



Audit and Risk Management Committee

Date:	Tuesday, 9 March 2021
Time:	6.00 p.m.
Venue:	Microsoft Teams

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

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AGENDA

1. **WELCOME AND INTRODUCTION**
2. **APOLOGIES**
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 25 January 2021.
5. **SCHOOL BUDGETS & SERVICE LEVEL AGREEMENTS (Pages 5 - 12)**
6. **INTERNAL AUDIT UPDATE (Pages 13 - 20)**
7. **CORPORATE RISK MANAGEMENT UPDATE (Pages 21 - 30)**
8. **INTERNAL AUDIT COUNTER FRAUD REPORT (Pages 31 - 40)**
9. **INFORMATION GOVERNANCE UPDATE (Pages 41 - 48)**
10. **ARMC INDEPENDENT MEMBER (Pages 49 - 52)**

11. EXTERNAL AUDITORS ANNUAL AUDIT LETTER 2019-20 (Pages 53 - 80)

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AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 25 January 2021

6.00 - 8.01 p.m.

Present: Councillor K Hodson (Chair)

Councillors	S Whittingham	AER Jones
	J Bird	T Cox
	K Cannon	I Lewis
	K Greaney	S Kelly
	D Burgess-Joyce	

In attendance: Councillor J Green

15 WELCOME AND INTRODUCTION

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

16 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 Stuart Whittingham declared a personal interest in Item 8 by virtue of his employer taking a position during the recent trade union dispute.

17 MINUTES

The Chair highlighted that minute item 14 contained several typographical errors.

Resolved – That the minutes of the meetings held on 16 November 2020 and 11 January 2021, be approved, subject to the following amendments:

Under minute Item 14 paragraph 6, £9.3, be replaced with £9.3m.

Under minute Item 14 paragraph 8, Mark Stokes be replaced with Mark Stocks.

Under minute Item 14 paragraph 8, Covid-10 be replaced with Covid-19.

18 PUBLIC AND MEMBER QUESTIONS

The Chair informed the Audit and Risk Management Committee that no petitions, public questions, or requests to make a statement had been received.

19 INTERNAL AUDIT UPDATE

Mark Niblock, Chief Internal Auditor, introduced his report that summarised the work of the Internal Audit Service for the period 1 November to 31 December 2020. The report identified the significant impact of the Covid-19 pandemic on scheduled audit work and included an analysis of planned work for the remainder of 2020/21.

It was reported that as a result of the pandemic, many internal audits had been suspended therefore the team had refocused its activity towards supporting the corporate response to Covid-19 in other areas of the Council. Furthermore work was underway to evaluate and test the effectiveness of the control arrangements in operation for the Merseyside Pension Fund and Wirral Growth Company, alongside further work being undertaken on cyber security.

The report further detailed the work planned for the remainder of the year as identified in the revised Internal Audit Plan, based upon the significance of the risks presented as a result of Covid-19.

RESOLVED – That the report be noted.

20 CORPORATE RISK MANAGEMENT UPDATE

Helen Turner, Risk, Continuity & Compliance Manager, introduced the report which provided the Committee with an update on the Council's risk management framework and highlighted areas of risk management work in the coming year.

Members were reminded that the Corporate Risk Register was undergoing a review to align to the Wirral Plan 2025 priorities. In addition, the Council had adopted a new Performance Management Framework, with risks to be monitored at the Organisational Performance Board and areas of non-compliance addressed at the Corporate Governance Group.

An update was provided on the Council's information management arrangements following a query at a previous meeting. A detailed report on the work undertaken on information management was due to be submitted to the Audit and Risk Management Committee's next meeting, however members were advised that new and updated corporate e-learning courses

had been made available and key policies were being reviewed to ensure that they covered the changes towards agile working as a result of the pandemic.

Members discussed the varying risk appetites across the Council and how this was factored in, as well as the corporate risk benchmarking exercises that were undertaken.

Resolved – That the report be noted.

21 **EXEMPT INFORMATION - EXCLUSION OF THE PRESS AND PUBLIC**

In response to comments from members, the Committee was advised by the legal representative of the reasons for excluding the press and public from the meeting. The report revealed the identity of individuals whose privacy was protected by General Data Protection Regulations, and that it was not necessary for the individuals identity to be disclosed to the public in order for the report to achieve its purpose. It was the view of the legal representative that any discussion held in open session may result in that information being disclosed.

Members were supportive of the reasons for the report being exempt, but the view was expressed that further reassurances to Wirral schools were needed in public and a further action report should be brought back to the next meeting to be heard in public.

Resolved – That, under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following item of business on the grounds that it involves the likely disclosure of exempt information as defined by paragraph 1 of Part I of Schedule 12A (as amended) to that Act.

22 **INTERNAL AUDIT REPORT - WOODCHURCH ROAD PRIMARY**

Iain Miles, Audit Manager introduced a report which detailed an internal audit report for Woodchurch Road Primary School.

After a significant debate and the Audit Manager having responded to questions from Members, an additional recommendation was proposed by Councillor Stuart Whittingham and seconded by Councillor David Burgess-Joyce:

“That the Audit and Risk Management Committee requests that this report be considered by the Children, Young People and Education Committee. Furthermore that a further report be prepared for consideration in public at the next meeting of the Audit and Risk Management Committee, and that this report also be considered by the Children, Young People and Education Committee.”

The motion was approved unanimously.

Resolved – That

- (1) the report be noted.**
- (2) the Audit and Risk Management Committee request that this report be considered by the Children, Young People and Education Committee. Furthermore that a further report be prepared in a format suitable for consideration in public at the next meeting of the Audit and Risk Management Committee, and that this report also be considered by the Children, Young People and Education Committee.**
- (3) representatives of the Director of Children, Families and Education and the Director of Resources be requested to attend the next meeting of the Audit and Risk Management Committee for the consideration of the additional item on Woodchurch Road Primary School.**



AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 9 March 2021

REPORT TITLE:	SCHOOL BUDGETS & SERVICE LEVEL AGREEMENTS
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

Following a request by Members at the 25th January meeting of the Audit and Risk Management Committee (ARMC), this report outlines what factors led to Woodchurch Road Primary School reporting a deficit of £442,901 by the end of the 2018/19 financial year and what is in place to prevent a similar situation occurring in other schools. At the request of Members, the report also considers the arrangements in place within the Council to manage school budgets including licensed deficits in its schools and to manage Service Level Agreements (SLAs) with schools.

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

RECOMMENDATION

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

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 To inform Members of the factors that led to the significant deficit arising at Woodchurch Road Primary School and provide Members with assurance that appropriate procedures are in place to prevent a similar situation arising at other maintained schools. To inform Members of the arrangements in place within the Council to manage school budgets including licensed deficits in its schools and to manage service SLAs with schools.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND INFORMATION

- 3.1 Following a request by Members at the 25th January meeting of the ARMC, this report considers:
- the factors that led to Woodchurch Road Primary School reporting a deficit of £442,901 by the end of the 2018/19 financial year and the measures introduced to prevent a similar situation occurring in other schools
 - the arrangements in place to manage school budgets including licensed deficits in its schools
 - the arrangements in place to manage service SLAs with schools.

3.2 Woodchurch Road Primary

- 3.2.1 As at 31 December 2018, the projected budget deficit for the school for the year-ending 31 March 2019, as reported to the school's Finance Committee on 6 March 2019, was £32,754. The actual budget deficit at year-end was £442,901. The factors that led to this budget position are outlined below. For legal reasons, the report does not identify the role of specific individuals; rather collective reference is made to 'the school'.
- 3.2.2 The primary reason for the sudden change in reported deficit was that, to our knowledge since 2014/15, debtor and payment in advance accruals at the year-end had been inflated. This resulted in falsely increasing the level of income and reducing the level of expenditure in the current year, thus concealing the true financial position in school financial reports. This practice, and therefore the true financial position, became evident in March 2019.
- 3.2.3 There were areas where, if financial procedures had been stronger, the concealed deficit may have been identified earlier. These include:
- The school did not have the awareness it should have had that the school's SLA with the Council's Local Management of Schools (LMS) Finance team was only for a standard service. This led to an assumption by the school that the LMS Finance team were providing a service, including a level of controls and checking, that exceeded the service actually in place. As a consequence the school did not put in place additional checks. The school had capacity

within their structure to provide financial support and governance in tandem with the standard level of support purchased from the Council. The school had access to the SLA information each year, which noted the level of service being purchased.

- Detailed financial reports by school employees were not shared by the school in advance of relevant meetings or left with attendees after the meeting. This will have had an impact on the ability of attendees to provide effective challenge.
- Accruals were submitted to the Council's LMS Finance team for processing. Procedures within the school at the time did not require appropriate sign-off. Schools were not required to supply to the Council's LMS Finance team evidence to support high value accruals. Given their significant value, the year-end accruals could have been challenged earlier by the Council's LMS Finance team.

3.2.4 The deficit at the end of the 2019/20 financial year was £558,492. The reasons for the increase from 2018/19 included the impact of addressing issues from 2018/19, identified when the Council's LMS Bursar started to support the school, such as the identification of commitments not accrued, and reduced income due to falling rolls; which together exceeded savings made by the school in-year.

3.2.5 The school acted quickly to strengthen controls once the true deficit became apparent in March 2019. Actions taken included:

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

3.2.6 The Council's LMS Finance team acted quickly to strengthen controls for the review of year-end accruals in line with the revised service purchased. For 2019/20 arrangements were strengthened further, with changes including:

- accruals required to be signed by the head-teacher, with an expectation that signed copies may be requested by the LMS Finance team as spot checks;
- evidence required to be submitted to the LMS Finance team for some of the larger transactions, e.g. Debtors / Payments in Advance over £5k, Creditors and Receipts in Advance over £10k.

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

3.2.7 Additional checks have been added to the Internal Audit school audit programme where a school has only a Standard SLA or no SLA with the LMS team. The existence and type of SLA a school has with the LMS team continues to influence the risk assessment for the prioritisation of schools for audit.

3.3 **School budgets including licenced deficits**

3.3.1 Wirral Council, like all Local Authorities, are required to publish a scheme for financing schools, setting out the financial relationship between them and the schools they maintain. The scheme for financing schools has been drawn up in line with Department of Education (DFE) guidelines and includes information relating to a school's responsibility to balance its budget and what the process is if a school has or is expected to have a deficit budget.

The scheme includes the following requirements:

- **Obligation to Carry Forward Deficit Balances** - Any deficit balance at a school will be carried forward to the following financial year. Such a deficit will be deducted from the following year's budget share and cannot be written off by the Local Authority.
- **Planning for Deficit Budgets** - Schools may only plan for deficits in certain approved circumstances. The Local Authority cannot write off the deficit of any school.

3.3.2 The LMS Finance Team review school balances on a regular basis raising concerns with schools where necessary and supporting them in avoiding a deficit position or planning to quickly recover from a deficit position. The status of schools in deficit is reported at each meeting of the Schools Forum.

3.3.3 In addition, the following action can be taken:

- **Licensed deficits** – this is an agreement between the school and the Authority and schools have to request this if they are planning on setting a budget with a deficit greater than 5%. The school specifies the actions it proposes to take to return its budget to a balanced position within a three-year period. Such actions can include reducing staff through redundancy or natural wastage, restructure of staff, ending fixed term staff contracts, review non-staffing costs, ensuring additional services like before/after school clubs are not making a loss.
- **Notice of Concern** – If it is felt that a school cannot recover its deficit position without impacting on the service it delivers, Wirral will issue a notice of concern to the governing body. Such a notice will set out the reasons and evidence for it being made and may place on the governing body restrictions, limitations, or prohibitions in relation to the management of funds delegated to it. Currently, there are 6 Wirral schools that are to be issued with a notice of concern. Five of these schools have been issued with a notice of concern previously with just one school that is being issued with a notice of concern for the first time.
- **Withdrawal of delegated financial powers** – Wirral may suspend a school's right to a delegated budget if the provisions of this scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily in the judgement of the Director of Children's Services.

3.3.4 The process in place for agreeing a licensed deficit is as follows:

- Schools budget setting process takes place May/June.
- Expected income and expenditure streams are set out for the year ahead.
- If the compilation of the forthcoming costs against income demonstrates a deficit budget position, i.e. the school cannot set a balanced budget, they must make an application to the Council for a licenced deficit.
- The LMS Finance team review the position with the school and discuss options that can deliver a balanced budget for the school within three years, with specific savings built into the plan.
- This plan must be agreed and signed-off by the Headteacher and Chair of Governors for the deficit budget to be agreed.
- The resultant licenced deficit plan is reviewed at every budget monitoring period until the budget balances again.

3.4 Arrangements in place to manage service SLAs with schools

3.4.1 As noted above, a contributory factor to the issues arising at Woodchurch Road Primary was that the school did not have in place additional controls to support the standard service it had commissioned from the LMS Finance team (standard plus or premium services were alternative service choices available, which would have provided additional services/support to that originally purchased). This raises the question as to whether the Council faces other potential risks if schools choose to receive a basic (where service choices exist) or no services for other SLAs where potential risks to the Council could arise – however it should be noted that the risk and responsibility is ultimately with the school as it is at their discretion as to what, if any, external support services are purchased; further to this, school budgets are the responsibility of the school legally and the Council do not have any influence over who they chose to buy services from. Other services considered in this context for the purpose of this report were: HR consultancy, Health & Safety (H&S), IT services and Data Protection services.

