improvement Programme</b>					
1.1	QAIP has been established for Internal Audit in line with the PSIAS.	QAIP established and approved by Audit and Risk Management Committee, last update review 2022-23.	Annual	Chief Internal Auditor (CIA)/ARMC.	No issues
1.2	QAIP comprises of Internal assessments (both ongoing and periodic) and external Assessments.	QAIP contains these elements.	Annual	Chief Internal Auditor/ARMC.	No issues
<b>2. Requirements of Internal Assessments – Ongoing</b>					
2.1	Management Supervision.	Tracked changes on documents, documented evidence of supervisory review, Post Audit Assessment undertaken identifying training/development.	Ongoing reviews.	All Programme Auditor's and Audit Manager (AM).	No issues
2.2	Structured, documented review of working papers during audits and draft/final reports.	Tracked changes on documents, evidence supervisory review, training and development / improvement issues arising as part of PAA.	Ongoing - reviews.	All Programme Auditor's and Audit Manager.	No issues
2.3	Audit Policies and	Template documents exist and are	As required	Chief Internal Auditor	No issues.

Ref	Requirement	Evidence	Frequency of review	Who is involved?	Improvement Actions/ No issues
	Procedures used to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards.	utilised by all auditors on all assignments. Internal Audit Manual identifies all relevant policies, procedures and protocols. Quality Assurance Checklists in operation. Internal Audit Charter provides summary overview of the audit process			
2.4	Comprehensive Internal Quality Reviews regularly undertaken.	Ongoing supervisory reviews undertaken for all audits utilising documented template. Post Audit Assessment utilised.	Ongoing	Chief Internal Auditor/Audit Manager/Programme Auditors.	No Issues identified.
2.5	Feedback obtained via audit Client Questionnaire	Standard questionnaire issued after each and every audit.  Outcomes reported to all ARMC meetings.	Ongoing	Chief internal Auditor/ Audit Manager/Programme Auditors/ Lead Auditors.	No issues.
2.6	Auditor Skills Appraisal Assessments regularly undertaken to assess auditors performance	Auditor Skills Framework utilised as part of PAA, evaluating auditors performance identifying areas for development and improvement.	Ongoing	Reviewed by Audit Manager and Chief Internal Auditor.	No issues
2.7	Monitoring of internal performance targets and quarterly outturn reporting to ARMC.	Performance targets achievement monitored on ongoing basis via performance spreadsheet/Power Bi Dash and reported to every	Ongoing	Chief Internal Auditor/ Audit Manager/Programme Auditor's.	No issues

Ref	Requirement	Evidence	Frequency of review	Who is involved?	Improvement Actions/ No issues
		meeting of ARMC.			
2.8	Review and approval of all final reports by Chief Internal Auditor/Audit Manager.	Established quality review process requires reports to be reviewed and approved by CIA or AM and outcomes documented.	Ongoing	Chief Internal Auditor/Audit Manager.	No issues
<b>3. Requirements of Internal Assessments – Periodic</b>					
3.1	Self-assessment against PSIAS	Annual self- assessment completed and ongoing. External Review undertaken 2019-20, next external review scheduled for 2023-24.	Annual or as the Standards change.	Chief Internal Auditor	No issues
3.2	Quarterly IA Update Reports presented to ARMC.	Quarterly update reports prepared by CIA summarising IA activity, items of note/escalation and performance data presented at every quarterly meeting of ARMC.	Annual	Chief Internal Auditor	No Issues
3.3	Annual performance feedback from Chief Officers.	Performance discussed with Chief Officers annual planning meetings each year and feedback utilised to help improve/develop the IA service.	Annual	Chief Internal Auditor	No issues
3.4	Annual Audit Planning Risk Assessments	The comprehensive annual audit planning process identifies all key issues and risks to the organisation and targets audit work	Annual	Chief Internal Auditor/ARMC.	No Issues

Ref	Requirement	Evidence	Frequency of review	Who is involved?	Improvement Actions/ No issues
		in these areas. The Audit Plan is approved and endorsed by Chief Officers and ARMC.			
3.5	Annual review of Internal Audit Service by Chief Internal Auditor.	Chief Internal Auditor undertakes ongoing review and evaluation of the service identifying areas for development/improvement arising from customer feedback, PAA's, Away Day sessions, Team Briefings, Peer sessions, self assessments against PSIAS and other best practice guidance etc and reports actions to ARMC on a quarterly basis. This is summarised in the Chief Internal Auditors Annual report.	Ongoing	Chief Internal Auditor	No Issues.
3.6	Annual review of compliance with QAIP.	Review undertaken annually, reported to ARMC.	Annual	Chief Internal Auditor	No Issues
3.7	Feedback from Chief Executive, Section 151 Officer and Chair of ARMC to inform annual appraisal of CIA.	Annual appraisal of CIA undertaken by Section 151 Officer who obtains input from CEO and ARMC Chair prior to appraisal.	Annual	Section 151, CEO, ARMC Chair.	No issues
3.8	Periodic Skills and Competency appraisal	Auditor skills assessment undertaken after every audit,	Ongoing/Annual	Chief Internal Auditor/Audit	No Issues



Ref	Requirement	Evidence	Frequency of review	Who is involved?	Improvement Actions/ No issues
	conducted for all Auditors.	<p>evaluating auditors performance and identifying areas for development / improvement. Auditor Skills Framework utilised to support this process</p> <p>In addition, Corporate Performance Appraisal completed for each Auditor annually with outcomes from Auditor assessments feeding this process and culminating in a development plan.</p>		Manager/Programme Auditor/Lead Auditors.	
3.9	Improvement/development actions arising from assessments are reported to ARMC.	Quarterly Internal Audit Update reports for ARMC identify actions taken to improve and develop the internal audit service.	Annual	Chief Internal Auditor	No Issues
3.10	Any significant areas of non compliance with PSIAS are included in the Chief Internal Auditors Annual Report.	Any areas of non compliance would be routinely included in the Annual Report. External assessment during 2019-20 identifying 'full compliance' with PSIAS across all areas.	Annual	Chief Internal Auditor	No Issues
<b>4. External Assessment</b>					
4.1	An independent external	External assessment completed by	Every 5 years	Chief Internal	No Issues.

Ref	Requirement	Evidence	Frequency of review	Who is involved?	Improvement Actions/ No issues
	assessment should be performed every 5 years	external inspectors during 2019-20 and next one scheduled for 2023-24.		Auditor/ North West Chief Audit Executives Group Peer Review.	
<b>5. Reporting on the QAIP</b>					
5.1	Review of compliance against the requirements of the QAIP, the results of which are reported to the ARMC.	Compliance reviewed annually and reported to ARMC in IA Update Report.	Annual	Chief Internal Auditor/ARMC.	No Issues

# WIRRAL INTERNAL AUDIT SERVICE

## INTERNAL AUDIT CHARTER

MPN  
January 2024

### Background

The purpose of this Internal Audit Charter is to define internal audit's purpose, authority and responsibility. It establishes internal audit's position within the Council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of internal audit activities.

This Charter also covers the arrangements for the appointment of the Chief Internal Auditor and internal audit staff, and identifies the nature of professionalism, skills and experience required.

### Definition

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Public Sector Internal Audit Standards require that the internal audit charter defines the terms 'board' and 'senior management' in relation to the work of internal audit. For the purposes of internal audit work, the 'board' refers to the Council's Audit and Risk Management Committee which has delegated responsibility for overseeing the work of internal audit. Senior management is defined as the Chief Executive and members of the Council's Senior Leadership Team.

### Standards

The internal audit function is required to comply with Public Sector Internal Audit Standards (PSIAS). The Relevant Internal Audit Standard Setters, which includes the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) in respect of local government, have adopted the common set of PSIAS. The PSIAS encompass all of the mandatory elements of the Chartered Institute of Internal Auditors International Professional Practices Framework (IPPF). Compliance with the Standards is subject to an ongoing quality assurance and improvement programme (QAIP) developed and introduced by Internal Audit to ensure continuous compliance with the Standards.

### Responsibilities and Objectives of Internal Audit

Internal audit is responsible for establishing procedures and applying the required resources to ensure that the service conforms with the Definition of Internal Auditing and the Standards. The members of the internal audit team must demonstrate conformance with the Code of Ethics and the Standards.

The Chief Internal Auditor must deliver an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This is the 'assurance role' for internal audit.

Internal audit may also provide an independent and objective consultancy service, which is advisory in nature and generally performed at the specific request of the organisation. The aim of the consultancy service is to help line management improve the Council's risk, governance and internal control. This is the 'Consultancy' role for internal audit and contributes towards the overall opinion.

Internal Audit also provide an independent and objective auditing service to a small number of Academy Schools, reviewing and evaluating key systems of internal control and providing

## Appendix 3

assurances that systems in operation are fit for purpose and comply with regulatory requirements in this regard.

### **Responsibilities of the Council**

The Council is responsible for ensuring that internal audit is provided with all necessary assistance and support to ensure that it meets the required standards.

The Section 151 Officer will make appropriate arrangements for the provision of an internal audit service. This will include the formal adoption of this Charter by the Audit and Risk Management Committee and the adoption of corresponding elements in the Financial Procedure Rules.

The Council will ensure it has taken all necessary steps to provide internal audit with information on its objectives, risks, and controls to allow the proper execution of the audit strategy and adherence to internal audit standards. This will include notifying internal audit of any significant changes in key control systems which may affect the internal audit plan.

The Council, through the Chief Executive, Section 151 Officer, Monitoring Officer and other relevant managers, will respond promptly to audit plans, reports and recommendations.

Responsibility for monitoring and ensuring the implementation of agreed recommendations rests with the Council.

### **Independence of Internal Audit**

The internal audit activity must be independent and internal auditors must be objective in performing their work. The Chief Internal Auditor must confirm, at least annually, the organisational independence of the internal audit activity. Internal audit shall have no operational responsibilities within the line management structure.

The Chief Internal Auditor does however, like many other Councils have direct management responsibility for the delivery of the Risk Management function for Wirral Council. To avoid any potential conflicts of interest in this area the audit of this function is provided by an internal audit function from a body external to Wirral Council.

### **Chief Internal Auditor**

The Chief Internal Auditor will be appointed by the Council as a body and will have sufficient skill, experience and competencies to work with the leadership team and the Audit and Risk Management Committee and influence the risk management, governance and internal control of the Council. The Chief Internal Auditor is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the audit plan and meet the requirements of the PSIAS. In addition to internal audit skills, the Chief Internal Auditor will specify any other professional skills that may be needed by the internal audit team. The Chief Internal Auditor will hold a full, professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to professional values and the Code of Ethics.

### **Relationships**

The Chief Internal Auditor reports directly to the Section 151 Officer. The Chief Internal Auditor, or an appropriate representative of the internal audit team, shall attend meetings of the Audit and Risk Management Committee unless, exceptionally, the Committee decides that they should be excluded from either the whole meeting or for particular agenda items.

## Appendix 3

The Chief Internal Auditor shall have an independent right of access to the Chief Executive and the Chair of the Audit and Risk Management Committee. In exceptional circumstances, where normal reporting channels may be seen to impinge on the objectivity of the audit, the Chief Internal Auditor may report directly to the Chair of the Audit and Risk Management Committee.

Internal Audit and External Audit will agree a protocol for co-operation which will make optimum use of the available audit resources.

### Scope of Internal Audit

The Chief Internal Auditor should develop and maintain a strategy for providing the Chief Executive and the Section 151 Officer economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the Council's risk management, governance and internal control arrangements. The internal audit plan will be risk based, prepared in consultation with Directorate Management Teams and presented to the Audit and Risk Management Committee for approval. The Chief Internal Auditor's opinions are a key element of the framework of assurance the Chief Executive and the Leader of the Council need to inform the completion of the Annual Governance Statement (AGS).

### Opinion Work

The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach that is aligned with all of the strategies, objectives and risks to the Council.

#### Governance

Internal audit must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- promoting appropriate ethics and values within the organisation;
- ensuring effective organisational performance management and accountability;
- communicating risk and control information to appropriate areas of the organisation; and
- co-ordinating the activities of and communicating information among the Audit & Risk Management Committee, external and internal auditors and management.

#### Risk Management

Internal audit must evaluate the effectiveness and contribute to the improvement of risk management processes by assessing:

- organisational objectives support and align with the organisation's mission;
- significant risks are identified and assessed;
- appropriate risk responses are selected that align risks with the organisation's risk appetite; and
- relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

#### Internal Control

Internal audit must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency, providing assurances in this regard and by promoting continuous improvement. The internal audit activity must evaluate the adequacy and effectiveness of controls

## Appendix 3

in responding to risks within the organisation's governance, operations and information systems regarding the:

- achievement of the organisation's strategic objectives;
- reliability and integrity of financial and operational information;
- economical, effective and efficient use of resources;
- effectiveness and efficiency of operations and programmes;
- safeguarding of the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity corruption or bribery; and
- compliance with laws, regulations, policies, procedures and contracts.

Internal Audit utilise a dynamic risk-based planning system designed to proactively identify audits to address any emerging and developing risks on an ongoing and 'future focussed' basis.

Internal audit will promote and contribute to continuous ongoing improvements in systems across the Council by identifying and recommending best practice actions following audit work completed.

