



Audit and Risk Management Committee

Date:	Tuesday, 15 March 2022
Time:	6.00 p.m.
Venue:	Floral Pavilion

Contact Officer: Joe D’Henin, Democratic Services Officer
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Website: <http://www.wirral.gov.uk>

Members of the public are encouraged to view the meeting via the webcast (see below), but for anyone who would like to attend in person, seating is limited therefore please contact us in advance of the meeting if you would like to reserve a seat. All those attending will be asked to wear a face covering (unless exempt) and are encouraged to take a Lateral Flow Test before attending. You should not attend if you have tested positive for Coronavirus or if you have any symptoms of Coronavirus.

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

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

AGENDA

- 1. WELCOME AND INTRODUCTION**
- 2. APOLOGIES FOR ABSENCE**
- 3. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST**

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

- 4. MINUTES (Pages 1 - 6)**

To approve the accuracy of the minutes of the meeting held on the 24th January 2022

5. PUBLIC AND MEMBER QUESTIONS

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

5.1 Public Questions

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

5.2 Statements and petitions

Notice of representations to be given in writing or by email by 12 noon, Thursday 10th March 2022 to the Council's Monitoring Officer (committeeservices@wirral.gov.uk) and to be dealt with in accordance with Standing Order 11.1.

Petitions may be presented to the Committee. The person presenting the petition will be allowed to address the meeting briefly (not exceeding one minute) to outline the aims of the petition. The Chair will refer the matter to another appropriate body of the Council within whose terms of reference it falls without discussion, unless a relevant item appears elsewhere on the Agenda. Please give notice of petitions to committeeservices@wirral.gov.uk in advance of the meeting.

5.3 Questions by Members

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

6. INTERNAL AUDIT UPDATE (Pages 7 - 16)

7. INTERNAL AUDIT ANNUAL PLAN - 2022-23 (Pages 17 - 42)

8. CORPORATE RISK MANAGEMENT UPDATE (Pages 43 - 48)

9. EXTERNAL AUDIT PROGRESS REPORT (Pages 49 - 70)

10. INFORMATION GOVERNANCE UPDATE (Pages 71 - 82)

Extract from the Constitution (Part 3(B))

13 AUDIT AND RISK MANAGEMENT COMMITTEE

13.1 Composition:

Eleven (11) Members of the Council, subject to proportionality, which may be altered to accommodate the overall political balance calculation, in respect of which:

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

13.2 Terms of Reference

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

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

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

- (a) Governance
 - (i) Consider the Annual Governance Statement, and be satisfied that this statement is comprehensive, properly reflects the risk and internal control environment, including the system of internal audit, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, and includes an agreed action plan for improvements where necessary.
- (b) Internal Audit and Internal Control

- (i) With Chief Officers, to provide proactive leadership and direction on audit governance issues and champion audit and internal control throughout the Council.
 - (ii) Consider annually the effectiveness of the system of internal audit including Internal Audit Charter, Strategy, Plan of work and performance and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and Local Government Application Note.
 - (iii) Consider the Head of Internal Audit's annual report and a summary of internal audit activity which include an opinion on the adequacy and effectiveness of the Council's internal controls including risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.
 - (iv) Consider regular summary reports on the work of internal audit including key findings, issues of concern and actions in hand as a result of internal audit activity.
 - (v) Consider reports showing progress against the audit plan and proposed amendments to the audit plan.
 - (vi) Ensure there are effective relationships between internal audit and external audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.
- (c) Risk Management & Control
- (i) Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the Council and ensure that the Full Council is kept sufficiently informed to enable it to approve the Council's Risk Management Policy and Framework and that proper insurance exists where appropriate.
 - (ii) Consider the effectiveness of the system of risk management arrangements.
 - (iii) Consider an annual report and quarterly reports with respect to risk management including, an opinion on the adequacy and effectiveness of the Council's risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.
 - (iv) Receive assurances that action is being taken on risk related issues identified by both internal and external auditors and other inspectors.
 - (v) Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk.
 - (vi) Report to full Council as appropriate.
- (d) Anti-Fraud and Corruption
- (i) Provide proactive leadership and direction on Anti-Fraud and Corruption and champion Anti-Fraud and Corruption throughout the Council.
 - (ii) Consider the effectiveness of the Council's anti-fraud and corruption arrangements.