3.4.2 Currently 78 schools purchase a standard SLA for HR consultancy services and three purchase a bespoke SLA (including two academies). It is the individual school's responsibility to choose how they will receive the necessary advice. The Council does not have access to SLAs that schools enter into with other organisations. Summary guidance is given to schools concerning duties and responsibilities. For schools that are considering purchasing an HR Consultancy Service from an alternative service provider, the guidance includes reminders that:

- the Local Authority remains the employer of staff in Local Authority maintained community, special and voluntary controlled schools, and has statutory responsibilities in managing the contractual rights of employees
- if the school is considering purchasing HR Consultancy Services from other providers the school needs to ensure that they comply with all statutory obligations, current employment legislation, education legislation and national and locally agreed terms and conditions of service
- Governors must ensure that the minimum requirements of the service, as governed by the statutory and financial regulations of the Council, are adhered to.

3.4.3 The standard H&S SLA is offered to all schools to purchase, including Academies and Diocese schools. 108 schools purchased the service in 2019/20; this reduced to 46 schools in 2020/21. The biggest concern for the H&S service is the possibility of

Community schools that may not have any competent H&S advisors as required under the Management of Health and Safety Regulations. The head of service for H&S wrote to all schools last year to advise them of their statutory duties for H&S and the need for competent advice. He is currently writing again to schools and plans to follow up to enquire who provides the schools with H&S advice. The intention is to seek to check the “quality” of their professional advisers. The H&S Team undertake an arms-length H&S management audit of all Community schools that do not buy the H&S SLA. The Team will follow up any concerns highlighted by the responses to the self-assessment audit tool. Schools are charged an hourly rate for any advice that the H&S Team provide, including for investigations. Ultimately the Governing Body in schools has responsibility for the health, safety and welfare of staff and pupils under the Delegated Budget Scheme.

- 3.4.4 The Council’s IT Technical support SLA is provided currently to 56 schools. As far as officers are aware, all schools who do not have a Council IT support SLA have an SLA with an alternative provider. If a school did not have an appropriate SLA in place it would be at risk of not being able to provide the curriculum or providing online safety for pupils. The IT team only manage / monitor those schools who have an SLA with the Council.
- 3.4.5 All schools are required to have a named Data Protection officer and have records retention, privacy notices and other policies in place. 37 schools have taken out a Data Protection SLA with the Council’s traded service. Schools without this service will need to obtain these statutory documents from other providers and it is known that many have bought into external providers. Only schools that buy into the Council Schools DPO service are monitored.
- 3.4.6 At the Children, Young People and Education Committee agenda setting meeting on 3 February 2021, members asked officers to pull together some information on the Council’s statutory duties to schools and the traded services provided and to arrange a workshop on this issue.

3.5 Summary

3.5.1 In summary:

- As a result of the issues arising at Woodchurch Road Primary, additional control measures have been put in place that will mitigate the future risk of the primary issue that led to the budget deficit occurring again.
- The Council has appropriate arrangements in place for the oversight of school budgets.
- It is the responsibility of the schools to determine what, if any, external support services are purchased and the level of support. The Council continues to keep under review the mix and package of traded services on offer. A workshop on traded services is to be provided for the Children, Young People and Education Committee.

4.0 FINANCIAL IMPLICATIONS

- 4.1 It became apparent in March/April 2019 that as at 31 March 2019 Woodchurch Road Primary school had a deficit of £442,901. In July 2019, the Assistant Director for Education wrote to the school noting that the deficit at the time was estimated to be

in the region of £600k and confirming that the Director of Finance & Investment had agreed to allow the school six years to turn around the budget deficit (an increase compared to the usual period of three years). Since then, the school has made savings of over £200k; however, the financial impact of falling school rolls has exceeded the value of savings made.

- 4.2 It is the responsibility of the school to manage its budget, however ongoing support is provided through the LMS Finance team as part of the service purchased by the school in addition to the monitoring activity undertaken as part of the licenced deficit position.

5.0 LEGAL IMPLICATIONS

- 5.1 Legal advice has confirmed that to comply with GDPR, personal details of those involved in the events at Woodchurch Road Primary cannot be disclosed in public.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 The school is facing significant resource implications, particularly reductions in school staffing, as a consequence of decisions made to reduce the school deficit.

7.0 RELEVANT RISKS

- 7.1 Woodchurch Road Primary continues to face significant financial risks. There would be financial risks at other schools if arrangements had not been strengthened to prevent a reoccurrence at other schools.
- 7.2 Section 3.4 highlights potential risks to the Council from other service SLAs with schools. A workshop is to be arranged for the Children, Young People and Education Committee.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Internal Audit consulted with relevant Officers within the Council in the preparation of 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. There are no equality implications from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 There are no specific environment and climate implications arising from this report.

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APPENDICES

BACKGROUND PAPERS

School report and supporting documents.

Internal Audit report May 19 and subsequent follow-up reports.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	16 November 2020
Audit and Risk Management Committee	25 January 2021



AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 9 March 2021

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

REPORT SUMMARY

This report analyses and summarises the work of the Internal Audit Service for the period 1st January to 28 February 2021, identifying the significant impact of the Covid19 pandemic on scheduled audit work and includes an analysis of planned work for the remainder of 2020/21.

RECOMMENDATION

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

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 To provide the Members with assurance that the Council is taking appropriate measures to ensure that the control environment is effective and to comply with statutory requirements to provide an adequate and effective internal audit service.
- 1.2 To ensure that risks to the Council are managed effectively.
- 1.3 To ensure that the Council complies with best practice guidance identified by Chartered Institute of Public Finance Accountants (CIPFA) and the Chartered Institute of Internal Auditors (CIIA).

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND AND AUDIT OUTPUT

- 3.1. Internal Audit operate an effective reporting mechanism for Members of the Audit and Risk Management Committee that involves audit reports summarising audit work completed being presented to this Committee at scheduled meetings on a timely basis. Following the outbreak of the Covid19 pandemic scheduled normal routine planned audit work has had to be adjusted to accommodate a significantly changed operating environment as reported to this Committee in November 2020.
- 3.2 This report identifies some of the impacts of the pandemic on the normal work of the team including the increased demands outside of the norm to address additional risks presented and the impact of this on routine planned work. This report therefore focusses on the following:
 - The ongoing impact of Covid19 on the Internal Audit Plan 20/21
 - Internal Audit Activity for the Jan – Feb 21 reporting period
 - Planned Internal Audit work for the remainder of the year
 - Any items of note arising from audit work undertaken that require action.

3.3. Internal Audit Plan 20/21

- 3.3.1 The Internal Audit Plan for 2020/21 was reported to the Audit and Risk Management Committee in March 2020 and a revised plan following the arrival and impact of the Covid19 pandemic presented in November 2020 and endorsed by the Members for delivery during the remainder of the year.
- 3.3.2 The pandemic has had a significant impact on the Internal Audit Service with many services across the Council unable to continue to deliver normally and many activities suspended. Consequently, and as reported previously many internal audits have had to be suspended with the team deliberately refocussing its activity towards supporting the corporate response to the pandemic, utilising its considerable expertise in governance, controls, and risk in the following areas. Much of this activity has continued during the current reporting period:

- Supporting each of the governance cells established by the Council to oversee and manage corporate activity during the pandemic.
- Providing direct input to the development of processes and procedures and controls over systems implemented during the pandemic.
- Direct involvement in the control systems established for the payment of support grants during the pandemic.
- Evaluation of the threats posed by fraudsters and the subsequent development of a comprehensive response.

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

3.4 **Internal Audit Activity for the Jan to Feb 20 Reporting Period**

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

- 3.4.1 Continuing to support the governance cells established by the Council to oversee and manage corporate activity throughout the pandemic and designed to ensure that the Council's response was appropriate and proportionate and delivered regional and national schemes introduced to support both the public and local business, challenging activities where appropriate and providing active ongoing advice and guidance;
- 3.4.2 Providing direct input to systems implemented to facilitate the delivery of various government schemes. Examples of this include Local Restrictions Support Grants and Track and Trace initiatives;
- 3.4.3 An extended follow up audit has been conducted of the Treasury Management system within the Finance Section of the Resources Directorate. The audit was completed determine the progress made in implementing the previously agreed audit recommendations and to re-evaluate the current organisational risk. This review identified that of the original seven recommendations, four had been fully implemented and three were still outstanding which has resulted in a moderate organisational risk. Progress with implementing the outstanding recommendations has been delayed due to the impact of the Covid19 situation on the Treasury Management function but assurances have been obtained that action will be taken and a new target date has been agreed. A further follow-up audit will be scheduled within the Audit Plan 2021/22.

3.4.4. Audit work has recently been completed to evaluate and appraise controls in operation over the Wirral Growth Company Payments systems including the sample testing of a range of ledger payments to prime data to ensure validity of payments, approval of supplier and appropriate authorisations of service delivery. The audit report is currently being drafted and contains a number of actions to improve systems in operation in the following areas:

- Evidence trails for approvals;
- Access to payments records;
- Reconciliation of balance of partner costs.

3.4.5. Audit work has been undertaken in the following areas and reports prepared identifying actions to improve arrangements in operation:

- Two Wirral Schools reviews against school's financial handbook
- One Academy School - contracted work completed
- Mayors Charity Account – independent review

3.4.6. Scheduled audit work is continuing in the following areas to evaluate and test the effectiveness of the control arrangements in operation:

- **Merseyside Pension Fund – Transfers Out:** The audit objective is to determine whether the controls within the risk areas for transfers out are robust and provide reasonable assurance that the associated financial transactions are valid and accurate.
- **Merseyside Pension Fund - Northern LGPS Custodian Arrangements:** Wirral Internal Audit Services have instigated the formulation of a working group representing the three pension funds that make up the Northern LGPS (Merseyside, Greater Manchester and West Yorkshire) that will meet regularly to exchange audit ideas and knowledge and undertake collaborative working. The first of these audits involves an evaluation of the arrangements in place over the use of the Northern Trust Bank as common custodian. The overall audit objective is to ensure that adequate systems and controls are in place to ensure that the risks are adequately controlled and minimised, so that the financial assets of the Northern LGPS are appropriately safeguarded.
- **Key Financial Systems –** An audit programme has been developed in accordance with the best practice guidance issued by both CIPFA & CIIA as the method for reviewing the risks and impacts of the current Covid19 situation on the operation of the key financial systems. The audit objective is to determine the key impacts on the effective operation of the system emanating from the Covid19 situation and provide managers with reasonable assurance that the risks have been considered and mitigated where appropriate.
- **Extended follow-up audits** in respect to the following reports to assess progress against agreed actions and to evaluate the current organisational risk within the system:
 - CHEST Procurement System

- Capital Financing
- Insurance

3.4.7. As previously reported a Cyber Security audit is currently underway to examine and evaluate the effectiveness of the arrangements in operation to protect the Council from cyber threats following recent incidents at Cleveland and Redcar and Hackney Councils. Research at these Councils and analysis of the nature of the incidents has facilitated the development of a work programme that has allowed us to evaluate the effectiveness of arrangements in operation locally to combat this type of threat. Work in this area is concluding and the emerging findings indicate that the Council has some good controls in operation that are in line with current best professional practice, however it is also acknowledged that this particular threat is constantly evolving and becoming considerably more sophisticated and improvements to arrangements are required on an ongoing basis to combat this. It is recognised that the single greatest risk in this area to any organisation is its workforce and their awareness and understanding of the threats and their ability to respond properly. Internal Audit is currently working with colleagues in Digital to evaluate the audit findings to identify and implement actions to combat these risks that include enhanced procedures and effective completion of mandatory training. The outcome of these discussions will be captured within the audit report and action plan.

3.5 **Planned Internal Audit Work for Qtr 4 of 2020/21**

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

- Cyber Security – Organisational review completion
- Wirral Growth Company – Governance and Financial Systems
- Business Grants - Post Assurance Checks
- Contract Procedure Rules Sample Compliance Testing
- Key Financial Systems utilising developed Covid19 programme
- Merseyside Pension Fund – Risk Management, VAT Compliance, Benefits
- Client Finance Services – Covid19 impact assessment
- Financial Resilience – Budget Processes review
- Corporate Governance – Compliance Reporting
- Safeguarding Adults – Review and Testing
- Business Planning and Performance Management
- Information Governance – review of current arrangements
- Annual Governance Statement 2021

3.6 **Items of Note/Action**

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

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising from this report.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There is none arising from this report.

7.0 RELEVANT RISKS

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

9.1 There are none arising from this report.

10. ENVIRONMENT AND CLIMATE IMPLICATIONS

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

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APPENDICES

None

BACKGROUND PAPERS

Internal Audit Plan 2020/21

Revised Internal Audit Plan – Nov 2020

SUBJECT HISTORY (last 3 years)

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

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AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 9 March 2021

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

REPORT SUMMARY

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

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

RECOMMENDATION/S

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

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

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

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND INFORMATION

- 3.1 Given the short reporting period between this meeting and the last update to the Committee there is limited change in position to report. Work is progressing in many areas however the third national lockdown and preparations for the relaxing of measures has led to some interruptions and distractions with some developments and activity being delayed.

Member Risk Sub-Group

- 3.2 A session was held on the 9th of February with the Chair and Spokespersons of the Committee. It consisted of a short training and development session on the basics of risk management and the framework used across the Council, followed by a discussion on the list of Corporate Risks and other areas of concern and interest.
- 3.3 Discussions included considering the role of the Committee and the amount of detail available and presented to this and the service committees, particularly in relation to risks at a directorate level.
- 3.4 Future meetings will be arranged around the calendar of committee meetings for 2021/22. Suggested subjects for discussion are the consideration of the risk appetite for the organisation, the balance of high impact/low likelihood risks as well as options for a "deep dive" into specific risks to gain an understanding and assurance of the processes and practices in place.