Where key systems are being operated on behalf of the Council or where key partnerships are in place the Chief Internal Auditor must ensure arrangements are in place to form an opinion on their effectiveness.

Where the Council operates systems on behalf of other bodies, the Chief Internal Auditor must be consulted on the audit arrangements proposed or in place.

It is management's responsibility to ensure the provision for relevant audit rights of access in any contract or Service Level Agreement the Council enters into, either as provider or commissioner of the service.

### **Non - Opinion Work**

Internal Audit provide, at the request of management, a consultancy service which evaluates the policies, procedures and operations put in place by management. A specific contingency is made in the internal audit plan to allow for management requests and consultancy work.

The Chief Internal Auditor must consider the effect on the opinion work before accepting consultancy work or management requests over and above the contingency allowed for in the internal audit plan. In the event that the proposed work may jeopardise the delivery of the internal audit opinion, the Chief Internal Auditor must advise the Section 151 Officer before commencing the work. The Chief Internal Auditor must consider how the consultancy work contributes towards the overall opinion.

### **Fraud**

Managing the risk of fraud is the responsibility of line management; however the Section 151 Officer retains specific responsibilities in relation to the detection and investigation of fraud. The Internal Audit Service provides a counter fraud function that includes undertaking work of a proactive nature including corporate and revenues and benefits fraud, conducting substantive audits in key risk areas as well undertaking some reactive work of an investigatory nature involving suspected fraud. In addition, the service is responsible for maintaining effective counter fraud policies and procedures for the Council including the Counter Fraud and Corruption, Money Laundering and Bribery and Corruption policies. Internal audit should be notified of all suspected or detected fraud, corruption or impropriety, to inform their opinion on the control environment and their audit plan.

### Reporting

The Chief Internal Auditor will agree reporting arrangements with the Chief Executive and the Section 151 Officer which will include procedures for the:

- distribution and timing of draft audit reports;
- Council's responsibilities in respect of responding to draft audit reports;
- distribution of finalised audit reports;
- follow up by internal audit of agreed recommendations; and
- escalation of recommendations where management responses are judged inadequate in relation to the identified risks.

The Chief Internal Auditor will present a formal report annually to the Chief Executive, Section 151 Officer and the Audit and Risk Management Committee giving an opinion and provides assurances on the overall adequacy and effectiveness of the Council's framework of governance, risk management, and internal control. This report will conform to the PSIAS for the Head of Internal Audit Opinion statement, and will be timed to support the production of the Council's Annual Governance Statement. Reports of progress against the planned work will be presented to the Audit and Risk Management Committee on a regular basis during the year.

### Internal Audit Access Rights

Designated auditors are entitled, without necessarily giving prior notice, to require and receive from the Council and any associated or contracted bodies including any shared service providers or trading companies:

- access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- access at all reasonable times to any land, premises, officer and member of the Council;
- the production of any cash, stores or other property of the Council under an officer's and member's control; and
- explanations concerning any matter under investigation.

### Internal Audit Resources

If the Chief Internal Auditor or the Audit and Risk Management Committee consider that the level of audit resources or the terms of reference in any way limit the scope of internal audit, or prejudice the ability of internal audit to deliver a service consistent with the Definition of Internal Auditing and the Standards, they should advise the Chief Executive and the Section 151 Officer accordingly.



# WIRRAL INTERNAL AUDIT SERVICE

## INTERNAL AUDIT STRATEGY

MPN  
January 2024

### Introduction

The Public Sector Internal Auditing Standards requires the Head of Internal Audit (Chief Internal Auditor) to produce a high level audit strategy showing how the Internal Audit service will be delivered and developed.

The principal aims of this strategy are to communicate the contribution that Internal Audit makes to the Council including:

- Internal Audit objectives and outcomes
- How the Head of Internal Audit will form and evidence his/her opinion on the control environment.
- How Internal Audit's work will identify and address local and national issues of risk.
- How the service will be provided
- The resources and skills required to deliver the Internal Audit Service.

### Internal Audit Objectives and Outcomes

The purpose of Internal Audit is to provide the Council, through the Audit and Risk Management Committee, and the Section 151 Officer with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the organisation's agreed objectives. This opinion forms part of the framework of assurances that the Council receives and informs the Annual Governance Statement.

Internal Audit, through a process of evaluation and testing is able to help ensure the proper, economic, efficient and effective use of resources.

Internal Audit acts as an independent consultancy which can help line managers improve risk management, governance and control within the areas they have responsibility for.

Internal Audit does not relieve management of their responsibility for establishing and maintaining adequate controls but assists in the effective discharge of this responsibility.

### Head of Internal Audit Annual Opinion

The Head of Internal Audit (Chief Internal Auditor) provides an annual written audit report to those responsible for corporate governance to support the Annual Governance Statement. This report is based on an assessment of the results of audit work undertaken throughout the year. Whilst providing this opinion of the control environment the Chief Internal Auditor will reflect on the variance between work undertaken and that planned, and will consider the performance of the Internal Audit Section against its indicators and targets and also the results of the annual quality assessment of the service.

### Internal Audit Risk Identification

An Audit Plan is produced each year before the start of the financial year, this is authorised by the Strategic Leadership Team, the Section 151 Officer and the Audit and Risk Management Committee. The Audit Plan identifies all of the key issues and risks known to the organisation at the time of writing and yet also has built in flexibility which allows Senior Management to direct Internal Audit resources to newly forming areas of local and national risk. Local and National areas of risk are identified throughout the financial year via Committee reports, discussions with the Chief Executive, Chief Officers, the Section 151 Officer and the External Auditors, at Area Forums, professional seminars and conferences and through reviewing relevant professional publications.

### Internal Audit Service Provision

Internal Audit operates in accordance with the Public Sector Internal Auditing Standards which define the way in which internal audit services should be delivered across the sector.

Internal Audit is able to provide its service due to its unique position within the Authority, which allows for comprehensive coverage of the Authority's activities and unrestricted access to all records and assets deemed necessary in the course of their assurance and consultancy work, including unrestricted access to:-

- The Chief Executive
- Members
- Individual Chief Officers
- All authority employees

Internal Audit develops an Audit Plan which sets out the work that will be completed by the service; the plan is risk based and takes into account the following factors:

- Materiality, that is the level of significance attributed to the system including factors such as the number and value of transactions, the need to demonstrate high standards of probity and reputational risk.
- Business Risk, this is the impact on objectives the system has the potential to create.
- Audit Experience, this includes previous Internal Audit, External Audit and Inspection reports, and the date of the previous audit coverage.
- The potential for the system to be subject to fraud or corruption.

The plan is determined from the priorities identified by the risk assessment and the productive audit days available and aligns with all of the strategies, objectives and risks of the Council. It is designed in an insightful fashion so as to allow it to remain flexible and dynamic, accommodating work required to be undertaken on an ongoing proactive basis to address any developing or emerging risks as they materialise during the life cycle of the plan, and consequently ensuring that it always remains 'future focussed'.

By its very nature Internal Audit work completed will ensure that continuous ongoing improvements in risk management and the overall control and governance environment are undertaken by senior management across a wide range of systems and service delivery areas in operation within the Council.

The Chief Internal Auditor monitors the actual work against the plan on a monthly basis and takes appropriate action to address any issues arising, including informing Chief Officers and Members of any changes on a timely and regular basis. Consequently, the plan is designed to be very flexible and dynamic allowing it to continually adapt to any changing circumstances and priorities during the year.

All audit assignments will be the subject of formal reports. The reports will identify any risks associated with the internal control environment and recommend actions to address any weaknesses. Reports will contain recommendations that are considered to be high, medium or low priority for attention. Following a meeting to discuss the report and its recommendations an action plan will be prepared and included in the final report. This will be issued to the line manager and where necessary the senior management team member(s) responsible. Each audit assignment is subject to a quality check by a Programme Auditor/Audit Manager to ensure that the objectives

## Appendix 4

have been achieved and that recommendations made are consistent with the findings and evidence recorded. In addition, the Chief Internal Auditor undertakes further quality checks for a number of completed audits during the year.

The Chief Internal Auditor will submit regular reports to the Audit and Risk Management Committee identifying work completed against the plan, any significant control issues found and the potential for improving the risk management and control processes and will also inform the committee of any changes made to the annual plan.

It is important that good working relationships are developed and maintained with those staff subject to audit, in order to help foster this type of relationship the audit report will acknowledge areas of good practice. The Team's commitment to the process of developing good working relationships is further demonstrated by its attempts to be constructive and helpful and to provide protection and security for the Authority and individual members of staff, particularly those who have financial responsibilities through the audit process. To aid the development of the service and to help make it more customer focused feedback questionnaires are distributed with each audit report asking managers to assess the overall usefulness of the audit, the auditor's conduct and the quality of the report.

Each audit assignment is subject to Post Audit Assessment/Review to ensure that the objectives have been achieved and that recommendations made are consistent with the findings and evidence recorded. The findings from these reviews are used to inform future audit assignments and development programmes.

### **Resources and Skills Required to Deliver the Service**

The main resource required to deliver the service is its staff, these are recruited based on the skills and experience needed to provide a high quality service.

All staff within the section are provided with the opportunity for continuing professional development including the chance to undertake relevant professional qualifications. Training needs of all staff are identified through the Post Audit Assessment Process and annual Performance Appraisal/Check In system which is linked to core competencies for internal audit professionals.

In this way, we ensure that staff members are suitably skilled to deliver the specialist services provided by Internal Audit.



## AUDIT AND RISK MANAGEMENT COMMITTEE

**MONDAY 15 JANUARY 2024**

<b>REPORT TITLE:</b>	<b>ANNUAL ARMC REPORT 2022-23</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>

### REPORT SUMMARY

To comply with best professional practice the Audit and Risk Management Committee is required to complete an annual report to Cabinet on the work undertaken by the Committee.

Attached at Appendix A is the Annual ARMC Report prepared by the respective Chairs of the Committee during the period in consultation with Internal Audit.

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

### RECOMMENDATION

The Audit and Risk Management Committee is recommended to approve the Annual ARMC Report for 2022-23 and submit this to Council.

## **SUPPORTING INFORMATION**

### **1.0 REASON FOR RECOMMENDATION**

- 1.1 To comply with best practice identified in the CIPFA publication 'Audit Committees: Practical Guidance for Local Authorities and Police'.

### **2.0 BACKGROUND**

- 2.1 The Department for Communities and Local Government (DCLG) Issued amended regulations in 2006, to the 2003 Accounts and Audit Regulations – 'The Accounts and Audit (Amendment) (England) Regulations 2006.
- 2.2 One of the amended regulations relates specifically to the systems of internal audit in operation and requires bodies to regularly review their systems of internal audit, and for the findings to be considered by a committee of the body, or by the body as a whole.
- 2.3 Advice from CIPFA, incorporated into the Public Sector Internal Audit Standards includes the assertion that the "systems of internal audit" can be considered to include the role and effectiveness of the Audit Committee which therefore should be assessed and evaluated. As part of this requirement there is an expectation that the 'Audit Committee' prepares an annual report that evaluates and summarises the activity of the committee during the year and that this is presented to Council.
- 2.4 An annual report for 2022-23 has been prepared by the Chairs in consultation with Internal Audit evaluating the activity of the Committee during the year and is attached at Appendix A for consideration and approval by the Members.
- 2.5 In addition, a self-assessment exercise is undertaken annually of the Committee against the CIPFA best practice requirements and presented to the October meeting of the Committee for consideration.

### **3.0 OTHER OPTIONS CONSIDERED**

- 3.1 No other options considered appropriate for the production of the annual report.

### **4.0 FINANCIAL IMPLICATIONS**

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

### **5.0 LEGAL IMPLICATIONS**

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

### **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

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

## **7.0 RELEVANT RISKS**

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

## **8.0 ENGAGEMENT/CONSULTATION**

8.1 Members of this Committee are consulted throughout the process of preparing and delivering the annual report.

## **9.0 EQUALITY IMPLICATIONS**

9.1 The content and/or recommendations contained within this report have no direct implications for equality. However, the delivery of an effective Audit and Risk Management Committee will assist in ensuring that the Council, its finances, and service provision are effectively managed and governed aiding the advancement of equality.

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

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

## **11.0 COMMUNITY WEALTH IMPLICATIONS**

11.1 The content and/or recommendations contained within this report have no direct implications for community wealth. However, the delivery of an effective internal audit service will assist in ensuring that the Council, its finances, and service provision are effectively managed and governed aiding the advancement of economic, social and environmental justice for all residents.

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

## **APPENDICES**

Appendix A                   Annual ARMC Report 2022-23

## **BACKGROUND PAPERS**

Accounts and Audit Regulations 2006  
CIPFA: Audit Committees: Practical Guidance for Local Authorities and Police  
Public Sector Internal Audit Standards

## **TERMS OF REFERENCE**

This report is being considered by the Audit and Risk Management Committee in accordance with Section B of its Terms of Reference.

(b) Internal Audit and Internal Control

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Audit and Risk Management Committee	Report presented annually to Committee.