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 24 January 2022

<u>Present:</u>	Councillor	K Hodson (Chair)	
	Councillors	S Whittingham D Brennan K Cannon AER Jones S Kelly	J Johnson D Burgess-Joyce S Mountney Jason Walsh
	Independent Members	J Byrne P McAlister	

35 WELCOME AND INTRODUCTION

The Chair opened the meeting and reminded everyone that the meeting was being webcast and a copy is retained on the Council's website. The Chair also introduced Independent Members Joanna Byrne and Peter McAlister.

36 APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Tony Smith.

37 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.

David Brennan declared a personal interest in the 2020/21 Statement of accounts for Wirral Council and Merseyside Pension Fund as a member of Merseyside Pension Fund.

38 MINUTES

Resolved –

That the minutes of the Audit and Risk Management Committee meeting held on 30th November 2021 be approved.

39 PUBLIC QUESTIONS

One question had been received for the previous meeting from John Brace. The Chair apologised to Mr John Brace as the question was missed due to an IT error and was not picked up until after the meeting. The Chair then read out the question and response.

Question:

Item 10 on the agenda of Wirral Council's Audit and Risk Management Committee meeting held on the 30th November 2021 had an item called 'SIRO Report' which can be found on pages 39-58 of the agenda pack for the meeting. Paragraph 13 on page 55 states, "During 2020-21 the Council did not receive or make any referrals to the First Tier Tribunal" and the accompanying table lists "0" for each category.

I was a party in First-tier Tribunal (General Regulatory Chamber) case EA/2021/0024 which was Wirral Metropolitan Borough Council v Information Commissioner & Mr John Brace which both started and ended in the 2020-21 financial year and for clarity this appeal was brought by Wirral Council. Why is this First-tier Tribunal case not mentioned in paragraph 13 of the SIRO report (page 56), which if incorrect may also make one of the figures & narrative in the accompanying table incorrect too (as in my opinion the "environmental information" row should read "1" instead of "0" and also the outcome for this row would be different than "Not applicable")?

Answer: Thank you for your question. Officers have briefed me and I can confirm that Wirral Council did indeed appeal to the First Tier Tribunal regarding the information Commissioner's decision, in respect to your appeal for full disclosure of the independent report produced by the IPW on the funding and phasing plan for Celtic Manor which Jack Nicklaus Joint Venture Group (NJVG) provided to the Council in January 2019.

On reviewing matters the Council subsequently withdrew the appeal and provided you with the requested information. I accept this matter should have appeared within the statistics quoted within the SIRO Report at the meeting of the Audit and Risk Management Committee on the 30th November 2021. Its omission was an oversight for which I apologise.

Thank you for bringing this to the attention of the Council, and I can confirm that other than the omission you highlighted, the contents of the SIRO Report were accurate.

40 **STATEMENTS AND PETITIONS**

There were no statements or petitions received.

41 **QUESTIONS BY MEMBERS**

There were no questions by Members.

42 **INTERNAL AUDIT UPDATE**

The Chief Internal Auditor introduced his regular report which detailed the performance and work of the internal audit service for the period 1 November

2021 to 31 December 2021. He drew Members' attention to the different tasks detailed in the report.

Members debated the issues and were reassured that

- There was no known fraudulent activity around accounts payable and the work to identify and mitigate it was precautionary
- The audit plan had been streamlined
- Internal auditors had been involved in the budget work
- There were robust processes to track grant monies received

Resolved:

That the report be noted.

43 **CORPORATE RISK MANAGEMENT UPDATE**

The Risk Continuity and Compliance Manager introduced the report of the Director of Resources which provided an update on the Council's risk management arrangements and areas of risk management focus for the following year, including the drafting of the improvement plan. She noted that the Risk Sub-Group continued to meet and the Senior Leadership Team (SLT) were scheduled to look at corporate risks in an early March 2022 meeting, although risks were built into the Departmental Risk Registers and regular departmental meetings were already taking place.

Members debated the scoring system used and sought reassurance on the capturing of risks between SLT and departments.

Resolved:

That the report be noted.

44 **2020/21 STATEMENT OF ACCOUNTS FOR WIRRAL COUNCIL AND MERSEYSIDE PENSION FUND**

The Senior Finance Manager, along with external auditors, introduced the report of the director of Resources which presented the final Accounts and the Audit Findings Reports of both Wirral Council and Merseyside Pension Fund. The Audit and Risk Management Committee had a statutory obligation to approve the accounts. The external auditors Grant Thornton UK LLP had substantially concluded on the Audit for 2020/21.