Corporate and Directorate Plans and Risk Registers

- 3.5 Discussions have been ongoing in February to agree the Council priorities and key activities for the year ahead. This includes at a Directorate Management Team level where directorate priorities and the potential risks associated with their delivery are being captured and considered alongside the list of Corporate Risks.
- 3.6 Discussions include the development of the underpinning performance framework for performance measures and discussions on what, where and how frequently high-level information will be reported.
- 3.7 Consideration is also being given to the reporting lines for escalation of issues and risks. The Organisational Performance Group, chaired by the Director of Neighbourhood Services, will act as a conduit for directorates to share information

and escalate issues/risks as well as areas for collaboration to the Senior Leadership Team. It will also be able to refer items to the Corporate Governance Group for more detailed investigation and challenge.

Update on a Selection of Corporate Risks

- 3.8 A number of the Corporate Risks need to be reconsidered following significant activity over recent months. A list of the Corporate Risks is available within the attached appendix.
- 3.9 *CRR16 Capitalisation Directive* – following the offer of 'exceptional financial support' from the Ministry of Housing, Communities and Local Government (MHCLG) in February this risk will be refocussed to reflect the new position.
- 3.10 *CRR22 Health and Safety (H&S) Management* – despite the impact of COVID-19 work is progressing with key actions laid out in an H&S Improvement Plan 2020-22. The need for H&S risk assessments related to COVID-19 has led to an improved awareness and understanding of H&S issues and responsibilities across the Council. Further work is planned in terms of a revised H&S Policy and Strategy, a learning, development, and awareness programme as well as Service H&S Risk Registers to be maintained and managed at the Assistant Director level.
- 3.11 Work is progressing on Internal Audit reports in relation to several Corporate Risks: *CRR17 Financial Resilience*, *CRR23 Cyber Security* and more generally across several pieces of audit work in relation to *CRR18 Non-compliance with Policies and Procedures*. The output of these pieces of work will provide an assessment of the current position in relation to these risks and inform the key actions to be focussed on in the coming year.
- 3.12 *CRR05 Response to a Crisis/Disruptive Incident (both internal and external)* – throughout the COVID-19 response services have been reminded to ensure that their ability to respond to a disruptive incident is maintained. A classic business continuity incident: the loss of a key site or a major IT failure are always possible even during a pandemic. The move of so many staff to working from home places even greater reliance on our IT capabilities and at a greater risk of disruption in the event of a major IT failure. This links with *CRR23 Cyber Security*.
- 3.13 Three risks will drop down a level to be managed within the relevant Directorate Risk Register: *CRR3 Brexit Implications*, *CRR10 Infection Control in Social Care Settings* and *CRR21 Transition to a new Committee System*.
- 3.14 An updated list of Corporate Risks with scores and planned actions will be presented to the next Committee, as discussed at the Risk Sub-Group.

4.0 FINANCIAL IMPLICATIONS

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

5.0 LEGAL IMPLICATIONS

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

5.2 The Authority has a statutory responsibility under Part 2 – Internal Control of the Accounts and Audit Regulations (England) 2015 to have arrangements in place for the management of risk. It also forms part of the seven new core principles within the best practice guidance, ‘Delivering Corporate Governance in Local Government: Framework’ published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

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

7.0 RELEVANT RISKS

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

7.2 Risk management arrangements for the Council form part of the key controls for the Corporate Risk *CRR20 – Effective Governance*.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

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

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

- Have no impact on emissions of Greenhouse Gases

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APPENDICES

Appendix 1 – Corporate Risk Register Summary

BACKGROUND PAPERS

Risk Management Policy

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	
Improvements to the Corporate Risk Management Framework	23 July 2018
Development of the Revised Corporate Risk Register	24 September 2018
Development of the Revised Corporate Risk Register	19 November 2018
Development of the Revised Corporate Risk Register	28 January 2019
Development of the Revised Corporate Risk Register	11 March 2019
Update of the Corporate Risk Register	22 July 2019
Update of the Corporate Risk Register	23 September 2019
Update of the Corporate Risk Management Arrangements	18th November 2019
Corporate Risk Management Update	27th January 2020
Risk Management Update	10 th March 2020
Corporate Risk Register Update	16 th November 2020
Corporate Risk Management Update	25 th January 2021

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Appendix 1 - Corporate Risk Register Summary - March 2021

Wirral Council Plan 2025 Priorities	Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Selection of Planned Actions - more detail to be added as Corporate Plan revised and Directorate Risk Registers updated.
Inclusive Economy - Working for a prosperous, inclusive economy where local people can get good jobs and achieve their aspirations.	CRR 01	Development and Implementation of the Local Plan 2022-2037 Failure to ensure the Council's arrangements for the consultation, publication and implementation of the Local Plan resulting in intervention, a loss of control over future development and missed opportunities to promote economic growth.	Alan Evans	Regulation 18 consultation completed LGA, Planning Officers Society and Planning Advisory Service supporting the work on the Local Plan Local Development Scheme for Wirral includes risk assessment and indicative timetable (latest version 03/10/2020)	Publication of the Local Plan: (Regulation 19) February 2021 Submission to the Secretary of State - Summer 2021 Indicative date for Local Plan Adoption 2022
	CRR 02	Regeneration Programme The failure of the major regeneration projects to deliver the anticipated benefits undermines the Council's budgetary position, its economic growth aspirations and public and investor confidence in the authority.	Alan Evans	Projects brought forward within a clear strategic framework reflecting the Borough's Local Plan and providing confidence to investors, funders and developers Strategic Framework allows for enabling infrastructure, skills and business support to be brought forward to underpin major project development Clearly documented legal frameworks and agreements for all regeneration projects Robust business cases, project and programme plans with detailed risk registers, informed through corporate risk workshops, to underpin key decisions Clear lines of project reporting through project groups to the Regeneration and Place Board with supporting structures and monitoring in place Existing relationships in place with key developers – Muse (Wirral Growth Company LLP) and Peel (Wirral Waters)	Investment strategy being developed to support the funding model for the major regeneration projects Public consultation to be carried out to inform development plans Delivery Action Plans to be finalised in order to ensure a co-ordinated and phased approach to development A joint Board has been established with the LCR CA and Homes England to advance a programme approach to investment in Wirral growth projects Alternative delivery models are being reviewed to ensure that effective delivery by the council is maximised
Sustainable Environment - Working for a sustainable environment that leads the way in its response to the climate emergency and is environmentally friendly.	CRR 04	Climate Emergency Response Failure to respond effectively and proportionately to develop plans/adaptations that may lead to legal challenge, financial damage, reputation damage, increased costs, lack of resilience	Nicki Butterworth	Impact of Covid-19 restrictions - new ways of working and some unforeseen environmental benefits and opportunities to be built upon. Climate Emergency Team created. Launch of the Tree, Woodland and Hedgerow Strategy in 2020. Cool Wirral Partnership's Climate Change Strategy, Cool 2 including a number of climate emergency public events	Establishment and delivery of the Environment and Climate Emergency Policy and Action Plan. Set up of Task & Finish Group - Environment and Climate Emergency Policy Members' Working Group to develop an Environment and Climate Emergency Policy Establish Internal Action Group of senior officers to oversee delivery of the Environment and Climate Emergency Action Plan. Become a Carbon Literate Organisation - investment in carbon literacy training for the Council's senior leaders and carbon awareness briefings for all staff and members. Amendment of employee development structures including core competences to include carbon literacy as a core requirement.
Safe & Pleasant Communities - Working for safe and pleasant communities where our residents feel safe, and where they want to live and raise their families.	CRR 05	Response to a Crisis/Disruptive Incident (both internal and external) Failure to maintain effective response arrangements and plans (and incorporate COVID-19 measures) to react to a disruptive event leaves the Council unable to respond quickly and effectively to an incident, resulting in a major failure in service delivery	Nicki Butterworth / Shaer Halewood	Emergency response structure led by Strategic Co-ordination Group, with close links to a cross-party leaders group. Operational response was led by Tactical Co-ordination Group, operating through a series of delivery cells, including for example Economic Resilience, Humanitarian, Scientific Technical Advisory and Health and Social Care. Governance structures adapted during COVID-19 response to reflect phase - cells stood up/down as appropriate. Role within LCR and MRF cells	Lessons Learnt review
	CRR 06	Ongoing COVID-19 Response - Increased Cases/Winter Plans Failure to use intelligence effectively leads to an inability to respond effectively to a local outbreak resulting in wider restrictions, increased infection and mortality rate increases, longer term health risks, key council services unavailable, people (staff and public) at risk, increased costs, government intervention and loss of trust/support	SCG / Julie Webster	Outbreak Management Plan refreshed December 2020 Development and use of Community Champions network - 540 local people have signed up to the programme. Joint working and communications across LCR and neighbouring authorities Work of the Local Outbreak Hub - daily multi-agency meetings are held to review case data and share key information, weekly meetings held to evaluate longer-term themes and issues relating to high risk settings and to proactively provide support where needed. Wirral Covid-19 Testing strategy 2020-22 - deployed five local testing sites across the borough in Liscard, Bebington, Birkenhead, Bidston and Heswall. Mobile testing unit available to visit key sites e.g. manufacturing companies/depots Collaboration with NHS Wirral CCG, and Wirral's Primary Care Networks - supporting the role out of the COVID-19 Vaccination Programme with provision of sites/locations and resource for vaccinations on a mass scale for residents	Engagement Strategy and Action Plan including establishing a black, Asian and minority ethnic engagement group and producing a range of communication materials in suitable formats for our diverse local population

Wirral Council Plan 2025 Priorities	Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Selection of Planned Actions - more detail to be added as Corporate Plan revised and Directorate Risk Registers updated.
Active & Healthy Lives - Working for happy, active and healthy lives where people are supported, protected and inspired to live independently.	CRR 07	Partnership Working Inability to take advantage of collaborative opportunities locally and nationally, limiting improvement in economic conditions for the community and the Council's funding position	Paul Satoor	Effective close partnership working through COVID-19 response by means of the Merseyside Resilience Forum and the Chief Executive's regular meetings with Health partners.	
	CRR 08	Significant Safeguarding Incident The Council and its partners do not effectively manage their relevant safeguarding risks, leading to a safeguarding incident, resulting in harm to individuals and/or families, potential legal challenge, resident dissatisfaction and public scrutiny	Graham Hodkinson / Paul Boyce	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, 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.	Implementation of recommendations from Adults Safeguarding Board Peer Challenge Review Jan 2020 report including the establishment of a Local Safeguarding Adults Board.
	CRR 09	Quality & Demand Management in Health and Care Services Failure to improve the quality of health and care services, anticipate demand particularly in the winter period leaving the Council exposed to increased financial pressures in relation to meeting social care assessed need.	Graham Hodkinson	Implementation of Healthy Wirral Strategy Home First Pathway implemented Social Work services integrated with partners with a section 75 agreement for most services, focus on demand management, early intervention and prevention	
	CRR 11	Health Inequalities Failure to understand and manage health inequalities leads to increased costs, earlier involvement with and pressure on services and long-term issues for the community	Graham Hodkinson / Julie Webster		
Brighter Futures - Working for brighter futures for our children, young people and their families by breaking the cycle of poor outcomes and raising the aspirations of every child in Wirral.	CRR 12	Education - School Sufficiency Failure to secure appropriate and balanced school sufficiency impacting on the financial viability of education institutions and resulting in declining performance and poor educational outcomes for children	Paul Boyce	School to School Partnership established giving NLEs and Heads of Teaching Schools strategic responsibility for 'banding' schools. Locality Boards Established to identify and address areas for improvement. Governors have access to appropriate support. Wirral System Leaders	Influence recruitment drive by sharing intelligence about appropriate skill mix required Progression framework development Transfer between teams policy ASYE Programme improvements DASH System developments
	CRR 13	SEND Failure to appropriately understand how well the local authority identifies, meets the need and improves outcomes for children and young people with Special Educational Needs and Disabilities resulting in a statement of action from Ofsted and potentially leading to reputational damage for Children's Services and the Council	Paul Boyce / Graham Hodkinson	SEND Improvement Plan and Self-evaluation co-produced for the last four years - key actions are evaluated regularly through the SEND Operations Group and the SEND Strategic Board reviewing performance and holding to account. External review of provision and recommendations Appointment of Head of SEND and Inclusion Priorities detailed in the SEND Strategy 2020-24 Robust identification and assessment framework in early years, with trained and qualified SEND professionals.	Robust performance management and quality assurance framework Competency framework for EHCP Co-ordinators and EP Training and development programme for all staff involved in SEND
	CRR 14	Preventative Activity in Health and Care Services Insufficient time and resource for preventative and upstream activity mean that outcomes for vulnerable people do not improve, resulting in demand for reactive services not reducing, or increasing.	Paul Boyce / Graham Hodkinson		
	CRR 15	Impact of COVID on Education Impact of COVID on educational outcomes leads to increasing gap between the borough's disadvantaged children and non-disadvantaged children, poorer long term outcomes for some of the most vulnerable children	Paul Boyce		

