

AUDIT AND RISK MANAGEMENT COMMITTEE

Wednesday, 31 July 2024

Present: Councillor H Cameron (Chair)

Councillors GJ Davies P Jobson (In place of M Skillicorn)
S Kelly J Johnson
G Jenkinson (In place of N Graham) T Laing

1 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.

Following the tragic events in Southport, the Chair invited committee members to observe a minute's silence in memory of the three young victims who had lost their lives and expressed committee's support for those critically injured, alongside the families and friends affected.

In addition, the Chair placed on record the Committee's thanks to Councillor Jenny Johnson who was Chair for the previous municipal year.

2 APOLOGIES FOR ABSENCE

The following apologies for absence were reported:

- Councillor Naomi Graham. Councillor Gail Jenkinson was in attendance as substitute.
- Councillor Mark Skillicorn. Councillor Paul Jobson was in attendance as substitute.
- Joanne Byrne (Independent Member).

3 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

Councillor Gail Jenkinson declared a personal interest by virtue of her employment as a tutor relating to Agenda Item 7 – Internal Audit Annual Plan 24/25. Councillor Jenkinson reported some of her students were funded through direct payments. Direct Payments were listed as part of future work in the 24/25 Internal Audit Plan.

4 **MINUTES**

Resolved – That the minutes of the meeting held on 26 March 2024 be approved.

5 **PUBLIC AND MEMBER QUESTIONS**

It was reported that no questions, petitions or statements had been received.

6 **CHIEF INTERNAL AUDITORS ANNUAL REPORT AND OPINION 2023-24**

The Internal Audit Manager presented the report of the Chief Internal Auditor which summarised the work undertaken by the Internal Audit Service in the previous year. The report also provided an annual opinion on the overall adequacy and effectiveness of the Council's control and governance processes in accordance with Public Sector Internal Audit Standards (PSIAS) requirements. It was reported that the opinion of the Chief Internal Auditor, based upon audit work performed during 2023-24 and from cumulative knowledge of the organisation, was that the Council maintained adequate and effective control and governance processes overall. The opinion noted that positive engagement had taken place with management in agreeing recommendations where audit work had identified weaknesses in the design or application of controls and that actions plans were in place.

Members considered the work of the internal audit service in the previous year relating to regeneration governance, information governance and financial resilience.

Resolved – That the Chief Internal Auditors report for 2023-24 be noted and endorsed.

7 **INTERNAL AUDIT ANNUAL PLAN 2024-25**

The Internal Audit Manager introduced the report of the Chief Internal Auditor which presented the Internal Audit Plan for 2024-25 in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). It was reported that the proposed scheduled work within the plan reflected findings of an extensive planning exercise to ensure relevance of risks previously identified. In addition, risks to the organisation that had emerged since the exercise was undertaken or were likely to emerge in the near future were included. It was noted that the plan was intentionally not as detailed regarding specific audits, to ensure that it remained dynamic and flexible. This approach would allow for emerging risks to be incorporated and targeted work into the highlighted areas to be undertaken in year.

Members discussed the practical arrangements involved in the delivery of the plan. The Internal Audit Manager confirmed that the service reviewed planned work on a quarterly basis to ensure sufficient resource and time were allocated, which allowed new risks and requests to be incorporated throughout the year. It was noted that the Chief Internal Auditor would report to committee any significant changes to the plan.

Members also discussed the proposed areas of work in detail. Members highlighted work relating to regeneration projects and governance as an area of importance due to identified risks of delivery of projects, risks of clawback and Local Plan implications. In addition, Members highlighted outcomes of corporate procurement and SEND audits as other areas of importance.

Resolved – That the work proposed in the Internal Audit Plan for 2024-25 be endorsed, acknowledging its flexible and dynamic nature to reflect the evolving corporate risk dynamic, in accordance with the terms of reference for the Audit and Risk Management Committee.

8 CORPORATE RISK MANAGEMENT UPDATE

The Internal Audit Manager presented the report of the Director of Finance which provided an update on activity related to the Corporate and Directorate Risk Registers and the Council's risk management arrangements. The outcomes of the most recent quarterly review of the Corporate Risk Register (CRR) undertaken by the Senior Leadership Team (SLT) were reported. One risk had been removed and two risks had seen an increase in likelihood score as a result of the review, alongside updates to mitigating controls and planned actions for existing Corporate Risks. Appendix 1 detailed the outcome of the updated Corporate Risk Register.