**APPENDIX A**

**Audit and Risk Management Committee**

**Annual Report 2022-23**

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**Councillor Jenny Johnson**, current Chair of ARMC  
**Councillor Simon Mountney**, Chair of ARMC 2022

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## 1. Foreword

*I am pleased to present the Audit and Risk Management Committee's Annual Report for 2022-23. It records the activities undertaken by the Committee across a wide range of control, risk and corporate governance matters.*

*During the year, the Committee met on 5 occasions and received reports in connection with the full range of issues that fall within its remit. This report indicates the breadth of the Audit and Risk Management Committee's activities in ensuring that every aspect of the council's work should be compliant with standards and transparent to its stakeholders.*

*I strongly believe that this Annual Report demonstrates the immense value that the Committee brings to the Council and the public in ensuring that improvements to the governance arrangements of the authority are being delivered. As the Chair I can clearly see first-hand the significant contribution that the Audit and Risk Management Committee makes to the improvement and development of operational standards and protocols across a wide range of governance areas particularly during what has clearly been a very challenging year. Some of the corporate developments and improvements that the Committee were directly involved with during the year included greater engagement with the Chairs of service committees and the introduction of risk workshops for these to further enhance their ability to challenge officers on the effectiveness of directorate risk registers and actions being taken to mitigate risks and improve overall decision making.*

*Finally, I would like to acknowledge the enormous contribution that the Members of the Audit and Risk Management Committee and the supporting officers have made during the past year.*

By the Chair of the Audit & Risk Management Committee during 2022-23  
Councillor Simon Mountney

## **2. Background**

### **2.1 What drives Governance Policy**

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. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

Effective corporate governance is a fundamental feature of any successful public sector organisation.

A sound corporate governance framework involves accountability to service users, stakeholders and the wider community, within which authorities take decisions, and lead and control their functions, to achieve their objectives. It thereby provides an opportunity to demonstrate the positive elements of an authority's business and to promote public confidence.

Wirral Council has adopted the revised local Code of Corporate Governance.

### **2.2 Why do we need an Audit Committee**

While there is no statutory obligation to have such an arrangement, Audit Committees are widely recognised as a core component of effective governance and therefore reflect good practice. Wirral's Audit and Risk Management Committee is properly constituted and, as such, is given sufficient authority and resources by the Council. In effect, the Committee has the right to obtain all the information it considers necessary and to consult directly with senior managers. In line with best practice from both the public and private sectors, the Audit and Risk Management Committee can report its observations and concerns directly to Council.

A local authority has a duty to ensure that it is fulfilling its responsibility for adequate and effective internal control, risk management, and governance, as well as the economy, efficiency and effectiveness of its activities. The Audit and Risk Management Committee has a key role in overseeing and assessing the internal control, risk management, and corporate governance arrangements and advising the Council on the adequacy and effectiveness of these arrangements.

### 2.3 What does an Audit Committee do

The Audit and Risk Management Committee's main responsibilities are to oversee the Council's corporate governance and finance arrangements, the work of internal audit, and the Council's response to external audit and other external inspections.

This purpose is reflected in the committee's terms of reference which are reviewed and adopted each year (Attached at Appendix 1).

### 2.4 How do Officers Support the Committee?

The Audit and Risk Management Committee is supported by:

- The Monitoring Officer who is required by law to ensure that the Council acts within its legal powers at all times; and,
- The Director of Finance, as Section 151 Officer who is responsible under the law for ensuring the proper administration of the council's financial affairs.
- The Chief Internal Auditor who has a key role to play in supporting the Committee because of the importance of the Internal Audit service to governance.
- Any other officer of the Council as required.

### 3. 2022-23 Financial Year

This Annual Report for 2022-23 produced by the Audit and Risk Management Committee has been prepared in accordance with the CIPFA best practice publication '*Audit Committees: Practical Guidance for Local Authorities and Police*'. The report demonstrates how the Audit and Risk Management Committee has fulfilled its terms of reference during a very difficult year and how it is fully committed to helping to improve the Council's governance and control environments during what should prove to be a very challenging year ahead.

The committee's activities during the year were designed to make a positive contribution to the continual improvement of governance arrangements across the Council, as well as performing the statutory roles as identified in the Constitution.

### 4. Some Key Information

#### 4.1. Audit and Risk Management Committee Membership

During 2022-23 the Audit and Risk Management Committee had the following Members:

Councillor Simon Mountney – Chair  
Councillor Stuart Kelly – Vice Chair  
Councillor Angie Davies - Spokesperson  
Councillor Jason Walsh - Spokesperson  
Councillor Tony Cox

Councillor Sue Powell-Wilde  
Independent Member – Joanne Byrne  
Independent Member – Peter McAlistar

#### 4.2. Key Features of the Audit Committee and its Operation

The Committee meets CIPFA's definition of best practice as illustrated below:

Best Practice	Expectation	Met	Comment
Independence	Independent from the executive and scrutiny	√	The Committee reports to the Council
Number of Members	Minimum of 3 to 5 members	√	The Committee has 8 Members
Number of meetings	Aligned to business needs	√	The Committee meets 4 times a year.
Co-option	To be considered relative to skills	√	Training is currently provided to increase Members' skills.
Terms of Reference	Accord with suggested best practice	√	The Committee has adopted the CIPFA recommended model.
Skills and training	Members have sufficient skills for the job	√	General and specific training is provided annually to increase Members' skills.

#### 4.3. Meetings and Attendance

The Audit Committee normally met on 5 occasions during the year.

Attendance by Members and approved deputies was over 90%.



## 5. Core Activity During 2022-23

### 5.1. Terms of Reference

The Audit and Risk Management Committee's Terms of Reference are comprehensive, comply with best practice, cover all key areas and are attached at Appendix 1 to this annual report. The Committee's work and outcomes in each of its areas of responsibility are summarised in the following subsections.

#### *Internal Audit*

The Audit and Risk Management Committee:

- Approved the Chief Internal Auditor's Audit Plan,
- Considered regular reports produced by the Chief Internal Auditor, highlighting internal audit work completed, internal audit performance against key indicators and any significant issues arising during the period,
- Approved amendments to reporting arrangements including development of the summary reports from Internal Audit,
- Considered the Chief Internal Auditor's Annual Report and assurance opinion on the Council's control environment,
- Considered reviews of the effectiveness of the systems of internal audit,
- Ensured internal and external audit plans were complementary and provided optimum use of the total audit resource,
- Received updates on the Internal Audit Counter Fraud Teams' remit and activities undertaken,
- Received and considered updates on the Public Sector Internal Audit Standards,
- Considered reports on audit investigations conducted as appropriate,
- Considered and approved revisions to Chief Internal Auditors Audit Plan.
- Considered the outcome of the Internal Audit Quality Assurance Improvement Programme assessment.
- Reviewed the Council's progress on all internal audit recommendations on a regular basis and asked managers to explain progress where appropriate, thereby holding them to account,
- Approved the revised Internal Audit Strategy and Charter,
- Received progress updates from relevant Senior Managers regarding audit recommendations implementation,

We continue to provide support to the Internal Audit service to ensure management is responsive to recommendations made and agreed.

### ***External Audit***

The Audit and Risk Management Committee:

- Considered the external auditor's Audit Plan of Work for Wirral Council,
- Considered the external auditor's Audit Plan of Work for Merseyside Pension Fund,
- Considered progress against the plans presented by the external auditor
- Received and considered all external audit findings and inspection reports issued in the year and consider management's response to them, ensuring robust and thorough responses,
- Reviewed the external audit Committee Update reports and took appropriate actions in response to issues presented,
- Reviewed the Council's progress on all external audit and inspection recommendations on a regular basis and ask managers to explain progress where appropriate, thereby holding them to account,
- Received and considered all of the external auditors reports on the Merseyside Pension Fund,
- Considered the external auditor's Annual Audit Letter.

We continue to provide support to external audit to ensure management is responsive to recommendations made and agreed.

### ***Risk Management***

The Audit and Risk Management Committee:

- Considered regular reports on the Departmental and Corporate Risk Registers and challenged policy and process,
- Provided significant input to the development of the risk registers through Member workshops,
- Considered reports on the proposed development of corporate Risk Management arrangements,
- Promoted Risk Management across the Council and oversaw the development of Service Committee Risk Workshops,
- Supported the development and implementation a programme of risk training for officers and Members,

- Considered regular reports on Corporate Risk Management,

We continue to provide support to promote effective Risk Management policy and procedures across the Council and ensure best practice is achieved.

### ***Internal Control and Governance***

The Audit and Risk Management Committee:

- Agreed the Council's Annual Governance Statement,
- Considered reports on progress made to address significant governance issues identified in the AGS,
- Supported the ongoing development of a Mersey region Counter Fraud Group,
- Engaged with and supported the annual Counter Fraud Awareness Week initiative,
- Supported work undertaken as part of the Cabinet Offices' National Fraud Initiative,
- Considered and supported amendments to the Council's counter fraud arrangements,
- Approved the revised Code of Corporate Governance,
- Considered a report on Regeneration schemes assurance,
- Considered reports on Contract Procedure Rules compliance,
- Approved updates to the Council's Contract Procedure Rules,

The Annual Governance Statement is a key document which summarises the Council's governance arrangements and the effectiveness of the arrangements during the year.

### ***Accounts***

The Audit and Risk Management Committee:

- Agreed the Council's accounting policies,
- Agreed the Annual Statement of Accounts,

- Received and considered the external auditor’s report on the accounts, and ensured that the Council responds to the auditor’s comments,
- Considered a report by the Director of Finance on the calculation of Minimum Revenue Provision for financing capital schemes,
- Received and considered the Council’s Medium-Term Financial Strategy,
- Agreed the annual Merseyside Pension Funds accounts,
- Received and consider the external auditor’s report on the MPF accounts and responded to comments,

The Audit and Risk Management Committee received regular reports on the Council’s financial arrangements in the context of the I challenges facing the Council.

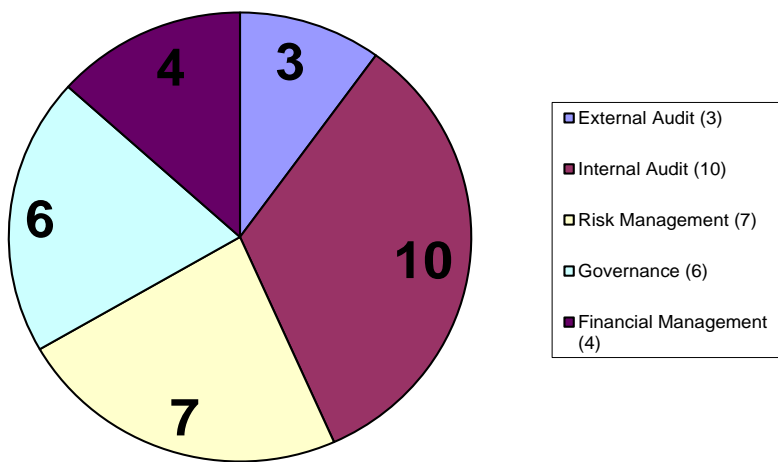
### ***Specific Issues***

The Audit and Risk Management Committee also considered reports and presentations on the following specific issues which arose in the period:

- Regulation of Investigatory Powers Act 2000,
- Whistleblowing Policy,
- ICT Continuity Controls,
- Hoylake Golf Resort,
- Hybrid Working,
- Information Governance.

To give a flavour of our business during the year, the following shows the types and numbers of reports considered between April 2022 and March 2023:

5.2. Numbers & Types of Reports Considered by the Audit Committee.



## 6. Other Activities

During the year, the Committee demonstrated its commitment to good governance by:

- i. Overseeing the implementation of actions to address significant governance issues identified in the Annual Governance Statement 2022-23;
- ii. Overseeing developments designed to improve risk management arrangements;
- iii. Referring matters to other bodies for attention as appropriate;
- iv. Asking Chief Officers to attend as appropriate and present reports on issues identified which affected governance.

## 7. Outcomes

The Audit and Risk Management Committee aims to focus on adding value through its activity. By concentrating on outcomes the Committee can identify the benefits of its work. In particular this year the Committee:

- Oversaw work on the Statement of Accounts;
- Encouraged and presided over a strengthening of the control environment, specifically by overseeing various targeted reviews and the production of the Annual Governance Statement;
- Encouraged and presided over developments and improvements to strengthen the delivery of the Internal Audit service to ensure continued compliance with the Public Sector Internal Audit Standards;
- Presided over systems for routinely reporting actions taken by officers in relation to items identified as being significant governance issues in the Annual Governance Statement;

- Encouraged a strengthening of the Council's overall control environment; specifically by overseeing various targeted reviews and the production of and challenge to the Annual Governance Statement;
- Challenged risk management arrangements and facilitated the development of improvements in this area including the strengthening of the Member Risk Management workshops across all service Committees.
- Ongoing contribution to the development of improved governance in operation over the Council's procurement arrangements through oversight and challenge including compliance with corporate policy and procedure;

In addition, individual Members and the Audit Committee collectively continued to develop and learn about our roles including development and attendance at professional training sessions targeted specifically at Audit Committee Members, and enabling us to deliver our roles more effectively.

## 8. Plans for 2023-24

The Committee will continue to work more closely with officers to help to address any identified issues in what promises again to be a very challenging and difficult environment. Our priorities for 2023-24 are to implement all the developments mentioned as well as continuing to meet our duties as specified in the Constitution by developing and building on our current status as well as operating more proactively to address all challenges faced as well as implementing any new requirements as they arise.