Wirral Council Plan 2025 Priorities	Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Selection of Planned Actions - more detail to be added as Corporate Plan revised and Directorate Risk Registers updated.
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 29</p> <p>We will be ambitious, professional, customer-focused and accountable</p>	CRR 16	<p>Capitalisation Directive Failure to obtain agreement from MHCLG to progress the Council's request for exceptional financial support in respect of the financial impact of COVID-19, in the form of a capitalisation directive, and obtain requisite approval by HM Treasury (HMT) leads to financial remedial measures that could include:</p> <ul style="list-style-type: none"> •setting an emergency budget •issuing a s. 114 notice •Government intervention 	Shaer Halewood	<p>An initial submission for a capitalisation directive was made in October. Supporting information underwent external validation by LGA, who are providing an independent challenge and critical friend role in supporting the development of the Council's submission and business case, as directed by MHCLG as part of the process.</p> <p>February 2021 - offer of 'exceptional financial support' from the Ministry of Housing, Communities and Local Government (MHCLG)</p>	<p>Conditions that the Council will be expected to fulfil include:</p> <ul style="list-style-type: none"> • A robust assessment of the current budget position and the direct and indirect financial impact of Covid-19 • A robust medium term financial recovery strategy to ensure the Council can secure a financially sound and sustainable footing • Demonstration of the Council's headroom to borrow • Capital programme review in light of the Council's current financial position • Assurance that the Council has done everything it can in advance to mitigate the budget gap including: <ul style="list-style-type: none"> - Utilising earmarked reserves where available - Evidencing the requirement for all pressures and growth items built in to the budget - Actioning and accelerating the plans for achievable savings - An asset review to deliver savings/capital receipts - Reviewing all services to determine what efficiencies can be made including a review of non-statutory services
	CRR 17	<p>Financial Resilience/Management Failure to effectively plan/manage the Council budget and funding leads to poor decisions on service reductions, unplanned efficiencies and in year overspends, resulting in the withdrawal of Council services to communities, government intervention, S114 declaration.</p>	Shaer Halewood	<p>Additional Government funding to support the emergency response to Covid-19 Quarter 1 monitoring report that was presented at Cabinet on 27 July - resetting the Medium Term Financial Plan at Quarter 1 Budget report to P&R Committee 6 October Quarter 2 monitoring report to P&R Committee early November. Reviews undertaken of items in 2020/21 budget including: pressures and growth items, budget savings currently assumed to be unachievable or partially achievable, forecast capital receipts programme for any opportunity to progress anticipated sales, current budget forecast to take account of services being paused and buildings being closed due to Covid-19, earmarked reserves. Regular Financial Monitoring and Challenge Group</p>	<ul style="list-style-type: none"> •Review of 2020/21 savings proposals to determine what can be delivered in-year •Identification of savings proposals for 2021 – 2024 to ensure a programme of support could be established early on to ensure these proposals progressed with an escalation process for any issues that may arise. •Review of the process for agreeing capital projects and funding to ensure a return on investment and a better link with the revenue budget •Policy & Resources and Service Committee budget workshops to discuss potential budget options for consideration once the outcome of the government's comprehensive spending review is known and the Council's financial position for 2021/22 is made clear Review of the process for agreeing capital projects and funding to ensure a return on investment and a better link with the revenue budget
	CRR 18	<p>Non-Compliance with Policies and Procedures Non-compliance with corporate policies and procedures across disciplines such as HR, finance, information, procurement, health & safety, put the reputation of the Council and the health and safety of our staff and residents at risk, and may lead to legal challenge, financial penalty and ultimately loss of life.</p>	Shaer Halewood	<p>Specialist Area Groups in place for key areas e.g. Corporate Governance, People Strategy, Information Governance, Health, Safety and Wellbeing Internal Audit Plan includes areas of financial control, risk and compliance with key areas audited on a more regular basis than others. Targeted training packages rolled out including: Information Management - Information Asset Owners and Administrators, Finance - Budget workshops, Procurement, Political Awareness and Report Writing New initiatives e.g. procurement smart form easier and quicker to complete with a more robust workflow.</p>	
	CRR 19	<p>Cultural Change for an Effective and Efficient Organisation Failure to maintain the cultural changes necessary (due to insufficient capacity or expertise, cultural resistance from staff) leads to difficulties in developing an efficient, effective and long-term financially sustainable organisation resulting in ineffective engagement with partners, unable to deliver on the ambition of the Wirral Plan, perpetuating inefficiencies and preventing required outcomes for the community.</p>	Shaer Halewood	<p>Regular communications - Exec View, Director blogs, Wellbeing newsletters, staff roadshows and Directorate events Manager training including - Manager Micros Staff Check-Ins</p>	

Wirral Council Plan 2025 Priorities	Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Selection of Planned Actions - more detail to be added as Corporate Plan revised and Directorate Risk Registers updated.
Page 30	CRR 20	Effective Governance Failure to maintain effective corporate governance could result in poor decision-making, malpractice and breach of legislation, leading to regulatory intervention and significant cost, both in financial terms and to the reputation of the Council	Phil McCourt / Shaer Halewood	Internal governance procedures (DMT/ SLT) New Council Constitution. Code of Corporate Governance reviewed in line with CIPFA guidelines and aligned with Council policies and procedures Member and Officer Protocols - reviewed Improved Annual Governance Statement process, following CIPFA guidance / best practice review in 2019. Significant issues highlighted and monitored in year. Appropriate governance arrangements through COVID-19 response, with Group Leader and Leader of Council ratification of decisions and a system to track all decisions made.	
	CRR 22	Health & Safety Management Failure of officers, members or contractors to develop, test or sufficiently adhere to health and safety / compliance policies and procedures leads to an incident or exposure resulting in harm to employees / Members / members of the public, legal challenge and reputational damage	Shaer Halewood	Health and Safety Strategic Group, chaired by Chief Executive, supported by the Health and Safety Steering Group. COVID-19 specific risk assessment procedures implemented including for the remobilisation of services, reviewed by H&S Team and Public Health.	Update of H&S Strategy and Policy. Refresh of H&S subject specific policies. Development of H&S risk framework including Service level risk assessment and profile.
	CRR 23	Cyber Security IT security is insufficient to deter, detect and prevent unauthorised access to IT systems, resulting in loss of data and disruption to Council services.	Shaer Halewood	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. National Cyber Security Centre online training package.	
	CRR 24	Information Management Council is not compliant with relevant data and information management legislation which may lead to loss or breach of personal data creating security or reputational risk.	Shaer Halewood	Awareness Training for Information Asset Owners and Administrators Regular update of Information Asset Register - October update to reflect changes to working practices	Project to achieve Cyber Essentials+ accreditation
	CRR 25	Digital Infrastructure Quality of Digital infrastructure and systems prevents council from offering/transforming to digital first services, lack of management information/timeliness of data resulting in poor decisions and increased costs.	Shaer Halewood	Role of the Digital Design Authority Digital Programme Smart Business Project for the ERP replacement – procurement complete	Development of Architecture Principals for Applications, Data and Technology against which the Digital Design Authority will ensure new solutions align. Development of the Wirral Cloud Security Principles to standardise all requirements for our cloud based systems.
Risks drop down to the respective Directorate Risk Registers	CRR 03	Brexit Implications Uncertainty caused by Brexit adversely affects public and market confidence, impacting demand for housing and the level of inward investment in the borough. Other Brexit implications e.g. lack of workers available for care type work; withdrawal and/or reduction in external funds impacts ability to sustain investment in local programmes	Alan Evans	Wirral EU Exit Partnership Group has reformed and met on the 30/11/20 to review Local Brexit Plan. Local Brexit Plan in place. Scheduled meetings of group every 3 weeks. Commissioned (£50k) for Chamber of Commerce to be business conduit. Communications encouraging EU citizens to register for British citizenship if they are intending to reside.	
	CRR 10	Infection Control within Social Care settings Failure to learn, implement and maintain the lessons of COVID-19 in infection control management for care homes and other social care settings leads to increased levels of preventable infections/deaths in the borough's elderly and vulnerable population	Graham Hodgkinson / Julie Webster	Increased the specialist infection prevention and control team working with care homes.	
	CRR 21	Transition to Committee System Failure to manage and adequately understand transition from Cabinet to Committee system resulting in lack of continuity, proper management of legal and sound decision making	Phil McCourt	Training programme for Officers in preparation for changes - this is continuing down through Directorates. Training for Members Report Authors Support Group launched. A Committee Services Cell has also been established	On-going training for Members and Officers including role descriptors, improved working protocols and mandatory training. Service review and staffing re-design within Democratic Services.



AUDIT AND RISK MANAGEMENT COMMITTEE

TUESDAY 9 MARCH 2021

REPORT TITLE:	INTERNAL AUDIT COUNTER FRAUD REPORT
REPORT OF:	CHIEF INTERNAL AUDITOR

REPORT SUMMARY

The purpose of this report is to update the Committee on the activities of the Counter-Fraud Team within Internal Audit and provide details of the outcome of a recent review of the Council's overall Counter Fraud and Corruption arrangements. The report covers the work undertaken by the Team during the previous 18 months.

RECOMMENDATION

The Audit and Risk Management Committee is recommended to note the report, and continue to support the work of the team.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 To provide Members with assurance that the Council is taking appropriate action to address the risk of fraud and that suspected frauds are investigated, and appropriate actions taken to prosecute perpetrators, recover losses and improve financial controls.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND AND AUDIT OUPUT

- 3.1 Local authorities face a significant fraud challenge. Fraud costs local government an estimated £2.1bn a year. Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud, bribery and corruption are a drain on already limited resources and can lead to reputational damage and service disruption.
- 3.2 Fraudsters are constantly revising and sharpening their techniques and local authorities must do the same. As part of this process, we need to make sure that we have identified all the potential fraud risks that the Council may face. These can arise from the activities of staff, suppliers, customers, and service users and may take several forms e.g. Cyber enabled.
- 3.3 The main areas of fraud within the public sector are considered to be:
- Council Tax
 - Disabled Parking (Blue Badge)
 - Housing
 - Business Rates
 - Procurement
 - Insurance
 - Social Care and Welfare Assistance
 - Economic and Voluntary Sector Support and Debt
 - Recruitment Fraud
 - Mandate Fraud and Manipulation of Data
 - Payroll, Recruitment, Expenses and Pension
 - Business Support Grant
- 3.4 The current COVID-19 pandemic has only increased many of these risks. Remote working reduces the level of management oversight; more money has been spent to maintain services and support those in need; unscrupulous fraudsters have targeted local authorities and service users.

- 3.5 The high-risk fraud areas detailed above have been incorporated into the annual Internal Audit planning process and audit work has been completed during the reporting period and will continue to be undertaken during 2021/22.

COUNTER-FRAUD TEAM

- 3.6 The remit of the Counter Fraud Team is to:
- Prepare relevant best practice policies and procedures.
 - Facilitate changes to the culture of the organisation by raising awareness amongst the workforce to fraud and corruption through targeted training.
 - Proactively manage the risk of fraud to the Council through targeted audits in high-risk areas.
 - Provide both a proactive and a reactive response to tackling fraud across the authority.
- 3.7 Also included within this remit is the investigation of serious financial frauds perpetrated against the Council, as well as the teams either direct or supporting involvement with disciplinary and grievance cases, which can often be linked to criminal offences and their subsequent reporting to senior management.

ACTIVITIES UNDERTAKEN

Engagement with Fraud Groups

- 3.8 The Counter Fraud Team continues to chair and co-ordinate the activities of the Mersey Region Fraud Group (MRFG) which consists of several neighbouring authorities and partner organisations. The group is committed to developing a regional approach to counter fraud, including the production of generic policies and procedures, and undertaking collaborative working in targeted areas, such as data matching and other counter fraud exercises.
- 3.9 The Team also contributes to the North West Chief Audit Executives Counter-Fraud Subgroup, who develop practical solutions to mitigate current and emerging fraud risks and respond to sector related change and challenges.
- 3.10 The Team has recently joined the newly formed North West Fraud Forum, which is driven by the North West Regional Organised Crime Unit. The Forum brings together counter fraud professionals from public and private sectors within the North West region to fight fraud. They provide a platform to raise awareness of the latest fraud types and trends, to promote collaboration and the sharing of ideas, knowledge, tools, and best practice to better equip members to fight fraud and cybercrime.
- 3.11 The Council subscribes to the National Anti-Fraud Network, which promotes the sharing of information between Authorities and publishes regular bulletins on fraud cases and attempted scams, which are distributed to relevant staff and appropriate measures are taken to address the identified risks.

National Fraud Initiative

- 3.12 The Team oversees and co-ordinates the Council's involvement in the National Fraud Initiative (NFI) which the Council is required by law to participate in. This is a national exercise using data matching audit techniques. Council-wide data sets covering a wide range of financial and non-financial applications such as Housing Benefits, Council Tax, Electoral Registration, Pensions, Payroll, Creditors, Blue Badges, Housing Waiting List and Business Grants are uploaded to the Cabinet Office website, which are then matched with data within and between participating bodies to identify potential frauds, overpayment, and errors.
- 3.13 On receipt of the results the Council then has responsibility to follow up and investigate the matches. The main NFI data matching is undertaken every two years, the results of these matches are fed into a national report at the end of each cycle. Data sets were submitted in October 2020 for the 2020/21 NFI biennial data matching exercise and results of data matches were received at the end of January 2021 and are currently being assessed.
- 3.14 The NFI exercise consistently generates significant savings for the Council, arising largely from payments recovered or stopped. Traditionally the exercise generates in the region of £350,000 which the Council can recover, the precise figures for the current exercise will not be known until the returned matches have been investigated later this year.
- 3.15 The Team has worked with departments to develop and implement Action Plans, ensuring lessons are learnt from this exercise. The aim being to identify common themes and recurring types of frauds, overpayments, and errors, so that departments can identify what changes can be made and measures taken to reduce their incidence.