Members discussed the risks and associated scores listed within the CRR, highlighting several areas including:

- reviewing the workforce, capacity and skills risk in light of recent changes in personnel at a senior level in the regeneration department.
- reviewing the score associated to SEND risks in line with the SEND improvement plan.
- Mitigating controls and business continuity planning in the event of unforeseen risks arising, such as the recent CrowdStrike global IT outage.

Resolved – That the report be noted.

9 **DRAFT STATEMENT OF ACCOUNTS AND DRAFT ANNUAL GOVERNANCE STATEMENT FOR 2023/24**

The Head of Finance – Corporate introduced a report of the Director of Finance which presented the draft unaudited Statement of Accounts for 2023-24, the draft Annual Governance Statement for 2023-24 and the Financial Management Code assessment. The Statement of Accounts set out the Council’s financial position, along with a summary of its income and expenditure for the year ended 31 March 2024. The Annual Governance Statement reflected key governance issues up to the date of the approval of the annual statement of accounts, and therefore a final version was to be reported to the Committee in October 2024 for approval alongside the final version of the Council’s financial statements.

Members queried increases in costs associated with exit packages and rises in number of staff in salary bands above £50,000 within the accounts. The Director of Finance confirmed that increases were primarily related to impact of NJC pay awards; that there had been no threshold changes for some years; and that severance/early voluntary redundancy costs were met via allocated reserves planned as part of the transformation programme. Members also discussed issues relating to procurement non-compliance included within the Annual Governance Statement.

Resolved – That

1. **The draft unaudited Statement of Accounts for 2023/24 be noted;**
2. **The draft Annual Governance Statement for 2023/24, including the actions planned in 2024/25 to address the two significant governance issues identified from this year’s annual governance review, be noted and approved; and**
3. **The Financial Management Code Assessment for 2023/24 be noted.**

10 **WIRRAL COUNCIL EXTERNAL AUDIT PLAN AND UPDATE, AND PUBLIC SECTOR UPDATE 2023/24**

The Key Audit Partner from Grant Thornton presented a report of the Director of Finance which detailed the plan for the audit of the Council’s financial statements by the Council’s appointed auditors, Grant Thornton, It was reported that Grant Thornton would undertake this work through the summer and would include their audit of the relevant financial activities and arrangements for securing value for money. The results would be reported back to the Committee in October 2024. The report also contained a public sector update from Grant Thornton.

In response to queries relating to the significant risks identified within the external audit plan, the representative from Grant Thornton indicated that the majority of those identified were in line with risks identified for other public sector organisations and local authorities. Members also explored risks pertaining to financial arrangements of commercial activities and the implementation of the Oracle Fusion Financial system.

Resolved – That

1. **The proposed Audit Plan and the significant risks identified with the plan meet the Committee’s expectations with regard to providing independent scrutiny;**
3. **The report provided by the auditor’s be noted; and**
4. **The public sector update by the auditor’s be noted.**

11 **MERSEYSIDE PENSION FUND EXTERNAL AUDIT PLAN 2023/24**

The Key Audit Partner from Grant Thornton presented a report of the Director of Finance which informed Members of the plan for the external audit of the Merseyside Pension Fund’s Statutory financial statements for 2032/24. The Audit Plan considered the risks to the audit in forming the Audit Opinion and detailed the approach to addressing the key areas of the Fund’s financial statements. It was reported that the results of the audit, including the opinion on the Funds Annual Statement of Accounts and Annual Report would be reported back to the Committee.

Resolved – That the external audit plan for 2023/24 be noted.

12 **WORK PROGRAMME**

The Head of Legal Services presented the report of the Director of Law and Corporate Services outlining the committee work programme. The work programme included all reports of a statutory and legislative nature and reports which are required to be reported to public sector audit committees during the municipal year for compliance with the Public Sector Internal Audit Standard.

Members considered the scheduled items on the programme and reaffirmed the committee’s request to receive updates on internal audit work in relation to regeneration projects and governance. Members also requested incorporation of information relating to Freedom of Information deadline compliance in the forthcoming SIRO report, and a breakdown of data relating to Purchase Order

compliance and corporate contracts procurement in the forthcoming Procurement Update.

With these considerations, it was:

Resolved – That the work programme be noted.