For 2023-24 we will:

- Provide sufficient challenge to the Council to ensure that standards are continuously met, and the demanding requirements of the external inspection and assessment regime are achieved,
- Oversee reviews of the Council's governance arrangements in operation in key risk areas to ensure that the Council adopts the very latest best practice in key areas such as operational performance and compliance,
- Commission reviews and reports on the effectiveness of the Council systems in key areas,
- Support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations,
- Contribute to the development of key corporate operations including Risk Management and Business Continuity,
- Continue to ensure that all aspects of the Public Sector Internal Auditing Standards are complied with,
- Continue to help the Council to manage the risk of fraud and corruption by supporting the work of Internal Audit and colleagues in this area,
- Continue to develop the Wirral Council Audit and Risk Management Committee to review risk, partnerships' and regeneration issues and safeguard public sector interests,
- Oversee the development of audit plans to evaluate and test controls in respect of services delivered either by trading companies run by the Council or on behalf of them,

**Councillor Jenny Johnson**  
**Wirral Council Audit and Risk Committee**



## 9. Appendix 1.

### Audit and Risk Management Committee – Terms of Reference

#### 10 AUDIT AND RISK MANAGEMENT COMMITTEE

##### 10.1 Composition:

To be determined each year by the Annual Meeting of Council and subject to the overall political balance calculation, in respect of which:

- (a) The membership of the Audit and Risk Management Committee may not include Leader or Deputy Leader of the Council, a Chair of a Policy and Services Committee or any other member of the Policy and Resources Committee.
- (b) Members may not consider decisions as part of the of the Audit and Risk Management Committee that they have made as a member of another Committee. In this case, they should declare an interest and leave the meeting room. If a member feels that there is a particular reason why he or she should participate, a dispensation must be sought from the Constitution and Standards Committee or Monitoring Officer.
- (c) The Committee will in addition include a person who is not a Member or officer of the Council who shall be a co-opted member of the Committee entitled to speak but not vote at meetings.

## 10.2 Terms of Reference

The Audit and Risk Management Committee is a key component of Wirral Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The Committee provides independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The Audit and Risk Management Committee is charged by full Council to:-

- (a) Governance
  - (i) 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.
- (b) Internal Audit and Internal Control
  - (i) With Chief Officers, to provide proactive leadership and direction on audit governance issues and champion audit and internal control throughout the Council.
  - (ii) Consider annually the effectiveness of the system of internal audit including Internal Audit Charter, Strategy, Plan of work and performance and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and Local Government Application Note.
  - (iii) Consider the Head of Internal Audit's annual report and a summary of internal audit activity which include an opinion on the adequacy and effectiveness of the Council's internal controls including risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.

- (iv) Consider regular summary reports on the work of internal audit including key findings, issues of concern and actions in hand as a result of internal audit activity.
  - (v) Consider reports showing progress against the audit plan and proposed amendments to the audit plan.
  - (vi) Ensure there are effective relationships between internal audit and external audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.
- (c) Risk Management & Control
- (i) Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the Council and ensure that the Full Council is kept sufficiently informed to enable it to approve the Council's Risk Management Policy and Framework and that proper insurance exists where appropriate.
  - (ii) Consider the effectiveness of the system of risk management arrangements.
  - (iii) Consider an annual report and quarterly reports with respect to risk management including, an opinion on the adequacy and effectiveness of the Council's risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.
  - (iv) Receive assurances that action is being taken on risk related issues identified by both internal and external auditors and other inspectors.
  - (v) Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk.
  - (vi) Report to full Council as appropriate.
- (d) Anti-Fraud and Corruption
- (i) Provide proactive leadership and direction on Anti-Fraud and Corruption and champion Anti-Fraud and Corruption throughout the Council.
  - (ii) Consider the effectiveness of the Council's anti-fraud and corruption arrangements.
  - (iii) Consider an annual report and other such reports, including an annual plan on activity with respect to Anti-Fraud and Corruption performance and receive assurances that action is being taken where necessary.
  - (iv) To be appraised of any steps arising from Whistleblowing investigations and to ensure appropriate actions are being taken and reported.

- (e) Annual Statement of Accounts
  - (i) Consider the external auditor's reports and opinions, relevant requirements of the International Standards on Auditing and any other reports to members with respect to the Accounts, including the Merseyside Pension Fund and approve the Accounts on behalf of the Council and report required actions to the Council. Monitor management action in response to issues raised by the external auditor.
  - (ii) Consider the External Auditors Annual Governance Report and approve the Letter of Representation with respect to the Accounts and endorse the action plan contained in this Report.
  
- (f) External Audit
  - (i) Consider any other reports of external audit and other inspection agencies.
  - (ii) Ensure there are effective relationships between external audit and internal audit.
  - (iii) To liaise with the Public Sector Audit Appointments over the appointment of the Council's external auditors and make recommendations to Council.
  
- (g) Merseyside Pension Fund
  - (i) Following presentation to the Pensions Committee and with due regard to any comments and observations made, consider the draft Accounts of the Merseyside Pension Fund and authorise the publication and release of these accounts to the external auditors for the audit by the statutory deadline.
  
- (h) Treasury Management
  - (i) Consider the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensure that they meet best practice.
  
- (i) Partnerships and other bodies
  - (i) To deal with any audit or ethical standards issues which may arise in relation to partnership working, joint committees and other local authorities or bodies.
  - (ii) Ensure that there are effective governance arrangements in place for Wirral Borough Council's wholly owned limited companies and trading vehicles.
  - (iii) Receive and review the financial statements and dividend policies of any Wirral Borough Council limited companies and to consider recommending corrective action where appropriate.

- (j) Administration
  - (i) Review the Committee's own terms of reference no less frequently than annually and where appropriate make recommendations to the Council for changes.
  - (ii) Ensure members of the committee have sufficient training to effectively undertake the duties of this committee.
  - (iii) Consider the Annual report of the Chair of the Committee.

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## AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY 15 JANUARY 2024

REPORT TITLE:	ARMC ANNUAL SELF ASSESSMENT 2023
REPORT OF:	CHIEF INTERNAL AUDITOR

### REPORT SUMMARY

To comply with best professional practice the Audit and Risk Management Committee is required to complete a regular evaluation of its role and effectiveness as part of the systems of internal audit.

The CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities' recommends the use of a self-assessment checklist to achieve this task. The Chair has completed this which is attached at Appendix 1 along with a corresponding Action Plan at Appendix 2.

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

### RECOMMENDATION

The Audit and Risk Management Committee is recommended to consider the report and approve the attached Self-Assessment Checklist of compliance with best practice and the Action Plan arising.

## **SUPPORTING INFORMATION**

### **1.0 REASON FOR RECOMMENDATION**

- 1.1 To ensure that the Council complies with best practice guidance identified by the Chartered Institute of Public Finance Accountants (CIPFA) in its publication 'Audit Committees Practical Guidance for Local Authorities and the Chartered Institute of Internal Auditors (CIIA).
- 1.2 To provide the Members with assurance that the Council is taking appropriate measures to ensure that systems of internal audit are effective.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 No other options considered.

### **3.0 BACKGROUND INFORMATION**

- 3.1 The Department for Communities and Local Government (DCLG) issued amended regulations in 2006, to the 2003 Accounts and Audit Regulations – 'The Accounts and Audit (Amendment) (England) Regulations 2006.
- 3.2 One of the amended regulations impacts on the process for preparing the Statement of Internal Control (SIC) which is subsumed within the Annual Governance Statement (AGS) and relates specifically to the systems of internal audit in operation. This is:-
  - Regulations require bodies to regularly review their systems of internal audit, and for the findings to be considered by a committee of the body, or by the body as a whole.
- 3.3 Advice from CIPFA includes the assertion that the "systems of internal audit" can be considered to include the role and effectiveness of the Audit Committee.
- 3.4 To assist Councils in this evaluation exercise CIPFA has provided a Self-assessment checklist (Appendix 1) to provide a means of assessment against recommended practice both to support and inform the Audit and Risk Management Committee.
- 3.5 The Chair has utilised the checklist to complete the evaluation and prepare the associated action plan identifying areas for action and development. It must be pointed out that the views expressed in the Appendices are those of the Chair and this report is therefore presented to the wider Committee to consider and come to a final conclusion as to the outcome and any actions arising.
- 3.6 The self-assessment and evaluation concludes that the Audit and Risk management Committee fulfils its core objectives, all of which align with best practice. However, a number of areas have been identified to improve and develop the Committee going forward in line with evolving best practice as identified in the CIPFA best practice publication identified.



3.7 The key actions arising were as follows:

- Ensure that all Members of the Committee are provided with relevant training and development in all disciplines appropriate for this Committee,
- Continue to assess the Committee against the core knowledge and skills required for Members to inform any future training plans,
- The introduction of a more robust system for obtaining feedback from stakeholders on the performance of the Audit and Risk Management 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 are 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 preparing and presenting this regular report.

#### **9.0 EQUALITY IMPLICATIONS**

9.1 The content and/or recommendations contained within this report have no direct implications for equality. However, the delivery of an effective internal audit service will assist in ensuring that the Council, its finances, and service provision are effectively managed and governed aiding the advancement of equality.

#### **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 CO<sub>2</sub>/greenhouse gases.

## 11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The content and/or recommendations contained within this report have no direct implications for community wealth. However, the delivery of an effective internal audit service will assist in ensuring that the Council, its finances, and service provision are effectively managed and governed aiding the advancement of economic, social and environmental justice for all residents.

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

## APPENDICES

1. ARMC Self-Assessment Checklist and Evaluation
2. ARMC Self-Assessment Action Plan

## BACKGROUND PAPERS

CIPFA Publication - Audit Committees Practical Guidance for Local Authorities and Police

## TERMS OF REFERENCE

This report is being considered by the Audit and Risk Management Committee in accordance with Section B of its Terms of Reference.

(b) Internal Audit and Internal Control

## SUBJECT HISTORY (last 3 years)

<b>Council Meeting</b>	<b>Date</b>
Audit and Risk Management Committee	Annual Report

## Audit and Risk Management Committee

## Self-Assessment Checklist - 2023

PURPOSE, FUNCTION, MEMBERSHIP AND EFFECTIVENESS					
Audit Committee Purpose and Governance					
No	Good Practice Question	Yes	Part	No	Action Required
1	Does the Authority have a dedicated Audit Committee ?	X			Well established Committee.
2	Does the Audit Committee report directly to full Council or equivalent ?	X			
3	Do the terms of reference clearly set out the purpose of the Committee in accordance with CIPFA's position statement ?	X			ARMC Terms of Reference updated in 2021-22 to reflect latest CIPFA Best Practice publication, which remains current.
4	Is the role and purpose of the Committee understood and accepted across the Authority ?	X			
5	Does the Audit Committee provide support to the authority in meeting the requirements of good governance ?	X			
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily ?	X			ARMC Annual Report prepared for Council on activity and performance.

No	Good Practice Question	Yes	Part	No	Action Required
<b>Functions of the Committee</b>					
7	<p>Do the committee's terms of reference explicitly address all the core activities identified in CIPFA's Position Statement ?</p> <ul style="list-style-type: none"> <li>• Good Governance</li> <li>• Assurance framework</li> <li>• Internal audit</li> <li>• External audit</li> <li>• Financial reporting</li> <li>• Risk management</li> <li>• Value for money</li> <li>• Counter fraud</li> </ul>	X			ARMC Terms of Reference explicitly identify all core activities.
8	Is an annual evaluation undertaken to assess whether the Committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas ?	X			<p>Self Assessment against CIPFA matrix undertaken annually and reported to ARMC and Council.</p> <p>ARMC Annual Report completed and presented to Council that summarises and evaluates activity of committee and achievement of objectives as per the TOR.</p>
9	Has the committee considered the wider areas identified in CIPFA's best practice statement such as Risk Management, Treasury Management, and Whistleblowing, and whether it would be appropriate include in the committees' terms of reference ?	X			<p>The Terms of Reference were updated in 2021-22 and incorporates reference to the committee having oversight of reviews of Risk Management, Treasury Management and Whistleblowing arrangements.</p> <p>Consideration should be given to the frequency of Whistleblowing reporting.</p>
10	Where coverage of core areas has found to be limited are plans in place to address this ?	X			No core areas identified as missing.

No	Good Practice Question	Yes	Part	No	Action Required
11	Has the Committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose ?	X			No decision making powers as reflected in Terms of Reference and working practice.
<b>Membership and Support</b>					
12	Has an effective audit committee structure and composition of the Committee been selected ?  This should include:  <ul style="list-style-type: none"> <li>• Separation from Exec/Com</li> <li>• An appropriate mix of knowledge and skill.</li> <li>• Size of committee is not unwieldy.</li> <li>• Where independent members used, system for appointments appropriate.</li> </ul>	X X X X			ARMC structure and composition complies with CIPFA best practice. Reviewed in 2022 to reflect findings of external reviews. Developments included a reduction in membership and strengthening of Member training and development opportunities.  Two independent Members are included on the Committee, with one currently filled and the other subject to ongoing recruitment that is fully compliant with comprehensive corporate policy and procedure.
13	Does the Chair of the committee have appropriate knowledge and skills ?	X			
14	Are arrangements in place to support the Committee with briefings and training ?	X			Regular scheduled briefings and training sessions scheduled and delivered.
15	Has the membership of the committee been assessed against the new core knowledge and skills framework and found to be satisfactory ?			X	<b>Actions:</b> New Members of the Audit and Risk Management Committee should each be assessed against the CIPFA Core Knowledge and Skills Framework.  Any shortfalls identified in core skills and knowledge should be addressed through the provision of targeted training and development.