Counter Fraud and Corruption Strategy and Policies

- 3.16 The Team updated the Council's Counter-Fraud and Corruption Strategy in December 2020, which identifies the Council's commitment to an effective Counter-Fraud and Corruption approach, as part of its overall Corporate Governance arrangements. The Strategy outlines the principles that the Council is committed to in preventing and reporting fraud and corruption.
- 3.17 The Team reviewed and amended the following policy documents, which form an important part of the Counter-Fraud and Corruption Strategy by setting the tone, culture, and expectations of the Council, as part of the corporate framework:
- Anti-Fraud and Corruption Policy - this outlines the Council's attitude to and position on fraud and corruption and sets out responsibilities for its prevention and detection.
 - Fraud Response Plan – this details the Council's procedure for responding to any incidents of suspected fraud or corruption.
 - Anti-Bribery Policy - this sets out the actions required by Wirral Council officers to ensure compliance with the Bribery Act 2010 and details the

sanctions which are applicable to individuals and to the Council, in the event of a prosecution under the Act.

- 3.18 The Counter-Fraud and Corruption Strategy and Policies have been promoted across the Authority and the Anti-Fraud & Corruption and Bribery Policies are listed as documents that employees are required to read on an annual basis, as part of one to one or performance appraisal/check-in meetings.

Assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

- 3.19 To support the work of Local Authorities, CIPFA issued a “Code of Practice on Managing the Risk of Fraud and Corruption”. Although the Code is not mandatory, it represents best practice and compliance with the Principles set out in the Code enable the Council to demonstrate effective financial stewardship of public monies.

- 3.20 The assessment tool and guidance contain 68 performance statements which are used to measure the Council’s effectiveness against the five key principles of managing the risks of fraud and corruption, which are to:

- Acknowledge the responsibility for countering fraud and corruption.
- Identify the fraud and corruption risks.
- Develop an appropriate counter fraud and corruption strategy.
- Provide resources to implement the strategy.
- Take action in response to fraud and corruption.

- 3.21 An internal assessment against the Code was carried out in December 2020 and identified an 80% compliance with the Code, which is classed as a “Good” level of compliance. CIPFA are currently consulting on revisions to the Code and supporting self- assessment toolkit, therefore the next full assessment will be carried out after the publication of any updated guidance.

The Revised Local Government Counter Fraud and Corruption Strategy

- 3.22 “Fighting Fraud and Corruption Locally” is the counter fraud and corruption strategy for local government. The strategy was subject to a major review in 2019-20 and a new version, “Fighting Fraud and Corruption Locally: A strategy for the 2020s” was launched in March 2020.

- 3.23 The previous strategy had been based on the three pillars of “Acknowledge, Prevent and Pursue”. The new strategy retains these and adds two more:

- Govern – ensuring that there is executive support for a council’s anti-fraud measures.
- Protect – protecting the council against serious and organised crime and protecting individuals and communities from becoming victims of financial crime.

- 3.24 By using this strategy local authorities will:

- Develop and maintain a culture in which fraud and corruption are understood to be unacceptable;
- Understand their fraud risks and prevent fraud more effectively;
- Use technology to improve their response;
- Share information and resources more effectively to prevent and detect fraud loss;
- Bring fraudsters to account more quickly and efficiently; and improve the recovery of losses.

3.25 The strategy is more concise than the previous version with the intention of being more readable for Senior Managers and Members. An action plan is in the process of being developed based on a self-assessment against the “Five Pillars”, which will also include actions required, as identified by the “Managing the Risk of Fraud and Corruption” self-assessment. Progress against the Action Plan will be included in future counter fraud update reports.

Training, Awareness and Reporting

3.26 During the last eighteen months, the officers of the Counter Fraud Team attended appropriate and relevant virtual training and awareness sessions delivered outside of the authority by organisations, such as CIPFA and CIIA. In addition to these courses, they have also attended localised and national networking meetings of their peers. These provide important opportunities for the officers to update and refresh their knowledge in the counter fraud arena.

3.27 In May 2020, the Team co-ordinated a prompt and joined up response to ensure employees, our partners and the wider public were aware of the raised threat of fraud resulting from the COVID-19 pandemic. The Team included a scam awareness section on the Council’s website and monitor scam incidents with other partners. Where appropriate we communicate externally through social media and partners.

3.28 Moving forward, the Team have been gathering intelligence and information (from national and local sources) regarding potential fraud risks relating to the changed scenario in which the Council finds itself. This information is acting as a guide to those specific service areas and transactions most vulnerable to fraud and we are revising our fraud plan accordingly, to ensure our response remains effective.

3.29 In November 2020, the Team coordinated its annual week-long Staff and Public Fraud Awareness Campaign, which coincided with the international fraud awareness campaign and included the COVID-19 scam message to residents and local businesses. The aim of the week was to heighten the awareness of the problem and scale of fraud in the public sector, to direct all employees to complete the Fraud Prevention e-learning course and to encourage staff and the public to report any suspicions of fraud that they may have. The campaign involved e-alerts, intranet bulletins, newspaper articles and messages on social media.

3.30 Since the campaign, the Team has seen both an increase in the take up of the Fraud Prevention e-learning course and the number of requests for guidance including investigations that they were asked to both undertake or to provide advice and support with. This clearly demonstrated that the work to raise the profile of the team,

and the support that they can provide has been successful, in that more requests for assistance are now being received.

Planning to Minimise the Risk of Fraud

3.31 The Counter Fraud planning process includes a review of fraud risks to ensure that all relevant risks are identified and to support the development of a programme of proactive anti-fraud work that minimises the risk of loss to the Council.

3.32 Risks are identified from several sources, including:

- CIPFA's annual Counter Fraud and Corruption Tracker Survey
- "Fighting Fraud and Corruption Locally: A Strategy for the 2020s" – the local government counter fraud strategy.
- Intelligence gained from networking with other authorities via the North West Fraud Group and, the Mersey Region Fraud Group.
- Outcomes from previous Internal Audit reviews and investigations
- Outcomes from the work of the Counter Fraud Team.
- Feedback from managers on areas where they have identified control weaknesses that may increase the risk of fraud.

3.33 The Covid-19 pandemic has created potentially significant changes to the fraud risks faced by the council, some of which will be short-term, others of which are likely to have a longer-lasting impact. Therefore, a full review of fraud risks will be undertaken in 2021 to assess how the council's overall fraud risk environment has been changed by events relating to the pandemic.

Fraud Risk Diagnostic Tool

3.34 The Counter Fraud Team launched a new fraud diagnostic tool in November 2020 to help managers identify fraud risks in their service area, and understand what key controls should be put in place to reduce the risk of these frauds occurring.

3.35 The tool asks several questions about service activity and provides a list of the key controls relevant to that activity to help mitigate the risk of fraud loss. This detailed intelligence will also enable the Counter Fraud Team to provide targeted support and guidance, as appropriate.

Audits and Investigations

3.36 During the last eighteen months, the development and recognition of the Counter-Fraud Team has continued with significant progress, which has resulted in 69 non-benefit related reports and referrals being made to the team which represents an increase of some 18% of the cases reported/referred previously to Members. The type of issues covered a broad spectrum of the Council's activities, including the COVID-19 Business Support Grant referrals, which represents 75% of all referrals received.

3.37 In addition, the Counter Fraud Team provides advice to departmental officers investigating suspected frauds and irregularities, in cases where these are

investigated within the department. The last year has seen an increase in the number of referrals from departments as the profile of the Team continues to rise and become more widely known to management.

- 3.38 The Team maintains a fraud referral register, which is used to collate details of all reported fraudulent activity across the Council, whether investigated by the Counter-Fraud Team or by the relevant department. The information contained within the register is then used to identify potential weakness and areas that may be susceptible to increased attempts of fraud and as such where Counter-Fraud resources need to be directed.
- 3.39 The Team has conducted 15 audits and investigations across a wide range of topics and, as identified in the Strategic Internal Audit Plan presented to this Committee in March 2020, and subsequently reported upon at corresponding meetings. These assignments whilst predominately planned also include pieces of work in response to requests from Chief Officers or Members or resulting from allegations made, including whistleblowing.
- 3.40 Outcomes from individual audits and investigations are reported to Members through the quarterly Internal Audit update reports and the Chief Internal Auditors Annual Report.
- 3.41 Between April to June 2020, the Counter Fraud Team were seconded to the Business Grants Verification Team, to process COVID-19 Business Support Grant applications. The Team are now assisting the Business Grant Verification Team, by undertaking post assurance due diligence checks on applicants, using the Government Grants Management Function and Counter Fraud Team Spotlight Tool.

Summary

- 3.42 The wide range of the activities and incidents covered in this report highlights the extent to which fraud and error exist as risks to the achievement of the Council's objectives and the degree to which these risks can change over time. There are programmes of work in place across the Council to identify and investigate fraud risks and there is effective communication between the services involved.
- 3.43 Participation in counter-fraud activities and compliance with best practice helps to strengthen the Council's approach and management of these risks. Working with partners, as demonstrated by the NFI, successfully illustrates the benefit of partnership working and co-operation between all involved. The national sharing of data allows participating organisations to effectively identify areas of potential fraud or error, reducing the future risk of such fraud or errors going undetected.
- 3.44 Work will continue in 2021/22 to ensure that the Council promotes an environment where fraud and corruption are not tolerated and the Council responds effectively to all fraud risks, including those arising from the COVID-19 pandemic.

4.0 FINANCIAL

- 4.1 Delivery of the counter-fraud work will be met from existing Internal Audit resources.

5.0 LEGAL IMPLICATIONS

- 5.1 Local Authorities have a statutory duty to have arrangements in place for the proper administration of their financial affairs under the Local Government Act 1972. That duty includes the prevention, detection and deterrence of fraud and corruption. The Counter Fraud and Corruption Strategy, Anti-Fraud and Corruption Policy and Fraud Response Plan provides a framework for fraud awareness, response and key actions relating to improving the Council's counter fraud and corruption framework. In the absence of an up-to-date strategy and policies there is a risk that fraud and corruption may not be monitored or be unreported.
- 5.2 The Bribery Act 2010 came into law in July 2011. The Act creates two general offences covering the offering, promising or giving of an advantage and requesting, agreeing to receive or accepting of an advantage. It also introduces a corporate offence of failure to prevent bribery by persons working on behalf of a business. An organisation can avoid conviction if it can show that it has adequate procedures in place to prevent bribery.

6.0 RESOURCE IMPLICATIONS

- 6.1 It is envisaged that all work will be carried out within existing resources.

7.0 RELEVANT RISKS

- 7.1 That fraud is not properly addressed, investigated and appropriate actions are not taken to prosecute perpetrators, recover losses and improve financial controls.
- 7.2 Given the budgetary constraints the council has been faced with and the reduced staffing levels it will always be a risk that previously robust procedures may not be followed and therefore providing the opportunity for fraud to occur.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 None

9.0 EQUALITY IMPLICATIONS

- 9.1 There are none arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 The content contained within this report are expected to have no direct impact on emissions of CO₂/Greenhouse Gases.

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APPENDICES

Appendix 1 – Counter Fraud and Corruption Strategy

BACKGROUND PAPERS

- Managing the Risk of Fraud and Corruption– CIPFA Publication.
- Fighting Fraud and Corruption Locally: A strategy for the 2020s - The Local Government Counter Fraud Strategy.
- CIPFA’s annual Counter Fraud and Corruption Tracker Survey.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Annual Report



AUDIT AND RISK MANAGEMENT COMMITTEE 9TH MARCH 2021

REPORT TITLE:	INFORMATION GOVERNANCE UPDATE
REPORT OF:	DIRECTOR OF LAW AND GOVERNANCE

REPORT SUMMARY

This report provides an update on the work being done to sustain and deliver effective Information Management relating to Information Governance across the Council, reducing the risk of reputational damage and monetary penalties. It also highlights areas of Information Governance work in the coming year.

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

RECOMMENDATION

The Audit and Risk Management Committee are 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 current position regarding Information Management in relation to Information Governance and any significant risks. It also outlines the current controls in place and frameworks, to ensure the Authority can have confidence in its Information Governance arrangements.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The report is for information purposes and as such no other options considered.

3.0 BACKGROUND INFORMATION

- 3.1 The Council's information governance arrangements were reviewed in advance of the General Data Protection Regulation (GDPR) which came fully into force in May 2018. GDPR was the first real change to data protection legislation in the past 20 years and this also led to the Data Protection Act 2018 being enacted. This legislation strengthened the rights of individuals in relation to how their personal data was collected, stored, used, shared, kept secure and destroyed.
- 3.2 The Council was required to appoint a statutory Data Protection Officer (DPO) who acts independently of the Council to provide effective Data Protection advice and guidance to Officers, the public and elected members.
- 3.3 A full review of Information Governance policies and procedures was required to ensure they were transparent and compliant with the new legislation; the Council's websites also required a full review to ensure compliance.
- 3.4 Additional support for the Data Protection Officer was put in place by the Law and Governance department in 2017 by funding a GDPR Officer for a 12 month period.
- 3.5 Current support for the Data Protection Officer remains in place by Law and Governance department specifically making legal time available each week for complex Information Governance Issues. The Senior Information Risk Officer (SIRO) also provides support and oversight, the current SIRO is Director of Law and Governance.
- 3.6 As the landscape has changed over the past 12 months with the advent of Covid-19 meaning approximately 2,000 employees are working from home; this has altered the Information Governance risks and the mitigation required to minimise those risks.
- 3.7 The body of this report details some of the work undertaken in the past 12 months to help mitigate the changing risks in relation to Information Governance. It also sets out a plan for the next 12 months which will help to ensure the Council's compliance in a number of information management and data protection policy areas.