No	Good Practice Question	Yes	Part	No	Action Required
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the Chief Financial Officer ?	X			Periodic scheduled Meetings take place between the Chair, the Party Spokespersons and relevant officers.
17	Is adequate secretariat and administrative support to the committee provided ?	X			Democratic Services fully support the Committee.
<b>Effectiveness of the Committee</b>					
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work ?		X		The Policy and Resources Committee, along with other Service Committees regularly interacts with the ARMC, providing feedback as required.  <b>Action:</b> A more robust system for obtaining feedback from stakeholders on the performance of the Audit and Risk Management Committee should be considered.
19	Has the Committee evaluated whether and how it is adding value to the organisation ?	X			The Annual ARMC Report prepared for Policy and Resources Committee analyses and details the activities of the Committee over a 12 month period and identifies the related value added to the organisation.
20	Does the committee have an action plan to improve any areas of weakness ?	X			

Completed By:

Councillor Jenny Johnson, Chair Audit and Risk Management Committee.

Mark Niblock, Chief Internal Auditor

Dec 2023



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## ACTION PLAN

Appendix 2

### AUDIT AND RISK MANAGEMENT COMMITTEE – SELF ASSESSMENT 2023

Self Ass Ref	Ref	Recommendations	Priority	Officer Responsible	Agreed	Planned Action Date	Comments
15	R.1	Members of the Audit and Risk Management Committee should be assessed against the CIPFA Core Knowledge and Skills Framework and any training/development needs identified and addressed.	Medium	Director of Governance & Assurance	Y	Immediate	
15	R.2	Any ARMC Member core skills and knowledge opportunities identified following the framework assessment exercise should be addressed through targeted training and development at the earliest opportunity.	Medium	Director of Governance & Assurance /Chief Internal Auditor	Y	Immediate	
18	R.3	A robust system for obtaining feedback from stakeholders on the performance of the Audit and Risk Management Committee should be developed and introduced.	Medium	Director of Governance & Assurance	Y	Immediate	

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## AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 15 January 2024

REPORT TITLE:	CORPORATE RISK MANAGEMENT UPDATE
REPORT OF:	DIRECTOR OF FINANCE (S151 OFFICER)

### REPORT SUMMARY

This report provides an update on activity related to the Corporate Risk Register and the Council's risk management arrangements.

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

The risk management activity detailed within the report supports the following priority or delivery theme from Wirral Council's Plan 2023-27:

- Working together to create a more efficient, effective and accessible council.

### RECOMMENDATION

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, their management via any 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 Risk management forms part of many of the seven core principles within the best practice guidance, 'Delivering Corporate Governance in Local Government: Framework. A key component of this for the Council is the hierarchy of risk registers including the Corporate Risk Register.
- 3.2 The Corporate Risk Register is subject to a regular review by the Senior Leadership Team (SLT) and consists of potentially high-level strategic risks which may impact on the delivery of the Council's priorities as laid out in the Council Plan. By their very nature these risks are often slow to change in score as mitigating controls can take time to have an effect. It is often not possible to fully eliminate or transfer risk but instead the aim can be to reduce it to acceptable and tolerable levels as well as improving the awareness and visibility of risk levels being carried by the Council.
- 3.3 The regular review of all levels of risk register helps to support and demonstrate risk-based sound decision making as well as allowing for them to be dynamic and reflect the changing situation the Council operates within. As part of these reviews risks can be escalated or devolved up and down the risk hierarchy.

#### **Corporate Risk Register (CRR)**

- 3.4 To facilitate the latest review of the CRR the Risk, Continuity and Compliance Manager met with all Directors in November to discuss and review the CRR with consideration of new risks, updates to the existing Corporate Risks and any risks for escalation from their individual Directorate Risk Registers.
- 3.5 The outcome of these individual discussions fed the review and discussion at SLT which has resulted in the revised CRR, as at Appendix 1.
- 3.6 The discussions and resulting changes include:

- **CRR002/23 Workforce Capacity & Skills to Deliver** – this risk is to be split into two for the short-term to reflect the changes at a senior leadership level, including the departure of several key post holders in 2024.
- **CRR005/22 Safeguarding** – a drop in the likelihood “Current” or Residual score from 3 to 2, this does not diminish the impact if an incident did occur but would change the score to “low or unlikely” to occur. The overall score rating would drop to an amber.
- **CRR009/23 Preparedness for Statutory Inspections.** A new risk is in development to reflect the challenges and potential impacts of preparing for inspections, for example those by Ofsted and the new assessment by the Care Quality Commission in both Adults and Children’s Services. A related risk does sit on the Adults Care and Health Directorate Risk Register.
- **CRR006/23 Cyber Security** – no change, risk remains high due to external environment threats. Investment in and recruitment of new Cyber Security Team are expected to lead to improvements in 2024.

3.7 Discussions at SLT also focussed on risks for escalation from Directorate Risk Registers, any risk that may require input or support from SLT to assist in the mitigating controls or have cross directorate impacts and treatments therefore need a “sponsor” to support and monitor. At this time no risks, aside for those mentioned above, were to be raised to the CRR.

3.8 Following the approval of the new Council Plan 2023-27 by full Council in early December the CRR is also undergoing a realignment against the new priorities and/or delivery themes.

### **Member Risk Sessions**

3.9 On the 1<sup>st</sup> November members of the Policy and Resources (P&R) Committee participated in a risk discussion session with the Director of Finance and the Risk, Continuity and Compliance Manager. The aim of the session was to improve the visibility and understanding by Committee members of the significant, strategic risks faced by the Council, building on sessions with Policy & Service committees in 2022/23, and following recommendations in past external reviews.

3.10 As a result of this session work is underway with the Wirral Intelligence Service to refine summary risks reports which can then be reported alongside regular budget and performance reports.

3.11 Additional sessions with P&R Committee to consider the directorate risks associated with the Finance and Law and Governance Directorates are being timetabled by the end of 2023/24.

3.12 A dedicated risk management session with the Chair and Spokespersons of this committee is due to be held on 9<sup>th</sup> January 2024. Examples of the draft reports mentioned above will be shared at this discussion.

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 There are no immediate financial implications arising directly from this report however, failure to manage the Council's risks effectively could lead to further risk to the Council's financial resilience.

#### **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.

#### **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.

#### **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

## 11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The content and/or recommendations contained within this report have no direct implications for community wealth. However, the development of effective corporate risk management arrangements will assist in ensuring that the Council, its finances, and service provision are effectively managed and governed aiding the advancement of economic, social, and environmental justice for all residents.

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## APPENDICES

The PDF file below may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact [HelenTurner@wirral.gov.uk](mailto:HelenTurner@wirral.gov.uk) if you would like these documents in an accessible format.

**Appendix 1** – Updated Corporate Risk Register December 2023

## BACKGROUND PAPERS

The Orange Book Management of Risk – Principles and Concepts 2023 UK Government  
Wirral Council Risk Management Policy

## TERMS OF REFERENCE

This report is being considered by the Audit and Risk Management Committee in accordance with Section C of its Terms of Reference;

### (C) Risk Management & Control

- i. Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the Council and ensure that the Full Council is kept sufficiently informed to enable it to approve the Council's Risk Management Policy and Framework and that proper insurance exists where appropriate.
- ii. Consider the effectiveness of the system of risk management arrangements.
- iii. Consider an annual report and quarterly reports with respect to risk management including, an opinion on the adequacy and effectiveness of the Council's risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.

## SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Corporate Risk Management Update	Each meeting of Audit & Risk Management Committee over the last 3 years.

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Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current / Residual Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score		Selection of Planned Actions	Target Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score		Status of Risk ↑↓↔*	Associated Wirral Plan 2023-27 Priority or Delivery Theme (select from dropdown - up to 2)		Comments / Progress	
CRR001/23	<b>Ability to Deliver Effective Change / Improvements and Services</b> Failure to translate into action and deliver changes needed to sustain an effective organisation, sound partnership engagement and governance, and a resilient organisational culture, leads to increased scrutiny interventions/commissioners, inefficiencies/distraction from priorities, financial implications and loss of reputation with external stakeholders.	Chief Executive & SLT	Independent Assurance Panel established Dec 2021 - regular update/progress reports. Regular reporting to P&R Committee DLUHC Recommendations monitoring in place Regular monitoring reports by Independent Assurance Panel Agreement to move to all out elections in 2023. Changes to committees - number and structure implemented May 2022 Refreshed Wirral Plan 2022/23 priorities and Improvement Plan ratified at Council July 2022. LGA Corporate Peer Challenge findings incorporated into plans. Wirral Plan - linkages with partner priorities, committee work plans Wirral Strategic Partnership Group - Partnership Summit held Role in the Liverpool City Region Combined Authority Community, Voluntary and Faith (CVF) Sector Reference Group link to the Health and Wellbeing Board. Wirral Place Based Partnership Board 13/10/22 - governance and terms of reference and reporting arrangements Community Asset Transfer Policy adopted - encouraging the set-up of community-based organisations and cooperatives in the local community Refreshed Wirral Plan, a new four year plan 2023-27, incorporating remaining Improvement Plan activity and monitoring, and aligned to Medium Term Financial Plan approved at Council	2	5	10	Review of Officer Groups - governance/ToR, purpose /membership - development of 3 Pillars approach. Review of Wirral's Strategic Partnership - proposal refreshed partnership arrangements Any items outstanding from Improvement Plan incorporated within the new Council Plan 23-27 specifically under the Efficient, Effective and Accessible Council theme.	2	5	10	↔	Priority -To be prepared to innovate and face the future Priority -To deliver council services within the means of the council budget	<b>Dec 2023</b> Risk to be considered for revision/removal following approval of new Council Plan 23-27 and latest Panel meeting in 2024.
CRR002A/23	<b>Workforce Capacity &amp; Skills - Professional Roles</b> The Council experiences challenges in securing capacity and capability in some professional areas and the specialist skills required for the delivery of key projects, reflects both national and local recruitment challenges in some cases leads to pressures on workforce and service delivery/project delivery.	Director of Law & Governance	Talent strategy in place to support recruitment and retention including Graduate and Apprentice schemes. Updated recruitment process/procedures Benchmarking pay regularly to ensure Council is competitive for talent within the resources and pay framework available, application of Market Rate Supplements where there is a business case Offering fixed term contracts to interim/agency workers Learning and development pathways on Flo Targeted strategies for specialist areas – e.g. Children's Social Care Workforce Strategy 2022-25 Work with care sectors - payment of Real Living Wage Development of leadership and manager skills programme offer to retain staff	2	4	8	Further work to enhance Wirral as an employer of choice to maximise competitiveness in recruitment and attraction campaigns. Work with care sectors - payment of Real Living Wage Improve planning for workforce & succession plans as part of service reviews/staff departures	2	4	8	↔	Delivery Themes 1. working together to create a more efficient, effective and accessible council Priority -To deliver council services within the means of the council budget	<b>Dec 2023</b> Risk split in two to reflect different levels of risk and treatments. <b>Oct 2023</b> SLT discussion on the refocussing of the risk, risk reviewed and reworded.
CRR002B/23	<b>Workforce Capacity &amp; Skills - Senior Level Roles</b> Changes in key personnel/roles at Senior Level (including DSC/DASS) leads to challenges, loss of corporate knowledge in some areas resulting in pressures on workforce and service delivery/project delivery.	Director of Law & Governance	Use of agency to assist recruitment at strategic level Talent strategy in place to support recruitment and retention Updated recruitment process/procedures Benchmarking pay regularly to ensure Council is competitive for talent within the resources and pay framework available, application of Market Rate Supplements where there is a business case Develop leadership and manager skills programme offer to retain staff	2	4	8	Further work to enhance Wirral as an employer of choice to maximise competitiveness in recruitment and attraction campaigns. Improve planning for departures due to retirement - improved succession planning - ensure workforce & succession plans in place in advance	2	4	8	*	Delivery Themes 1. working together to create a more efficient, effective and accessible council Priority -To deliver council services within the means of the council budget	<b>Dec 2023</b> Risk split out from CRR002A/23 to reflect changes in Senior Leadership during 2023 and departures in 2024 of Directors of Adults and Childrens Services and Assistant Director - People & Organisational Culture. <b>Oct 2023</b> SLT discussion on the refocussing of the risk, risk reviewed and reworded.
CRR003/23	<b>Health &amp; Safety Management</b> Failure of officers, members or contractors, visitors 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	Director of Law & Governance	Governance/structure review - changes to Health, Safety and Wellbeing Board and Operational Group. Quarterly reporting to SLT. Hazard specific risk assessment procedures implemented building on experiences of COVID-19 including for the remobilisation of services, reviewed by H&S Team and Public Health. Measures incorporated into general H&S risk assessments. Updated H&S Strategy and Policy rolled out 2021. Refresh of H&S subject specific policies and supporting information. H&S Audit process roll out started (first areas audited Asset Management and Floral Pavilion) to review compliance and arrangements in service areas. H&S Improvement Plan with 7 key themes including dedicated Training workstream Training Needs assessment for all services Training for Directors, responsibilities and roles.	3	5	15	Update of H&S Strategy to reflect new governance arrangements and H&S audit processes. Monitoring and audit programme for risks identified within H&S Risk Profile tool. Internal Audit review and associated recommendations. Update to policies and processes for commissioning and contract management of third parties, inc training for commissioners/contract managers. Continuation for all Directors & senior managers to be trained in 2024 H&S Team checks of schools that do not purchase H&S SLA. Review of SLA and clarity on school H&S responsibilities with changing legal status of schools and review of Traded Services with schools	2	5	10	↔	Delivery Themes 1. working together to create a more efficient, effective and accessible council Delivery Themes 6. working together to create safe, resilient and engage communities	<b>Dec 2023</b> Correspondence from HSE in relation to a specific school has been received. Yet to be determined if this will lead to legal proceedings. <b>Sept 2023</b> Risks associated with asset management, development of Corporate Landlord model.
CRR004/23	<b>Financial Stability and Resilience</b> Failure to ensure delivery of in year savings and adherence to annual budget leads to longer term financial resilience/management difficulties resulting in service reductions, the withdrawal of Council services to communities, government intervention, S114 declaration.	Director of Finance	Robust and rigorous monitoring of budgets and savings plans in year - included in regular performance reporting to committees Clear financial governance structure - accountability, management and monitoring of budgets. Capital and Treasury Management annual reports to P&R Committee Finance Sub-Committee, Finance training for Members. Budget setting discussions and process for 2024/25 commenced much earlier Review and re-evaluation and reprioritisation of capital programme to drive out revenue savings has been undertaken. Review of budget pressures to ensure relevance and refine monetary value £. Recruitment freeze and review of the use of agency staff Refresh of Medium Term Financial Plan based on investment and income generation. MTFS is revised on an annual basis, principles detailed therein include ensuring adequate reserves, non statutory services, fees and charges reviews. MTFS agreed by SLT and Members, via Policy & Resources committee. Refreshed Financial Resilience Strategy Scrutiny and challenge to ensure future business cases for savings proposals are robust and deliverable Capital Budget arrangements with revised reporting and monitoring via Investment and Change Board. Budget setting for 23-24 capital challenge sessions Review and re-evaluation and reprioritisation of capital programme Pension Fund - Triennial valuation ALMFSS/ISS, Asset Allocation, Performance data, Independent Advisors, FSM and lower risk strategies EPS Asset disposal strategy approved by Policy and Resource Committee Phase 2 roll out of ERP/ERM modules for budget forecasts and procurement	3	5	15	Completing a review of earmarked reserves. Review of the process for agreeing capital projects and funding to ensure a return on investment and a better link with the revenue budget Review of revenue grant process to strengthen processes and governance around bid approval and monitoring Financial Sustainability Programme - consolidated revenue, capital and reserves management and monitoring. Community Wealth Building Strategy Regeneration Financial Strategy is being compiled Develop a funding/investment strategy to identify internal finance pressures and external funding sources to support planned growth projects Financial Recovery Plan - 3 year plan MTFS to adopt specific principles/targets around the main cost drivers for demand led services which account for almost 50% of the net budget - identify the key transformation priorities and assign savings to these areas to minimise the proportion of savings that are perceived as service reduction / cuts.	2	4	8	↔	Priority -To deliver council services within the means of the council budget Priority -To prioritise those with the greatest needs	<b>Dec 2023</b> Linked to comments on CRR001/23. New Council Plan 2023-27 aligned to MTFP, approved at Council 04/12/23.



Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current / Residual Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score			Selection of Planned Actions	Target Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score			Status of Risk ↑↓↔*	Associated Wirral Plan 2023-27 Priority or Delivery Theme (select from dropdown - up to 2)		Comments / Progress
CRR005/23	<b>Response to a External or Internal Significant Disruption (National/Regional/Local)</b> Failure to respond effectively to a significant disruption inc national directive resulting in a major failure in service delivery, increased financial burden, risk to public and staff safety	Directors of Finance and Neighbourhood Services	Role within Mersey Resilience Forum (MRF) - specialist groups, exercising and development of plans. Participation in National and Regional Exercises - Mighty Oak/Extreme Weather. Emergency response structure - training of SDOs and rota. Strategic Co-ordination Group, operational response led by Tactical Co-ordination Group, when necessary operating through a series of delivery cells. Governance structures adaptable to changing situations. Updated Community Safety Strategy - key priorities and activity Requirement for annual review of Business Continuity Plans, awareness raising with staff. Health Protection Service - Winter Cold & Summer Heatwave Plans Adverse Weather Group - response plan for health impacts from weather warnings Homeless Severe Weather Plan (SWEPP) - signed up to by commissioned services Review of UK Adverse Weather & Health Plan (April 2023) - changes to local arrangements and plans. Planning for and managing major events with partners and associated learning/update of plans e.g. The Open	3	5	15	Participation in MRF/national exercises - identifying plan improvements and developments (Cyber, Power Outages) Exercising and testing of Business Continuity (BC) Plans Development of arrangements for planned disruption - office move to BCD in 2024	2	5	10	↔	Priority -To deliver council services within the means of the council budget Delivery Themes 6. working together to creates safe, resilient and engage communities	<b>Dec 2023</b> Resilience Team roles out for recruitment. Linked to Risk 6 – Cyber Security.	
CRR006/23	<b>Cyber Security</b> IT security and staff awareness are insufficient to deter, detect and prevent unauthorised access (internal and external) to IT systems, resulting in data breach/loss of access to data and disruption to Council services with increased financial costs.	Director of Finance	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. Regular patching and updates programme. Cyber Security Board created to review security issues and agreed action plan. Specialist training for IT technical experts. Cyber Security Treatment Plan - funding obtained from DLUHC Cyber Ninja awareness training for staff and members as essential learning training with refresher added as part of Cyber Security learning pathway launched on Flo in Cyber Security Month - Oct 2023 Multi Factor Authentication (MFA) rollout including staff awareness programme May 2023 Appointment of Cyber Security Architect (July 2023),	4	5	20	Recruitment of Cyber Security Manager and dedicated CS Team - Jan 2024 Review of proposals for external accreditation in 2023 Review of Cyber Security Policy/activity Implementation of recommendations for Internal Audit reports Continued staff awareness and training e.g. code scams in emails. Additional technical controls and review of existing arrangements including: Replacement of McAfee Antivirus, improvements to Identity and Access such as MFA and retirement of legacy solutions. Assessment of Artificial Intelligence (AI) uses, benefits and threats. Commission of a Digital Transformation Partner	2	5	10	↔	Priority -To be prepared to innovate and face the future Delivery Themes 1. working together to create a more efficient, effective and accessible council	<b>Dec 2023</b> Dedicated Cyber Security posts currently under recruitment, establishment of dedicated team and funding. Priority remains staff training and awareness of new and emerging threats e.g. QR codes in emails. Review and implementation of new technical controls and removal of legacy solutions. <b>Oct 2023</b> Cyber Security Month awareness campaign and launch of training programme in Oct 2023. Digital Services moved into Finance Directorate, risk to be reviewed at directorate level	
CRR007/23	<b>Climate Response</b> Failure to deliver organisation target (Net Zero 2030) and boroughwide 2041 leads to increased financial costs, pressure on resources, impact on public health, reputation damage, lack of resilience	Director of Neighbourhood Services	Environment and Climate Emergency Policy and action plan, Action Plan Group meets regularly to monitor progress. Annual report on progress to Committee June 2023. Linkages in Wirral Plan - monitoring and reporting on delivery of related priority Dedicated Climate Emergency Manager and Team. Partnership working through Cool Wirral Partnership's Climate Change Strategy, Cool 2. Carbon Literacy training - Bronze status as a Carbon Literate Organisation. 338 staff have received training with 170 awarded silver status Environmental impact assessment for Council contracts. Met target reduction for CO2e (carbon dioxide equivalent) emissions for 2022/23 Funding secured from the Low Carbon Skills fund and development of 11 Heat Decarbonisation Plans. DEFRA funding for an education and awareness project on domestic burning. Delivery of a 'Natural Curriculum' programme to teachers of 10 schools, upskilling of Rangers to Forest school Level 4, and subsequent training of 24 primary school teachers to Forest school Level 3. Tree planting strategy inc targets in place. 2022/23 planting of over 21,000 trees through 20 community planting sessions 16 Park Rangers trained to utilise e-cargo bikes and trailers. Consultants commissioned to develop an Electric Vehicle strategy for the borough to build on existing arrangements e.g. on-street electric vehicle charging points. Consultation and adoption of the Pollinator Strategy. Progress on the Birkenhead Heat Network Project.	3	4	12	Delivery of Environment & Climate Emergency Action Plan Priorities for 2023/24: Continued green purchase and exploration of alternative purchasing strategies. Integrate heat decarbonisation plans with Asset delivery plans. Public Sector Decarbonisation Scheme funding bid with LCR - with capital match funding for building works on assets. Develop and expand project pipeline of heat decarbonisation plans. Progress plans to improve energy efficiency of Leisure facilities. Complete development of Green Fleet strategy. Reduce the environmental and carbon impact of our goods and services. Complete and adopt an Electric Vehicle Strategy for the borough and explore options to expand the EV charging network within the borough. Increase staff and member engagement - training for all identified report writers, working towards becoming a silver award carbon literate organisation. Raise the profile of the climate emergency with residents through the launch of the Climate action hub, community climate champions and community grants. Develop and implement an Air Quality strategy and action plan for the borough.	2	4	8	↔	Priority -To play our part in addressing the climate emergency and protecting our environment Delivery Themes 5. working together to protect our environment	<b>Dec 2023</b> Grant bid with LCR for decarbonisation of buildings, has potential to impact significant percentage of Council's emissions target. Provision of in-house Carbon Literacy training to all report writers, monthly sessions, target to achieve 15%of staff Silver Award Organisation status <b>Oct 2023</b> Report to Environment, Climate Emergency & Transport Committee 23/10/23 to update on training for carbon literacy for Members. Risk to be reviewed by new Director of Neighbourhood Services. <b>May 2023</b> Aiming for next level of accreditation - Silver Carbon Literate Organisation. Training available to more staff to meet numbers required. 2023/24, the Council require a further 18% reduction in emissions, this will require reducing our energy use and transitioning away from using fossil fuels for	
CRR008/23	<b>Adherence to corporate policies, procedures, and legislation.</b> Lack of consistent application of policies and procedures, and adherence to legislation (including but not limited to procurement, HR, finance, information management, health & safety) leads to inefficient/ineffective use of resources, residents and staff put at risk and/or legal challenge, resulting in damage to reputation of the Council, financial penalty and injury/loss of life.	Chief Executive	Specialist Area Groups in place for key areas e.g. Corporate Governance, People Strategy, Information Governance, Health, Safety and Wellbeing Regular reporting of key performance information via Organisational Performance Group, SLT to highlight areas of poor/deteriorating performance and agree remedial actions Internal Audit Plan includes areas of financial control, risk and compliance with key areas audited on a more regular basis than others. Review of Public Interest Reports and case studies of other local authorities Annual Governance Statement including identification Significant Governance Issues and associated actions, Director's Governance Assurance Statements Targeted training packages rolled out including on Flo - some essential for all staff, targeted training for roles/teams Committee Co-ordination and Oversight Group (reps from Governance, Risk, Legal and Finance) to quality assure all key decision reports, prior to sign off by SLT Corporate Landlord model has been approved, with a Corporate Property Board now in place, to bring a consolidated approach to the management of assets. Staff annual Corporate Governance checklist submission - awareness and understanding of key policies Meetings of Chief Executive with key officers e.g. Chief Internal Auditor Statutory Officers regular meetings (Chief Ex/S151/Monitoring Officer) help to identify and	2	4	8	Completion of the review of Officer Groups - governance/ToR, purpose /membership - development of 3 Pillars approach. Internal Audit reports and associated recommendations - Gifts, Hospitality and Conflicts of Interest, Creditor Duplicate Payments	2	4	8	↔	Delivery Themes 1. working together to create a more efficient, effective and accessible council	<b>Dec 2023</b> Review and revision of governance arrangements and terms of reference completed for officer groups: Corporate Governance Group, Investment and Change Board, Organisational Performance Group as the Three Pillars principle, sub groups reporting and escalation routes to be considered. Highlight key areas e.g. Corporate Governance Checklist, procurement, essential training.	
CRR005/22	<b>Safeguarding</b> Failure of Council and partnership working to effectively manage safeguarding risks across all services leading to a safeguarding incident, resulting in harm to individuals and/or families, potential legal challenge, resident dissatisfaction, appointment of commissioners by Government and public scrutiny	Director of Children's & YP Services / Director of Social Care & Health	Multi-agency Safeguarding Arrangements for Children via Wirral Safeguarding Children Partnership (WSCP) - activity led by the LA, health economy and police including: robust local audit and case review procedures. Full Serious Case Reviews and learning reviews. 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. Participation in Wirral Safeguarding Adults Partnership Board established in 2021 DASS contract review including safeguarding requirements Adoption of the Prevention Framework Close monitoring of referrals and contacts, caseloads to provide early warning and enable staff highlight spike in demand Ongoing work with the CSU to understand the process around incident reporting and embed within contract monitoring arrangements. Members of the Children, Young People & Education Committee have access Power BI Safeguarding reports	2	5	10	WCSP safeguarding leads have approved commissioning standards Strengthen Provider incident reporting - development of protocol, based on NHSE guidance. Commissioners to be updated on new process and provider contracts varied accordingly. Formalising arrangement with WCCG re STEIS reporting. Contract variations sent to all non NHS providers. Establishment of the Breaking the Cycle programme, encapsulating 8 core projects including: PAUSE, Cradle to Career, DRIVE with outcomes - 3 year programme to 2023 Continue to deliver the new early help model through the design of a new self-help digital tool for families. Care Home sector improvements Review of Adults Safeguarding Protection in relation to CQC standards	1	5	5	↓	Priority -To prioritise those with the greatest needs Delivery Themes 3. working together to promote independence and healthier lives	<b>Dec 2023</b> Drop likelihood score, agreed at SLT (20/12). Impact score always remains high but risk considered well managed and monitored. Maintenance of strong controls and robust monitoring is essential.	



Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current / Residual Risk Score (Out of a MAXIMUM of 25)		Selection of Planned Actions	Target Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact		Status of Risk ↑↓↔*	Associated Wirral Plan 2023-27 Priority or Delivery Theme (select from dropdown - up to 2)	Comments / Progress		
CRR007/22	<b>SEND</b> Failure to appropriately and effectively identify, assess, meet the need and improves outcomes for children and young people with Special Educational Needs and Disabilities resulting in a statement of action from Ofsted, poor school inspection outcomes, children do not reach their full potential and reputational damage for Children's Services and the Council	Director of Children's & YP Services	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 Ofsted review of provision and recommendations - regular Monitoring Meetings by DfE to review progress, last June 2022 Deep dive review of Written Statement of Action - deadlines and progress reviewed, some extended to allow embedding of activity Priorities detailed in the SEND Strategy 2020-24 Role of SEND Transformation Board, monitoring and reporting to CYPE Committee and newly established Wirral Place Based Partnership Board Robust identification and assessment framework in early years, with trained and qualified SEND professionals. Training and development programme for SEND Team SENDLO (SEND Local Offer) website launched - to raise awareness of the SEND local offer in Wirral and signpost families to the support and services they need Delivering Better Value Programme - diagnostic and implementation phases	3	4	12	Robust performance management and quality assurance framework Competency framework for EHCP Co-ordinators and EP SEND Sufficiency Strategy development SEND Strategic Board governance review and refresh Delivery of Written Statement of Action following SEND inspection and review at subsequent DfE monitoring visits. Development of new SEND strategy 2024 -2028 Delivering Better Value Programme - bid for additional grant funding	2	4	8	↔	Priority -To prioritise those with the greatest needs  Delivery Themes 2. working together to improve early help for children and families	<b>Dec 2023</b> Local Area Inspection due in 2024.  <b>September 2023</b> Launch of new SENDLO website and graduated approach for schools
CRR009/23	<b>Preparation for inspections - CQC/Ofsted</b> Failure to achieve a rating of 'good' or 'outstanding' in the new CQC inspection or Ofsted could result in reputational damage and considerable staff resource, financial investment requirements to address any areas requiring improvement.	Director of Children's & YP Services / Director of Social Care & Health	Self Assessment undertaken and reported Oct 2023 - theme leads for each of the 4 topic areas, regular meetings to engage all relevant leads from organisations and departments, links with Cheshire and Merseyside ADASS group. Action Plan and clear roadmap developed	2	5	10	Gap analysis and improvement plan to be put in place and infrastructure post project to be developed.	1	5	5	*	Priority -To prioritise high quality efficient universal services to all residents  Priority - To deliver high quality efficient universal services to all residents	<b>Dec 2023</b> CQC introducing a new assessment framework which will apply to providers, local authorities and integrated care systems in 2024. New Risk identified linked to both Children's and Adult Services, linked to SEND risk CRR007/22. Risk still in development, initial score to be reviewed.

The scoring of risks is broken down into 2 main parts; likelihood and impact.  
Wirral Council has set definitions for each score banding. These should be referred to when discussing the risk scores to help ensure consistency of scoring over the lifetime of the risk register as well as across different projects and teams around the Council.

The tables below provide the scoring definitions as per the Council's Risk Management Policy.

**Impact and Likelihood Scores**

**Impact**

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

**Likelihood**

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

**Risk Scoring Table**

		Impact →				
		<b>Very Low (1)</b>	<b>Low (2)</b>	<b>Medium (3)</b>	<b>High (4)</b>	<b>Very High (5)</b>
↑ Likelihood	<b>Very High (5)</b>	5 Very low impact but very high likelihood	10 Low impact but very high likelihood	15 Medium impact but very high likelihood	20 High impact and very high likelihood	25 Very high impact and very high likelihood
	<b>High (4)</b>	4 Very low impact but high likelihood	8 Low impact but high likelihood	12 Medium impact but high likelihood	16 High impact and high likelihood	20 Very high impact and high likelihood
	<b>Medium (3)</b>	3 Very low impact and medium likelihood	6 Low impact and medium likelihood	9 Medium impact and medium likelihood	12 High impact but medium likelihood	15 Very high impact and medium likelihood
	<b>Low (2)</b>	2 Very low impact and low likelihood	4 Low impact and low likelihood	6 Medium impact and low likelihood	8 High impact but low likelihood	10 Very high impact but low likelihood
	<b>Very Low (1)</b>	1 Very low impact and very low likelihood	2 Low impact and very low likelihood	3 Medium impact and very low likelihood	4 High impact but very low likelihood	5 Very high impact but very low likelihood

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## AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 15 January 2024

<b>REPORT TITLE:</b>	<b>EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE (S151 OFFICER)</b>

### REPORT SUMMARY

This report presents Committee with a progress update on the work being undertaken by the external auditor, Grant Thornton. The report also includes a sector update which provides a summary of emerging national issues and areas for the Committee to consider in relation to these.

There are no direct ward implications, and the report is not a key decision.

### RECOMMENDATION

The Audit and Risk Management Committee is recommended to note the update provided by the Council's external auditors.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION**

- 1.1 For the Committee to exercise its duties and responsibilities within its Terms of Reference for considering reports of the External Auditor.
- 1.2 The Audit update sets out the current progress of the audit that the Council's Auditors, Grant Thornton will be carrying out in their statutory audit on the Council's financial statements and arrangements for securing value for money.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 No other options as this as it is for information, to allow the Committee to comment and note.

### **3.0 BACKGROUND INFORMATION**

- 3.1 Grant Thornton are the Council's independent external auditors. Their annual work programme is set in accordance with the Code of Audit Practice issued by the Audit Commission and includes nationally prescribed and locally determined work.
- 3.2 The report provides members of the Committee with an update on progress of the external audit; it also includes details of national publications relevant to the Council.
- 3.3 The external auditor's progress report attached at Appendix 1 provides the committee with a brief update on their 2022/23 external audit work, and an update on planning for 2023/24.
- 3.4 The sector update includes the following: -
- Audit delays and backlogs
  - National Audit Office report on schools requiring major refurbishment or rebuilding
  - Local Government Pension Scheme optimism
  - Sustainability in the public sector.

### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 The audit fees will be met from within the revenue budget.

### **5.0 LEGAL IMPLICATIONS**

- 5.1 There are no legal implications identified.

### **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

- 6.1 There are no human resources implications identified.

## **7.0 RELEVANT RISKS**

- 7.1 There are no risks arising directly from this report which is for information only. However, 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. The files attached may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact Shaun Allen if you would like these documents in an accessible format.

## **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.

## **11.0 COMMUNITY WEALTH IMPLICATIONS**

- 11.1 The content and/or recommendations contained within this report have no direct implications for community wealth.

**REPORT AUTHOR:** **Shaun Allen**  
Senior Finance Business Partner  
email: [shaunallen@wirral.gov.uk](mailto:shaunallen@wirral.gov.uk)

## **APPENDICES**

Appendix 1 – Wirral Council External Audit Progress Report – December 2023

## **BACKGROUND PAPERS**

Terms of Engagement  
External Audit Plan

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Audit and Risk Management Committee – Wirral Council External Audit Plan and Public Sector Update 2022-23	27 June 2023
Audit and Risk Management Committee – External Audit Progress Report	15 March 2022



# Wirral Council Audit Progress Report and Sector Update

January 2024

15 January 2024  
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Audit Deliverables	5
Sector Update	6

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

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# Introduction

## Your key Grant Thornton team members are:

### Sarah Ironmonger

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### Naomi Povey

Senior Manager

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Assistant Manager

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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit and Risk Management Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications

<https://www.grantthornton.co.uk/en/services/public-sector-services/>

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

# Progress at January 2024

## Financial Statements Audit

We have substantially completed our work on your financial statements for 2022/23. We are currently in the process of completing final queries and have the intention of issuing the opinion on the 12th January 2024.

We have recently commenced our initial planning for the 2023/24 audit and will bring our dedicated audit plan to the next Audit and Risk Committee meeting.

## Value for Money

Under the 2020 Code of Audit Practice, for local government bodies Auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

The National Audit Office (NAO) have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 22-23 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN 03 and issue their Auditor's Annual Report when their work is complete.

For 2022/23 audits, the NAO have confirmed that where the Auditor's Annual Report cannot be issued by 30 September it should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies.

We anticipate issuing our Auditor's Annual Report to Officers by the 12th January 2024 for comment.

## Other areas

### Meetings

We continue to meet with your Director of Finance and Senior Finance Officers within the Council regularly throughout the year as part of our quarterly liaison meetings and have discussions with finance staff regarding emerging developments and to ensure the audit progress is smooth and effective. We also met with your Chief Executive during the year to discuss the Council's strategic priorities and plans.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Accounts Workshop in January and February 2023, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach. We will be running these workshops again in early 2024.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

# Audit Deliverables

## 2022/23 Deliverables

### Audit Plan

We are required to issue a detailed audit plan to the Audit and Risk Management Committee setting out our proposed approach in order to give an opinion on the Council's 2022/23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report.

**Planned Date**

June 2023

**Status**

Completed

### Audit Findings Report

The Audit Findings Report will be reported to the December Audit and Risk Management Committee.

December 2023

Completed

### Auditors Report

This includes the opinion on your financial statements.

January 2024

Pending

### Auditor's Annual Report

This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.

January 2024

Pending

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## 2023/24 Deliverables

### Audit Plan

We are required to issue a detailed audit plan to the Audit and Risk Management Committee setting out our proposed approach in order to give an opinion on the Council's 2023/24 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report.

**Planned date**

March 2024

**Status**

Not yet due

### Audit Findings Report

The Audit Findings Report will be reported to the December Audit and Risk Management Committee.

September 2024

Not yet due

### Auditors Report

This includes the opinion on your financial statements

September 2024

Not yet due

### Auditor's Annual Report

This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.

December 2024

Not yet due

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing challenges to address rising demand, ongoing budget pressures and social inequality.

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

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

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# Exploring the reasons for delayed publication of audited local authority accounts in England – Grant Thornton

Recent performance against target publication dates for audited local authority accounts in England has been poor. There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

We note the following matters that are yet to be tackled:

- clarity over the purpose of local audit
- the complexity of local government financial statements
- agreement on the focus of financial statements audit work
- an improvement in the quality of financial statements and working papers

an agreed approach to dealing with the backlog of local government audits

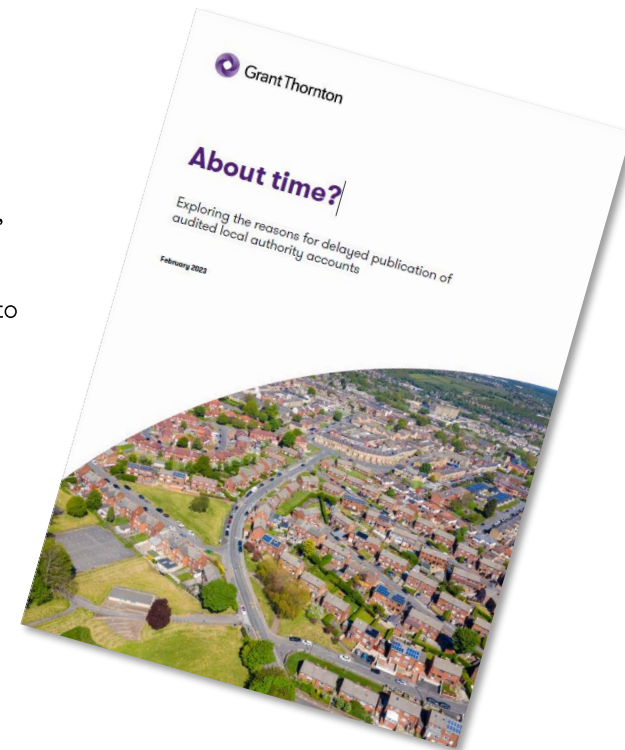
Government intervention where there are significant failures in financial reporting processes

All key stakeholders including local audited bodies, the audit firms, the Department for Levelling Up Housing and Communities, PSAA, the NAO, the FRC and its successor ARGA, CIPFA and the Institute of Chartered Accountants in England and Wales will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

We make recommendations in our report for various stakeholders, including Audit Committees and auditors, and include a checklist for consideration by management and Audit Committees within an Appendix to the report.