Information Governance Risks

- 3.8 Following the review of Information Governance and Data Protection arrangements it was established that two key risks warranted inclusion on the Corporate Risk Register. These are:
- CRR23 - Cyber Security, the risk description states that “IT security is insufficient to deter, detect and prevent unauthorised access to IT systems, resulting in loss of data and disruption to Council Services”.
 - CRR24 - Information Management which states that “Failure of the Council to comply with relevant data and information management legislation which may lead to loss or breach of personal data creating security or reputational damage”.
- 3.9 The Information Governance Board (IGB), chaired by the DPO, meets regularly and manages and monitors its own subject specific risk register of information management risks across the Council.
- 3.10 The IGB Risk Register currently contains 10 risks including those relating to records management; both corporate systems and the potential amount of unlisted and unmanaged information / records in both paper and electronic form, a lack of awareness and understanding of information management and information/cyber security responsibilities across Council, a failure to maintain policies and procedures for records management, information security and information management to reflect current working practices. The work undertaken and planned for 2020/2021/2022 will help mitigate and manage the risks.

IG Work in 2020/21

- 3.11 Due to the massive impact of Covid-19 and the need to move sensitive personal information between the Council and partner agencies such as NHS and Public Health England, an enormous amount of work was generated to be overseen by the DPO. This included the requirement for privacy notices to be drawn up to reflect and demonstrate new purposes why the Council needed to process data. Privacy notices help the Council demonstrate transparency on how and why they use people’s personal data.
- 3.12 In addition a large number of Data Sharing agreements were required to be drawn up and reviewed and agreed. For example, charitable organisations such as Barnardo’s engaged with the Council to help vulnerable families and robust data sharing arrangements were key. The Council DPO also acts as Data Protection Officer for many schools and was called upon to give advice and guidance to them in relation to sharing information for families who required food hampers in the school holidays.
- 3.13 The impact of COVID-19 has been felt in many ways across the various teams. Some areas have seen a dramatic increase in work, such as the Records Management Team. The following information and statistics help to demonstrate the variety and scale of the work involved.

Statistical snapshot of Information Governance work

Security Incidents

3.13.1 The table below provides a breakdown of the reported security incidents in the past two years. The incident severity categorisation is assessed by the Information Security Team.

Incident Severity Assessment	2019/20	2020/21 – up to January 21
Severe	11	7
Moderate	23	33
Low	93	77
Informational	10	4
Undetermined	0	2
Total	137	123

All incidents are discussed in a fortnightly meeting and severe cases will be escalated through to the relevant service manager for appropriate actions to be taken. This may include changes to processes or refreshing staff training. In 2019/20 there were 7 incidents reported to the Information Commissioner Office (ICO) and to date 2020/21 there have been 4. Some incidents reported are independent of the table above as individuals may go directly to the ICO if they have a complaint.

Requests for Information

3.13.2 Freedom of Information (FOI); Environmental Information Regulations (EIR) and Subject Access Requests (SARS) are subject to legally prescribed timescales within which the Council must respond. They have been reported corporately on an as “closed in month” basis for several years. Total FOI/EIR requests in 2018/19 were 1752 with SARs totally 214 in that year. Numbers received have dropped slightly since the start of the pandemic. The table below gives figures for the past two years.

Closed in Month	19/20 FOI/EIR	20/21 FOI/EIR	19/20 SAR	20/21 SAR
April	141	59	15	3
May	151	84	11	6
June	141	81	18	9
July	156	72	28	17
August	145	106	19	16
September	126	106	31	16
October	128	128	20	6
November	139	129	12	7
December	94	89	9	8
January	149		14	
February	148		15	
March	100		8	

Totals	1618	854 to Dec 20	212	88 to Dec 20
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Archives Service Statistics

3.13.3 Visitor numbers to the Archives Search room at Cheshire Lines Building between April 2019 to early March 2020 totalled 768. There have been no visitors since the March 2020 lockdown due to COVID restrictions. Archival enquiries have continued to be answered as remote enquiries throughout Covid

- Apr 2019 to Mar 2020 – 272 enquiries
- Apr 2020 to 10 Feb 2021 (Year to date) – 262 enquiries

Records Management Statistics

3.13.4 Transfers in of records - Since COVID, Records Management has played a key role supporting Asset Consolidation Staff Relocation (ACSR) and clearing buildings of records. This is reflected in the amount of material transferred into the records management facility. Normal transfer figures are 70 boxes a month, with 716 received in 2019/20. However, to support ACSR, 1,400 boxes were received in the eight months between Apr 2020 and Nov 2020, averaging over 180 boxes a month. A further 433 were received in December and January.

Appraisals of records

3.13.5 ACSR has involved not only mass transfer of records but also the appraisal (in relation to informational or archival value) of a large number of records left in buildings. This is very time consuming and has constituted a very large proportion of the team's workload over the last year. Arrowse Hill material, in the Conway Building, alone numbered 1,200 boxes A further 1,000 boxes have come from the North Annexe (Planning etc.) and Cheshire Lines.

Future plans

3.14 The additional demands of the COVID-19 response have led to some activities being delayed. However, several key activities to assist in mitigating and managing the risks mentioned above are planned or already underway in relation to Information Management. Key actions include:

- New e-learning courses are available to staff to ensure they are aware of their responsibilities when handling data
- Additional staffing resources are being made available to work with the Data Protection Officer
- Continuous review of Information Management policies and procedures to ensure they adequately cover the changes to agile working
- Use of communication channels for staff awareness messages to remind them of the responsibilities everyone has.

- 3.15 With regard to mitigating and managing risks in relation to Cyber Security the following activities are planned or already in progress:
- New e-learning essential training courses available to all staff to ensure they are aware of how to stay safe online. Currently at 9th February 202, 682 have already completed this essential training.
 - Use of CXO Brief and Managers Brief to communicate about Cyber Security.
 - Creation of a Cyber Security Board and new Cyber Security Policy being drawn up. Council seeking Cyber Essentials accreditation which is a government backed scheme which helps you to protect your organisation.
- 3.16 With regard to compliance with Data Security and Protection Toolkit (DSPT), this is an annual self-assessment for health and care organisations. All organisations that have access to NHS patient data and systems must use this toolkit to provide assurance that they are practicing good data security and that personal information is handled correctly. Failure to comply with the DSPT requirements could impact on our access to NHS patient data. From 2021/22 the self-assessment process and compliance requirements will be owned by Health and Social Care with advice and support to complete the toolkit available from key officers within ICT. The Council is currently compliant with DSPT.
- 3.17 With regard to compliance with The Payment Card Industry Data Security Standard (PCI DSS), this is an information security standard for organisations that handle branded credit cards from the major card schemes. The PCI Standard is mandated by the card brands but administered by the Payment Card Industry Security Standards Council. There are over a dozen business areas across the Council who need to maintain PCI DSS compliance including leisure and car parking facilities. A Project Officer has been allocated from the business change team to review work to date and then produce a project plan to ensure full compliance by end of 2021.

4.0 FINANCIAL IMPLICATIONS

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

5.0 LEGAL IMPLICATIONS

- 5.1 Public Bodies have a statutory duty to appoint a Data Protection Officer who is required to assist in monitoring internal compliance, inform and advise on data protection obligations, provide advice regarding Data Protection Impact Assessments (DPIAs) and act as a contact point for data subjects and the Information Commissioner's Office (ICO). This Officer must be independent, an expert in data protection, adequately resourced, and report to the highest management level.
- 5.2 The Data Protection Officer has responsibility for advising on and agreeing Data Sharing Agreements and Privacy Notices which demonstrate our transparency when processing information. They also have a key role in ensuring the Council is compliant with current and emerging information governance requirements.

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 information management procedures in place in relation to governance, there is a danger that the Council will fail to identify, understand, and monitor key strategic and operational risks. The consequence of this is that the Council could suffer enforcement action, legal challenge and resulting reputational damage or monetary penalties.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

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

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

- Have no impact on emissions of Greenhouse Gases

APPENDICES

None

BACKGROUND PAPERS

Data Protection Policy

Freedom of Information Policy

Information Governance Policy

<https://www.wirral.gov.uk/about-council/freedom-information-and-data-protection/data-protection-policy>

Records Retention and Destruction Policy

<https://www.wirral.gov.uk/result/?q=records+retention>

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	
General Data Protection Regulation (GDPR) Implementation Update	12/03/2018
Council – Members and Acceptable Use Policy	18/03/2019

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AUDIT AND RISK MANAGEMENT COMMITTEE

TUESDAY 9 MARCH 2021

REPORT TITLE:	AUDIT AND RISK MANAGEMENT COMMITTEE INDEPENDENT MEMBER
REPORT OF:	CHIEF INTERNAL AUDITOR

REPORT SUMMARY

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

RECOMMENDATION

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

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 To ensure that the Audit and Risk Management Committee is fully compliant with its revised Terms of Reference, specifically Section 13.1 (c) relating to the inclusion of an independent non-voting person on the Committee.
- 1.2 To ensure that the Council is taking appropriate measures to comply with the findings and outcomes from the Ministry of Housing Communities and Local Government (MHCLG) Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting commonly referred to as the Redmond review regarding the appointment of independent members to public sector audit committees.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered.

3.0 BACKGROUND

- 3.1. The Council revised the Terms of Reference for the Audit and Risk Management Committee in September 2020 in line with the Chartered Institute of Public Finance Accountants (CIPFA) updated best practice position statement publication, Audit Committees in Local Authorities and Police.
- 3.2 The revised terms of reference, at Section 13.1 (c) identify that “the Committee will 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”.
- 3.3 The Ministry of Housing Communities and Local Government (MHCLG) Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting commonly referred to as the Redmond review was completed in September 2020. One of the recommendations from this review was that Local Authorities should consider the appointment of an independent member, suitably qualified to the Audit Committee.
- 3.4 Officers of the Council have recently been working on a specification, application pack and advertisement for this appointment and intend to advertise this position shortly with the appointment to be made before the first meeting of the Audit and Risk Management Committee in the new municipal year.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The appointment is not a paid position so there are no direct financial implications.

5.0 LEGAL IMPLICATIONS

- 5.1 The implementation of actions identified in this report will ensure continued compliance with the Council’s Constitution.

6. RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There is none arising from this report.

7.0 RELEVANT RISKS

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

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 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 may be affected by a particular policy, decision or activity.

9.2 The Council operates all recruitment processes in accordance with the requirements of the Equality Act 2010.

10. ENVIRONMENT AND CLIMATE IMPLICATIONS

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

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APPENDICES

None

BACKGROUND PAPERS

MHCLG Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (2020)

CIPFA Position Statement Audit Committees in Local Authorities and Police (2020).

ARMC Terms of Reference

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
None	



AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 9 March 2021

REPORT TITLE:	EXTERNAL AUDITORS ANNUAL AUDIT LETTER 2019-20
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

The Council's external auditors (Grant Thornton) completed the Council's main audit 2019-20 Accounts in January 2021. Whole of Government Accounts was completed in February and the Auditors certificate of completion dated 17 February. The findings were reported to the Committee in the form of the Audit Findings Report in January.

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

That report, the annual audit letter, is attached to this paper. Once approved it will be placed on the Council's website.

RECOMMENDATION/S

The Audit and Risk Management Committee is recommended to consider and comment on the Annual Audit Letter and approve it for onward publication on the Council website.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The Audit & Risk Management Committee has responsibility for approving the Statement of Accounts and the Annual Governance Statement (AGS) on behalf of the Council, which is a requirement under The Accounts and Audit Regulations 2015 and The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

The Annual Audit Letter is an essential element of the independent external audit process. This report has to be presented to a Committee of the Council for their consideration.

2.0 OTHER OPTIONS CONSIDERED

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

3.0 BACKGROUND INFORMATION

- 3.1 Grant Thornton undertook their annual audit of the Council's financial reporting and activities. These reviews are intended to give assurance to both Members, residents and external stakeholders that the Council's financial activities have been appropriately reported in its Accounts and they raised their concerns as to the financial resilience of the Council in their value for money conclusion.
- 3.2 The detailed findings from this audit were reported to the Audit and Governance Committee on 11 January 2021 in the form of the Audit Findings Report. This confirmed that the Council's and Pension Fund Accounts for 2019-20 were unqualified and fairly stated the Council's finances and as a result the Committee approved their publication. The auditors did give an adverse conclusion on value for money for the Council.
- 3.3 Grant Thornton has now produced its Annual Audit Letter, attached as appended to this paper, which contains a summary of the relevant findings from their work and any key issues which arose. This document reports their findings in a form which is more readily accessible to members of the public. It will be made available alongside the Accounts on the Council's website.
- 3.4 The letter reconfirms the audit findings previously reported to this Committee:
- The Accounts presented a true and fair view and were unqualified.
 - Their concerns as to the Council's financial resilience, planning and sustainability with respect to the value for money work undertaken.
 - There is evidence of financial planning to address ongoing funding and budget concerns of the Council.

4.0 FINANCIAL IMPLICATIONS

4.1 The cost of the report is part of the audit fee which has previously been approved by the Audit and Risk Management Committee.

5.0 LEGAL IMPLICATIONS

5.1 There are no legal aspects related to this matter.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 None arising directly from this report.

7.0 RELEVANT RISKS

7.1 The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices. Failure to do so could result in qualification of the accounts, which may lead to further audit costs.

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

8.0 ENGAGEMENT/CONSULTATION

8.1 None arising directly from this report.

9.0 EQUALITY IMPLICATIONS

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

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

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

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APPENDICES

Appendix 1 – External Auditors Annual Audit Letter 2019-20

BACKGROUND PAPERS

External Audit Findings Report 2019/20
Statement of Accounts 2019/20
External Audit Plan 2019/20

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
External Auditors Annual Audit report 2018/19	27/01/20
External Auditors Annual Audit report 2017/18	11/03/19
External Auditors Annual Audit report 2016/17	12/03/18

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9 March 2021



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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Wirral Council (the Council) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit and Risk Management Committee as those charged with governance in our Audit Findings Report on 11 January 2021.

Our work

Materiality

We determined materiality for the audit of the Council's financial statements to be £11,181,000, which is 1.5% of the Council's gross cost of services.

Financial Statements opinion

We gave an unqualified opinion on the Council's financial statements on 18 January 2021.

We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council's land and buildings and investment properties and the property assets of its pension fund. This uncertainty arises due to the difficulties of reaching an appropriate valuation during the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.

Whole of Government Accounts (WGA)

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

Use of statutory powers

We did not identify any matters which required us to exercise our additional statutory powers.

Respective responsibilities

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

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

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

Executive Summary

Value for Money arrangements We were not satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources because of weaknesses in its financial planning and sustainability. The Council faces an increasingly difficult financial position. It set an initial budget for £273m for 2019/20, with planned use of £4.5m of reserves and £7m of capital receipts. It subsequently increase the budget to £277m but was only able to achieve this planned outturn by utilising a further £20.5m from reserves. In total, £25.2m of reserves were utilised with £7m being added back into reserves. As at 31 March the Council's general fund reserves were only £10m, the minimum level deemed appropriate by the Council. This is not a sustainable position and the Authority now has limited reserves to call upon to balance its budget going forward.

The Council is forecasting a budget deficit of £14.774m in 2020/21. The Medium Term Financial Strategy 2021 sets out a £40m to £61.7m budget gap over the next five years. It applied for a capitalisation directive to provide support to the Council for 2020/21 and 2021/22 in order to balance its budget. Since the completion of our audit the Council has obtained approval for the capitalisation directive from MHCLG for 2020/21 and provisional approval for 2021/22. The capitalisation directive will allow the Council to avoid implementing emergency saving measures in these years. However, this is only a temporary measure and the Council will need to make substantial savings in the next few years to return to establish a sustainable financial position.

We consider that these matters are evidence of weakness in proper arrangement for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions. We therefore issued an adverse value for money conclusion in our audit report to the Council 18 January 2021.

Certificate We certified that we have completed the audit of the financial statements of Wirral Council in accordance with the requirements of the Code of Audit Practice on 17 February 2021.

Working with the Council

Restrictions for not essential travel has meant that both Council and audit staff have had to adapt to the challenges of new remote working arrangements to carry out the audit, for example remote accessing financial systems, video calling, physical verification of assets and completeness of accuracy of information produced by the entity. The financial statements were produced with the use of the CIPFA toolkit for the first time which enabled the finance team to share supporting working papers with the audit team remotely.

Meetings have been held virtually using Microsoft teams with Senior Officers, including the Chief Executive regularly throughout the audit and we have attended the virtual Audit and Risk Management Committee meetings throughout the year.

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

Grant Thornton UK LLP
March 2021

Audit of the Financial Statements

Our audit approach

Materiality

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

We determined materiality for the audit of the Council's financial statements to be £11,181,000, which is 1.5% of the Council's gross cost of services. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration of £20,000 due to the sensitivity of disclosures in this area.

We set a lower threshold of £559,000, above which we reported errors to the Audit and Risk Management Committee in our Audit Findings Report.

The scope of our audit

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

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

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

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Covid-19</p> <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 28 August 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; and • engaged the use of auditor experts for higher risk (Cat 1/Cat 2) audited bodies 	<p>We obtained sufficient audit assurance to conclude that:</p> <ul style="list-style-type: none"> • Financial forecasts and the cashflow analysis of the Council supports the ability for the Council to prepare the accounts on a going concern basis • We have included an Emphasis of Matter paragraph highlighting material uncertainties with regard to the valuation of land and buildings, investment properties and pension fund property due to the issues raised by the Council's valuers in their valuation reports. The issues raised are common across all Council's valuations. The use of an Emphasis of Matter paragraph is not indicative of any control weaknesses, it simply reflects the valuer's conclusions that as a result of the Covid-19 pandemic and the subsequent lockdown and impact on market activity, less certainty – and a higher degree of caution – should be attached to their valuations than would normally be the case.

Audit of the Financial Statements

Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings The Council revalues its land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£645m as at 31 March 2019) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>Furthermore since we issued our Audit Plan, the impact of the Covid-19 pandemic has resulted in material uncertainties on the net liability valuation.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work evaluated the competence, capabilities and objectivity of the valuation expert written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code were met used our own valuation expert Wilkes Head and Eve to evaluate the terms of the engagement for the valuer and valuation report produced by the Valuer challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding tested revaluations made during the year to see if they had been input correctly into the Council's asset register evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. 	<p>The Council uses its own In-House Valuer to value its Land and Buildings. The Valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using their existing knowledge of the Council's property portfolio. A sample of 20% of the assets as per the rolling programme and those considered to be of high value were revalued as at the 31 March 2020 with the Valuer undertaking site visits in order to carry out their valuations. For the remainder of the assets (£30m Net Book Value) an assessment of the expected movement values was performed, using the results of the sampled revaluations and knowledge of the market conditions both nationally and locally during the period up to 31 March 2020.</p> <p>We have considered the movements in valuation and carried out the procedures set out above, including comparison of movements since the previous valuation with appropriate Market Movement indices. This provided assurance that valuation movements are in line with expectations and based on reasonable assumptions.</p> <p>The valuation certificate stated that the total assets value as at 31 March 2020 was £522m, which included the net book value of the Co-op Bebington High School which converted to Academy status from its previous Foundation status during 2019/20. The asset is no longer reflected in the Balance Sheet and Council's Fixed Asset Register and should not have been included within the total assets value in the valuation certificate. Testing confirmed that the asset had been correctly removed and a revised valuation certificate has been issued.</p>

Audit of the Financial Statements

Significant Audit Risks

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

Risks identified in our audit plan	Findings and conclusions
<p data-bbox="72 415 623 444">Valuation of land and buildings - continued</p> <p data-bbox="99 611 136 768" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 64</p>	<p data-bbox="913 415 1514 444">Disclosures regarding material valuation uncertainty</p> <p data-bbox="913 458 1881 654">The outbreak of Covid 19 has caused uncertainty in property markets. Whilst the valuer did not make reference to this in the Valuation Certificate, following discussions held with the valuer, it was confirmed that the RICS Valuation – Global Standards had been adhered to and the potential impact of the Covid-19 pandemic acknowledged, leading to consequently, less certainty and a higher degree of caution being attached to the valuation than would normally be the case. As a result, the valuer has included reference to a material valuation uncertainty in the revised valuation certificate.</p> <p data-bbox="913 675 1891 839">The material valuation uncertainty has been disclosed in Note 5 Estimation and Uncertainty of the financial statements. We consider the disclosure is sufficiently detailed to meet the requirements of the accounting standards and that it is important to a readers understanding of the financial statements. As such, we drew attention to the uncertainty through the inclusion of an Emphasis of Matter paragraph within the audit report. This does not constitute a qualification of the audit opinion.</p> <p data-bbox="913 861 1881 911">We are satisfied that the value of Property, Plant and Equipment is not materially misstated within the financial statements.</p>

Audit of the Financial Statements

Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of net pension liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£472m in the Council's balance sheet at 31 March 2020) and the sensitivity of the estimate to changes in the key assumptions.</p> <p>We have therefore identified valuation of the Council's pension fund net liability as a significant risk which is one of the most significant assessed risks of material misstatement.</p> <p>Furthermore since we issued our Audit Plan, the impact of the Covid-19 pandemic has resulted in material uncertainties on the net liability valuation.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the information provided by the Council to the actuary to estimate the liability • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. • tested the consistency of the pension fund asset liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • assessed the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards, including their consideration of the ongoing impact of the McCloud and Guaranteed Minimum Pension cases. • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • obtaining assurances from our audit of the Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements 	<p>The fund managers for the Pension Fund's pooled investment reported that valuations of these investments were subject to 'material valuation uncertainty' as at 31 March 2020, as result of the impact of the Covid-19 pandemic on market activity in the real estate sector, meaning that less certainty, and a higher degree of caution, should be placed on the recorded valuation of these assets than would otherwise be the case. As approximately 13.47% of the Pension Fund's assets are attributable to the Council as the administering authority for the Fund, this material uncertainty impacts in turn upon the valuation of the net defined benefit liability in the Council's balance sheet. The Pension Fund Auditor has included an emphasis of matter in the audit report drawing attention to a material valuation uncertainty relating to the Fund's property portfolio. This has resulted in additional disclosures in the Council's financial statements for Note 5 – Assumptions made about future and other major sources of estimation uncertainty. We included an emphasis of matter paragraph in the auditor's report drawing attention to this material valuation uncertainty. This does not constitute a qualification of the audit opinion.</p> <p>MHCLG is consulting on a remedy for the McCloud judgment that we reported upon last year. The Council's actuary has made assumptions in respect of the liability to reflect the proposed remedy. At whole fund level, the Council's actuary expect the McCloud remedy to have a negligible cost impact and on these grounds we are satisfied that no amendments or disclosures are required.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of internal controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we completed;</p> <ul style="list-style-type: none"> • Evaluated the design effectiveness of management controls over the journals; • Analysed the journals listings and determined the criteria for selecting high risk unusual journals; • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness; • Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regards to corroborate evidence; • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions 	<p>Our review of the journals posted during the year identified that a large number of journals are both posted and authorised by the same person which is considered a risk of management override of controls. Whilst our testing of a sample of journals did not give rise to evidence of management override of controls, we recommended that the Council should review its journal controls processes to reduce the risk in this area.</p> <p>The Council has already taken action for the 2020/21 financial year and has introduced controls over journal processing.</p>
<p>The revenue cycles includes fraudulent transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA (UK) 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition • Opportunities to manipulate revenue recognition are very limited • The culture and ethical framework of local authorities, including the Council and Fund, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for the Council's accounts.</p>	<p>We have;</p> <ul style="list-style-type: none"> • Evaluated the Council's accounting policy for recognition of revenues for appropriateness • Performed substantive testing on material revenue streams; and reviewed unusual significant transactions. <p>Our audit work has not identified any issues in respect of improper revenue recognition.</p>

Audit of the Financial Statements

Pension Fund Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Covid-19</p> <p>We worked with management to understand the implications which the response to the Covid-19 pandemic has had on the organisation's ability to prepare the financial statements and update financial forecasts, and assessed the implications for our materiality calculations which ultimately remained the same. We also liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose.</p>	<p>In response to this risk we:</p> <ul style="list-style-type: none"> worked with management to understand the implications the response to the Covid-19 pandemic had on the pension fund's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 28 August 2020; evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; evaluated whether sufficient audit evidence could be obtained through remote technology; evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as the asset valuations; evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; engaged the use of an auditor's experts to assist with our assessment of the disclosure of directly held property valuations. 	<p>As detailed against the other affected significant risk areas, we extended and enhanced audit procedures in areas considered to be particularly at risk, such as Level 3 asset valuations and Directly Held Property as a sub sector of the same. We also enhanced our procedures around Information Produced by the Entity (IPE) to ensure that technology such as screen sharing and video calls were utilised to gain additional assurances over reports produced by the entity where lockdown restrictions meant we could not be physically present or in relation to prime documents where there may have been considered a risk of manipulation.</p> <p>As referred to in more detail under the valuation of directly held property significant risk, the Fund's direct property valuers have declared a <i>'material uncertainty'</i> in relation to their valuation as at 31 March 2020. The Fund have appropriately disclosed this material uncertainty in Note 5 of the accounts as well as providing a sensitivity analysis to allow users of the accounts to assess the potential impact that changes in the valuation of these assets can have on the net assets of the fund. We have therefore included of an Emphasis of Matter paragraph highlighting the valuation material uncertainty disclosures associated with the Fund's direct property holdings as a result of Covid-19. Our opinion is not modified in this respect.</p>

Audit of the Financial Statements

Pension Fund Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of internal controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>In response to this risk we have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals analysed the journals listing and determined the criteria for selecting high risk unusual journals tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration gained an understanding of the accounting estimates and critical judgements made by management and considered their reasonableness with regard to corroborative evidence evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>As a result of the pandemic and remote working arrangements, additional scrutiny was applied to IPE (as previously described) and we ensured that journals designed to affect financial performance at year end were included in our sample. We do not have any concerns to report in this area.</p>
<p>The revenue cycle includes fraudulent transactions (rebutted)</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> there is little incentive to manipulate revenue recognition opportunities to manipulate revenue recognition are very limited the culture and ethical frameworks of local authorities, including the Council as the Administering Authority of Merseyside Pension Fund, mean that all forms of fraud are seen as unacceptable. 	<p>Our assessment in this area has not changed during the course of audit work performed on the 2019/20 draft financial statements. Therefore we do not consider this to be a significant risk for Merseyside Pension Fund. Whilst not a significant risk, as part of our audit work we did undertake work on material revenue items. Our work did not identify any matters that would indicate our rebuttal was incorrect.</p>