Read the full report here:

[Report: key challenges in local audit accounting | Grant Thornton](#)





# Current local audit deadline ‘unachievable’- Grant Thornton

Low capacity in council finance teams and the failure to deal with historic accounting issues mean the current September audit deadline is unlikely to be met.

The firm said the changes in recent years to council investment strategies have seen annual accounts become increasingly complex.

In evidence to a Public Accounts Committee inquiry, Grant Thornton said the increased workload and pressure on resources have complicated recruitment and compounded delays.

The auditors said it is unlikely firms will be able to meet the 30 September deadline for publishing opinions on 2022-23 financial statements, because they are still working on previous years' accounts.

The firm said one of the key issues causing delays is the lack of consensus over areas of audit focus, specifically over how land and buildings are audited.

“Too much audit resource is absorbed in dealing with longstanding financial reporting issues at poorly performing bodies,” the firm said.

In certain instances, audits are open as far back as 2017-18.

“Perhaps more importantly, there has not been enough debate with the sector on the purpose of local audit and the enhanced audit scrutiny it faces.

“This is particularly the case with the audit of property. Until these matters are resolved we do not consider that the September deadline is achievable.”





# Current local audit deadline ‘unachievable’- Grant Thornton(cont.)

Grant Thornton said that while audit firms can be sanctioned by the Financial Reporting Council for failing to comply with regulations, there are currently no punishments for public bodies that fail to meet requirements.

It said there should be interventions for audited bodies that show “significant failures in financial reporting and an unwillingness to improve”.

In its evidence the firm blamed a lack of council funding to bolster finance teams for a reduction in the quality of reporting, causing further delays.

Unfortunately, the quality of too many financial statements and working papers are not adequate,” Grant Thornton said.

Improvement in accounts preparation, and recruitment and investment in finance teams is essential if local government is to prepare consistently high-quality draft accounts and respond to the challenges presented by an enhanced audit regime.”

In December, local audit procurement body Public Sector Audit Appointments revealed that only 12% of local government audits for 2021-22 were completed by the 30 November deadline.

PSAA said that 630 opinions were outstanding from both 2021-22 and previous years, and the level of opinions completed on time has declined significantly from 45% in 2019-20.

Read the full report here

[committees.parliament.uk/writtenevidence/118580/pdf/](https://committees.parliament.uk/writtenevidence/118580/pdf/)



# DLUHC proposals to clear audit backlog

A range of proposals and actions to address the backlog of local audits in England has been set out by the Department for Levelling Up, Housing and Communities (DLUHC).

These include setting statutory deadlines and issuing qualifications and disclaimers of opinion in the short term.

The proposals have been agreed in principle with key partners across the local audit system, DLUHC said. The National Audit Office (NAO) is considering whether to develop a replacement Code of Audit Practice to give effect to the changes, the department added.

In addition, DLUHC is considering whether legislative change is needed to set new statutory deadlines [for local bodies to publish accounts to mirror the proposed changes to the Code of Audit Practice](#).

[Legislative change may also be needed](#) to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years, the department said.

Under these proposals, section 151 officers will be expected to work with Audit Committee members (or equivalent) to approve the final accounts by the statutory deadline in order for the audit opinion to be issued at the same time.

Read the full proposal here

[committees.parliament.uk/publications/40932/documents/199432/default/](https://committees.parliament.uk/publications/40932/documents/199432/default/)



# Call for sanctions for late accounts amid fears of ‘more Workings - public accounts committee (PAC)

The Commons’ public accounts committee (PAC) published a report, Timeliness of local auditor reporting, which highlights problems caused by the delays to local audit.

Just 12% of local government bodies received their audit opinions in time to publish their 2021-22 accounts by the extended deadline. The committee warned that the problem is likely to get worse before it gets better.

The report points out that there are no sanctions for failing to produce accounts on time, for either auditors or councils.

The PAC and others have been concerned about the implications of audit delays and Sir Geoffrey Clifton-Brown said cases like that of Thurrock Council and Woking Borough Council demonstrate why this issue needs to be addressed. Both councils had years of unaudited accounts when they declared themselves effectively bankrupt due to excessive levels of debt.





# Around 700,000 children are studying in schools that require major rebuilding or refurbishment works - NAO

The Department for Education has published guidance on school buildings which were constructed using reinforced autoclaved aerated concrete – a lightweight form of concrete prone to failure.

<https://educationhub.blog.gov.uk/2023/09/04/new-guidance-on-raac-in-education-settings/>

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The NAO also published a report this summer about the declining condition of the school estate. The UK's independent public spending watchdog's report found that more than a third (24,000) of English school buildings are past their estimated initial design life. These buildings can normally continue to be used, but are generally more expensive to maintain and, on average, have poorer energy efficiency leading to higher running costs.

In recent years, there has been a significant funding shortfall contributing to deterioration across the school estate. The department for Education (DfE) has reported £7 billion a year as the best practice level of capital funding to repair and rebuild the school estate.

The report says DfE has assessed the possibility of a building collapse or failure causing death or injury as a 'critical and very likely' risk since summer 2021. The report highlighted ongoing concerns with the use of reinforced autoclaved aerated concrete (RAAC) – used between the 1950s and mid-1990s. DfE has been considering the potential risk posed by RAAC since late 2018, following a school roof collapse.

Read the full report here

<https://www.nao.org.uk/press-releases/condition-of-school-buildings-and-dfe-sustainability-overview/>



# LGPS valuation gives ‘cause for optimism’ – Hymans Robertson

Many Local Government Pension Schemes are in a stronger position than three years ago to meet future member benefits, pension advisors have said following the most recent valuations.

Despite market instability brought on by Covid-19 and exacerbated by Russia’s invasion of Ukraine, the overall funding level rose to 107% of past service in March 2022, compared to 98.5% in 2019, Hymans Robertson said in a [report](#).

Analysts reviewed the triennial valuations of 73 of the 86 LGPS funds, and said that on average fund asset values rose by 27.5% up to March 2022.

Hymans Robertson said the better-than-expected funding outlook has prompted a reduction in employer contributions, from 21.9% of pay in 2019 to 20.8% in 2022.

Robert Bilton, head of LGPS valuations at Hymans Robertson, said: “Our analysis gives cause for optimism that the outlook for the long-term funding sustainability of the LGPS is robust, not least due to the hard work that has taken place across all funds over the last decade and longer.

“While the good news is welcome, the hard work doesn’t stop, and it is important that funds use the next two years to continue to systematically review their risks to keep them in the best place possible ahead of the valuations in 2025.”

The report said funding levels rose by the most for schemes that were already better-funded in 2019, but balances increased “across the board” in all funds that were reviewed.

Researchers said higher asset values mean funds will only need to deliver real investment returns of about 1.5% per year over the next 20 years to ensure they are fully funded.

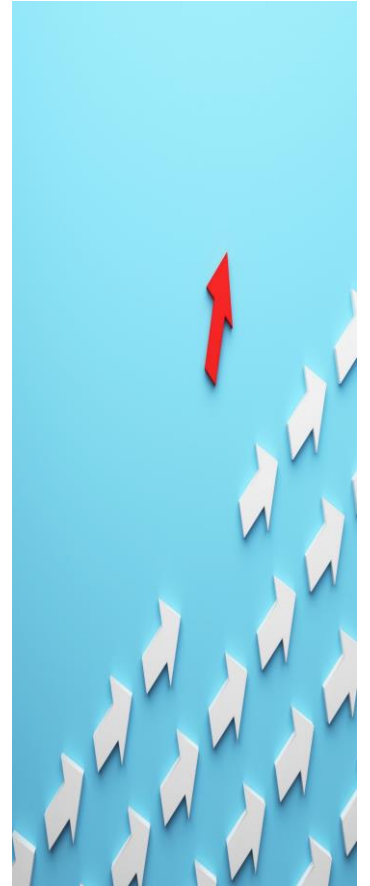
Hymans said it expects more than three-quarter (77%) of funds to be able meet the annual level of investment returns by 2040.

“This is a very positive funding position for the LGPS, Considering that, not so long ago, the Scheme Advisory Board had set up a ‘deficit working group’ and the significant market events that the LGPS has had to navigate in recent years.”

“Being in such a strong position is a testament to the diligent and hard work of administering authorities over the last decade.”

Read the full report here

[LGPS 2022 Valuation - the big picture.pdf \[hymans.co.uk\]](#)



# Sustainability reporting in the public sector - CIPFA

CIPFA said, 'Sustainability reporting in the public sector is in its infancy, and there is an evolutionary journey to be embarked upon – sooner rather than later.'

Sustainability reporting is the recording and disclosure of an organisation's environmental impact caused by its activities. It has been widely adopted in the private sector, but in the public sector it is not the same story.

Having a clear understanding of the overall carbon footprint of the public sector is vital if we are to tackle climate change, find solutions and encourage sustainable development, said CIPFA.

CIPFA report states, 'the answers and positive steps to addressing the most pressing challenges around public sector sustainability questions. The current patchwork of public sector sustainability reporting frameworks are inconsistent and confusing. The report draws on already existing standards and frameworks that are relevant and useful to the public sector, rather than trying to reinvent the wheel.'

## Alignment to financial reporting

The report recommends an approach that aligns sustainability reporting with the wider practice of financial reporting. The four key areas in this approach are governance, the management approach, performance and targets, and strategy. 'Public sector sustainability reporting: time to step it up' provides public finance professionals with a good understanding of what information needs to be disclosed and the process in producing a high quality report.

Read the full report from CIPFA here

[Sustainability Reporting \[cipfa.org\]](https://www.cipfa.org)



## **Audit and Risk Management Committee – Terms of Reference**

The Audit and Risk Management Committee is a key component of Wirral Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The Committee provides independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The Audit and Risk Management Committee is charged by full Council to:-

- (a) Governance
  - (i) 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.
- (b) Internal Audit and Internal Control
  - (i) With Chief Officers, to provide proactive leadership and direction on audit governance issues and champion audit and internal control throughout the Council.
  - (ii) Consider annually the effectiveness of the system of internal audit including Internal Audit Charter, Strategy, Plan of work and performance and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and Local Government Application Note.
  - (iii) Consider the Head of Internal Audit's annual report and a summary of internal audit activity which include an opinion on the adequacy and effectiveness of the Council's internal controls including risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.
  - (iv) Consider regular summary reports on the work of internal audit including key findings, issues of concern and actions in hand as a result of internal audit activity.
  - (v) Consider reports showing progress against the audit plan and proposed amendments to the audit plan.
  - (vi) Ensure there are effective relationships between internal audit and external audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.
- (c) Risk Management & Control
  - (i) Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the Council and ensure

that the Full Council is kept sufficiently informed to enable it to approve the Council's Risk Management Policy and Framework and that proper insurance exists where appropriate.

- (ii) Consider the effectiveness of the system of risk management arrangements.
  - (iii) Consider an annual report and quarterly reports with respect to risk management including, an opinion on the adequacy and effectiveness of the Council's risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.
  - (iv) Receive assurances that action is being taken on risk related issues identified by both internal and external auditors and other inspectors.
  - (v) Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk.
  - (vi) Report to full Council as appropriate.
- (d) Anti-Fraud and Corruption
- (i) Provide proactive leadership and direction on Anti-Fraud and Corruption and champion Anti-Fraud and Corruption throughout the Council.
  - (ii) Consider the effectiveness of the Council's anti-fraud and corruption arrangements.
  - (iii) Consider an annual report and other such reports, including an annual plan on activity with respect to Anti-Fraud and Corruption performance and receive assurances that action is being taken where necessary.
  - (iv) To be appraised of any steps arising from Whistleblowing investigations and to ensure appropriate actions are being taken and reported.
- (e) Annual Statement of Accounts
- (i) Consider the external auditor's reports and opinions, relevant requirements of the International Standards on Auditing and any other reports to members with respect to the Accounts, including the Merseyside Pension Fund and approve the Accounts on behalf of the Council and report required actions to the Council. Monitor management action in response to issues raised by the external auditor.
  - (ii) Consider the External Auditors Annual Governance Report and approve the Letter of Representation with respect to the Accounts and endorse the action plan contained in this Report.
- (f) External Audit
- (i) Consider any other reports of external audit and other inspection agencies.
  - (ii) Ensure there are effective relationships between external audit and internal audit.
  - (iii) To liaise with the Public Sector Audit Appointments over the appointment of the Council's external auditors and make recommendations to Council.
- (g) Merseyside Pension Fund
- (i) Following presentation to the Pensions Committee and with due regard to any comments and observations made, consider the draft Accounts of the Merseyside Pension Fund and authorise the publication and release of these accounts to the external auditors for the audit by the statutory deadline.
- (h) Treasury Management



- (i) Consider the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensure that they meet best practice.
- (i) Partnerships and other bodies
  - (i) To deal with any audit or ethical standards issues which may arise in relation to partnership working, joint committees and other local authorities or bodies.
  - (ii) Ensure that there are effective governance arrangements in place for Wirral Borough Council's wholly owned limited companies and trading vehicles.
  - (iii) Receive and review the financial statements and dividend policies of any Wirral Borough Council limited companies and to consider recommending corrective action where appropriate
- (j) Administration
  - (i) Review the Committee's own terms of reference no less frequently than annually and where appropriate make recommendations to the Council for changes.
  - (ii) Ensure members of the committee have sufficient training to effectively undertake the duties of this committee.
  - (iii) Consider the Annual Report of the Chair of the Committee.

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