Audit of the Financial Statements

Pension Fund Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of level 3 investments</p>	<p>In response to this risk we have:</p> <ul style="list-style-type: none"> evaluated management's processes for valuing Level 3 investments reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code were met independently requested year-end confirmations from investment managers for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreed these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2020 with reference to known movements in the intervening period tested revaluations made during the year to see if they had been input correctly into the Pension Fund's financial records where available reviewed investment manager service auditor report on design effectiveness of internal controls. 	<p>Our testing of level 3 investments indicated that the balance was overstated. This is principally a function of the timing of the production of financial statements and the particular challenges faced in the markets in March 2020. Per the Fund's accounting policies, year end values for hard to value assets frequently contain 31 December values adjusted for cash which are then assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the audit date. We would typically expect to see a number of small variances as a result of this, usually netting out to a below trivial (and therefore non reportable) variance. The higher than usual variance is indicative of the wider uncertainty in the markets at the balance sheet date, but is not a material difference and does not indicate any weakness in management's arrangements for estimating investment values at year end.</p> <p>The factual overstatement error identified in our sample testing is £16.021m. We have extrapolated this error across the remainder of the population which was not tested and determined an extrapolated uncertainty of £30.741m. As the figure is an extrapolation it is not possible to adjust for it and management have determined not to undertake additional work to quantify exact differences on the basis that the difference is not material.</p> <p>Management has disclosed within Note 5 of the accounts the impact that Covid-19 has caused in adding a further degree of uncertainty to the year end values recorded in the financial statements. Management also confirmed that the investment managers for the funds have factored an adjustment for Covid-19 into their valuations.</p>

Audit of the Financial Statements

Pension Fund Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of Directly Held Property</p>	<p>In response to this risk we have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work independently requested year-end confirmations from investment managers, evaluated the competence, capabilities and objectivity of the valuation expert discussed with the valuer the basis on which the valuations were carried out challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Fund's valuer's report and the assumptions that underpin the valuation. tested, on a sample basis, revaluations made during the year to ensure they had been input correctly into the Fund's financial records. in addition to the stated procedures per our audit plan, in response to wider market uncertainty relating to property valuations, we have engaged an auditor's expert (in this case, a firm of RICS qualified surveyors) to assess the instructions provided to the valuer in comparison to the requirements from CIPFA / IFRS / RICS and also to assess the valuation methodology and approach, resulting assumptions adopted and any other relevant points. 	<p>As a result of the Covid-19 pandemic, the Fund's valuers have declared a 'material uncertainty' in relation to their valuation as at 31 March 2020. This is in response to the global impact of Covid-19 generating an unprecedented set of circumstances on which Savills have had to base their valuation, and as a result they declared that a higher degree of caution should be attached to the valuation than would normally be the case. This material uncertainty is being declared by the majority of RICS compliant valuers nationally and is not specific to the Fund.</p> <p>The Fund have made appropriate reference to this 'material uncertainty' within Note 5 to the accounts. They have assessed the potential impact to the Fund and have provided a sensitivity analysis to allow users of the accounts to assess the potential impact that changes in the valuation of these assets can have on the net assets of the fund. We have therefore included of an Emphasis of Matter paragraph highlighting the valuation material uncertainty disclosures within the Fund's financial statements associated with the Fund's direct property as a result of Covid-19. Our opinion is not modified in this respect.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 18 January 2021.

Preparation of the financial statements

The Council presented us with draft financial statements in August in accordance with the agreed timescale and all information and explanations requested from management was provided.

We did experience significant difficulties in obtaining adequate evidence to support our testing. This is predominately as a result of remote working due to the Covid-19 pandemic and the Council staff not having access to physical documentation due to certain Council buildings remaining closed during the pandemic period.

In addition there have been difficulties with the Finance team providing the audit team with complete and cleansed financial populations from which our sample testing is selected. This has resulted in requests for further information and sample testing to ensure adequate assurance has been obtained.

The Council had invested during 2019/20 in the CIPFA toolkit in order to produce a Code compliant set of financial statements with supporting working papers. Whilst we were able to initially retrieve working papers from the toolkit, we did not find the use of this tool led to a more efficient audit, however we acknowledge that this was the first year of implementation and therefore would expect to have a greater understanding of the capabilities of the tool in the coming year.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit and Risk Management Committee on 11 January 2021.

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

- **Financial Instruments** – The accounting treatment for the £10m new investment in the Public Sector Social Impact Fund. Management adjusted the accounts for the audit findings.
- **Comprehensive Income and Expenditure Statement** – Inclusion of Internal recharges.
- **Existence of vehicles, plant and equipment** – Items of vehicles no longer in existence.
- **Onerous contract in relation to the PFI liability** – As a result of the closure of the former Kingsway Academy School, the Council still has a contractual obligation to make the PFI unitary payments to the PFI Partner, Wirral Schools' Services Ltd.

The details for these issues are attached in Appendix B.

Audit of the Financial Statements

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website alongside the draft Statement of Accounts in August 2020

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

Pension fund accounts We gave an unqualified opinion on the pension fund accounts of Merseyside Pension Fund on 18 January 2021. We also reported the key issues from our audit of the pension fund accounts to the Council's Audit and Risk Management Committee on 11 January 2021.

Whole of Government Accounts (WGA)

We carried out work in line with instructions provided by the NAO . We issued an assurance statement which confirmed the Council did not identify any issues for the group auditor to consider on 29 January 2021.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Wirral Council in accordance with the requirements of the Code of Audit Practice on 17 February 2021.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:

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

Key findings

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

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

As part of our Audit Findings report agreed with the Council in January 2021, we agreed recommendations to address our findings.

Overall Value for Money conclusion

Because of the significance of the matters we identified in our work, we were not satisfied that the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan

Financial planning and sustainability – summary

The Council faces an increasingly difficult financial position.

It set an initial budget for £273m for 2019/20, with planned use of £4.5m of reserves and £7m of capital receipts. It subsequently increase the budget to £277m but was only able to achieve this planned outturn by utilising a further £20.5m from reserves. In total, £25.2m of reserves were utilised with £7m being added back into reserves. As at 31 March the Council's general fund reserves were only £10m, the minimum level deemed appropriate by the Council. This is not a sustainable position and the Authority now has limited reserves to call upon to balance its budget going forward. We note that the Council consider that the majority of reserves were used for non-recurrent expenditure.

For 2020/21 the Council is forecasting a budget deficit of £14.774m. We reported in our Audit Findings Report that without the Government's agreement to a capitalisation directive the Council was likely to incur a significant deficit in 2020/21 and would need to use the majority of its remaining available reserves to balances its revenue budget. Similarly, for 2021/22 we reported that if the capitalisation directive was not approved, that the Council may need to issue a s114 notice under the Local Government Finance Act 1988 and restrict all new expenditure. Looking forward, the Medium Term Financial Strategy 2021 sets out a £40m to £61.7m budget gap over the next five years.

Since the completion of our audit the Council has obtained approval for the capitalisation directive from MHCLG for 2020/21 and provisional approval for 2021/22. The capitalisation directive will allow the Council to avoid implementing emergency saving measures in these years. However, this is only a temporary measure and the Council will need to make substantial savings in the next few years to return to establish a sustainable financial position.

It is important that the Council continues to take every action possible in the coming months to reduce its expenditure, and the likelihood of a deficit, in 2020/21. We note that it also putting in place plans to reduce its expenditure in 2021/22. The capitalisation directive will only provide support to the Council for 2020/21 and 2021/22. As such the Council needs to ensure that it delivers against its revised Medium Term Financial Strategy. It will need to put in place clear plans to reduce its future recurring service expenditure and move to a balance revenue position that does not rely on reserves.

A. Reports issued and fees

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

Reports issued

Report	Date issued
Audit Plan	March 2020
Audit Findings Report	December 2020
Annual Audit Letter	March 2021

Fees

	Planned £	Actual fees £	2018/19 fees £
Statutory audit	146,445	173,734	139,095
Audit of Merseyside Pension Fund	34,049	44,356	30,399
Total fees	180,494	218,093	169,494

Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of £123,095 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Fee variations are subject to PSAA approval.

Area	Reason	Fee proposed
Pensions – IAS 19	The Financial Reporting Council (FRC) has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	3,500
Increased FRC challenge and reduced materiality	We have reduced the materiality in response to the increased challenge by the FRC.	8,000
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	9,350
New accounting standards	We have done additional work with regard to changes to various accounting standards	2,500
Impact of Covid-19 on the audit	The impact of Covid-19 on the audit of the financial statements includes increased review of management's assumptions and estimates; Increased work on the Council's financial resilience assessment, and remote working - we have needed to put additional resources into the audit	20,000
Value for money	Due to the Council's current financial position we have input additional time into the Value for Money assessment	4,500
Other	Specific issues which have required increased audit time, such as internal recharges, accounting for pooled investments, and coding of debits and credits.	2,789
Total		50,639

A. Reports issued and fees continued

Fees for non-audit services

Service	Fees £
Audit related services	
- Certification of Teachers Pension Return	4,500
- Certification of Housing Benefit Claim	17,800
- IAS 19 Procedures for other bodies admitted to the pension fund (£875 per letter x 14 letters)	12,250
- Investigation and reporting of the objection raised to the Council's 2015/16 accounts	15,082
Non-Audit related services	
- CFO insight subscription	12,500

Non-audit services

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

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

B. Other Issues arising from the audit of the financial statements

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>IFRS 16 implementation has now been delayed by two years</p> <p>Although the implementation of IFRS 16 has been further delayed to 1 April 2022 audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.</p>	<p>Management disclosed in Note to the financial statements the title, date of initial application and the nature of changes in accounting policy which would arise from IFRS 16.</p> <p>Management has estimated that the impact based on current operating lease non-cancellable obligations is £2.1m which will be brought onto the balance sheet for 2021/22. This would be immaterial to the financial statements based on current materiality.</p>	<p>Due that the implementation of the standard has been further delayed we will look to review the work completed by management in relation to IFRS 16 in the next financial year. The emphasis of our review will be on whether the balance identified for recognition on the balance sheet is complete and not understated.</p>
<p>Existence of vehicles, plant and equipment</p> <p>The Balance Sheet includes £14.5m of vehicles, plant and equipment which is disclosed separately in Note 14 to the financial statements. To gain assurance over the existence of this balance, our audit approach involves testing a sample of the assets for proof of existence through physical verification.</p>	<p>The audit testing carried out identified one item of vehicles, plant and equipment which could not be located and resulted in extending the sample of assets tested. The outcome of this additional testing was that a further three assets could also not be located.</p> <p>As a result of the audit testing Management carried out a review of the vehicles, plant and equipment recorded on the Council's fixed asset register which resulted in assets to the value of £895k which have been identified as no longer in existence.</p>	<p>The value of the assets no longer in existence is above trivial but below materiality. Management have made the decision not to adjust as the value does not materiality misstate the accounts. The fixed asset register and accounts will be corrected in 2020/21. We recommend a review of the fixed asset register is carried out in 2020/21 to ensure that it accurately represents the assets owned by the Council.</p>

B. Other Issues arising from the audit of the financial statements

Issue

Financial Instruments

The Council invested £10m in a new pooled investment fund during 2019/20, the Public Sector Social Impact Fund. The fund has been set up by Warrington Borough Council and Atlana Wealth and the Council considers this investment to be a long term strategic investment held to receive regular dividend income and not for growth or to sell. The purpose of the fund is to invest in UK based enterprises with a social impact space.

The Council has an existing investment valued at £0.9m as at 31 March 2020 in the CCLA pooled investment vehicle.

Commentary

Management made an irrevocable election, upon initial purchase in accordance with IFRS 9, to designate the investment as Fair Value through Other Comprehensive Income as it considered the investment to meet the definition of equity instrument.

A review of the pooled investment fund was carried out and it was determined that the investment does not meet the definition of equity instrument. The equity Fair Value through Other Comprehensive Income designation is only available to the holder (the Council in this instance) if from the issuer's perspective the same instrument meets the definition of equity as defined by IAS 32. It is of our view that it does not due to the fact the Council will be able to demand the investment back at the end of the term of the investment period and the issuer cannot refuse.

In our Audit Findings Report for 2018/19 we reported that our view was that the CCLA investment did not meet the definition of equity for the issuers and so the designation is inappropriate.

At the time we considered the Council's treatment, which was based on external independent advice to be a departure from the Code, although these assets and related gains and losses were not material at the reporting date. This is still our view.

We have discussed our views with management who have made the decision to adjust the accounts for these findings and to reclassify both the Public Sector Impact Fund and CCLA investments from Fair Value through Other Comprehensive Income to Fair Value through Profit and Loss

Comprehensive Income and Expenditure Statement – inclusion of internal recharges

Our testing of the gross income and expenditure identified that internal recharges between Council service directorates have not been correctly netted off in the Comprehensive Income and Expenditure Statement (CIES).

The inclusion of internal recharges results in the CIES not complying with the Code as internal recharges do not meet the definitions of income and expenses because they are not an inflow/outflow of economic benefit to and from the Council as a whole whose performance it is that is being reported. These internal recharges do not result in an increase or decrease in reserves.

Management has carried out an initial review of the Spreadsheet source of the General Ledger where adjustments are posted. This initial review identified £13m of internal recharges which were included in both the income and expenditure sides of the CIES. The impact of this is a material misstatement of a qualitative nature due to both the income and expenditure within the CIES being overstated.

Our work in this area is still ongoing to gain sufficient assurance that the correct income and expenditure is disclosed in the Council's financial statements.

B. Other Issues arising from the audit of the financial statements

Issue

Onerous contract in relation to the PFI liability

As a result of the closure of the former Kingsway Academy School, the Council still has a contractual obligation to make the PFI unitary payments to the PFI Partner, Wirral Schools' Services Ltd.

The Council currently includes this liability within the full balance of the lease liability of £39.6m. An agreement has been made with the Department of Education that it will support the Council for a period of three years once the school building returns to the Council's legal ownership by contributing towards the unitary payments, a total of £1.5m. There remains a shortfall for which the Council is liable for.

Commentary

In our view this represents an onerous contract because the Council has unavoidable contractual costs for which it receives no service potential. The three year unitary payment apportioned to Kingsway Academy less the Department for Education's contribution should be recognised as a liability on the balance sheet with the costs charged to the CIES.

The impact is that there is an under provision for the onerous contract which although is not material is estimated to be above trivial.



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