There was an amendment to the disclosures of current assets regarding an investment. Following further information being made available the investment had been held in bonds held at Fair Value and the Council had reclassified them from level 2 investments to level 1. The investment had moved from current assets to long term investments. This had not changed the financial position of the Council Accounts.

Members queried details of the accounts and noted that the finance team were introducing a new system which was intended to manage issues such as debtors, and that internal recharging was intended to be phased out. Members expressed concern at the level of guarantees that the Council had taken on amidst the regeneration works, and the minimum revenue position which was below recommendations. It was noted that the Pension Fund included an unqualified opinion.

Councillor Stuart Kelly proposed an additional resolution 5. This was seconded by Councillor Simon Mountney.

Resolved: That

- 1. the changes to the draft Accounts, and the External Audit Findings Reports for Wirral Council and Merseyside Pension Fund be noted.**
- 2. the final Accounts (Council and Merseyside Pension Fund) be approved as presenting a true and fair view of the Council's and Merseyside Pension Fund's income and expenditure for the year and its overall financial position.**
- 3. the Annual Governance Statement 2020/21 be approved.**
- 4. the Letter of Representation for Wirral Council be approved.**
- 5. officers report back on areas of significant interest identified.**

45 **PROCUREMENT UPDATE**

The Senior Manager, Commercial Procurement, presented the regular report of the Director of Resources which looked at the performance against targets for exceptions of contracts and the 'no PO no pay' policy within the Council. Both showed improving positions in the reporting period of 1 April to 30 September 2021.

Members noted the progress but remained concerned at the levels of compliance. They were informed that individual services had been identified for targeted action to educate and control. Members recognised that emergency issues required action which may be in contravention of policy but officers were expected to follow such actions with compliance at the first opportunity. The planned new finance software was to help.

Resolved:
That the report be noted.

46 **REGENERATION PROGRAMME - LEGAL SERVICES CAPACITY AND RISK MANAGEMENT**

The Director of Law and Governance presented his report which considered the risk profile of the Council's Legal Service in its support of the Council's regeneration ambitions, following a referral of the issue from the Economy, Regeneration and Development Committee. It was outlined that the

regeneration programme involved potential large risks and rewards for the Council and governance was needed with capability and capacity to manage the risks. Following peer review and auditing, various options were pursued, including an enlarged legal team, buying in specialist advice and assistance as well as additional help where required, and appraising risks regularly to understand where difficulties may arise in the future.

Members sought reassurance over the process of arranging support and the controls from the Senior Leadership team to manage the risks.

Resolved:

That the contents of the report be received.

47 **EXEMPT INFORMATION - EXCLUSION OF THE PRESS AND 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 items of business on the grounds that they involve the likely disclosure of exempt information as defined by paragraph 3 of Part I of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

48 **REGENERATION PROGRAMME - LEGAL SERVICES CAPACITY AND RISK MANAGEMENT - EXEMPT APPENDICES**

Members debated the financial issues contained in the appendices which were exempt from publication.

Resolved:

That the report be noted.

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AUDIT AND RISK MANAGEMENT COMMITTEE

TUESDAY 15 MARCH 2022

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

REPORT SUMMARY

This report identifies and evaluates the performance of the Internal Audit Service and includes details of any issues arising from the actual work undertaken during the period 1st January to 28th February 2022. There are a number of items of note concerning audit work undertaken that are brought to the attention of the Members for this period and these are identified in the appendix to this report.

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 the Chartered Institute of Public Finance Accountants (CIPFA) and the Chartered Institute of Internal Auditors (CIIA).

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered appropriate as the service is required to comply with the very specific requirements of the Public Sector Internal Audit Standards for delivery and reporting frequency.

3.0 BACKGROUND AND AUDIT OUTPUT

- 3.1 Internal Audit operate an effective reporting mechanism for Members of the Audit and Risk Management Committee that summarises audit work completed and identifies issues raised on a timely basis.
- 3.2 Appendix 1 to this report supports these arrangements by focussing on the following:
 - Any items of note arising from audit work conducted,
 - Any issues arising that require actions to be taken by Members,
 - Performance information relating to the Internal Audit Service,
 - Developments being undertaken to improve the effectiveness of the Internal Audit Service.

The information contained within this report and attachment is for the period 1st January to 28th February 2022.

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are no direct or immediate financial implications arising from this report. However, the failure to address control issues identified in some audit reports could have potentially negative financial impacts.

5.0 LEGAL IMPLICATIONS

- 5.1 There are no direct financial implications arising from this report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There are no direct financial implications arising from this report.

7.0 RELEVANT RISKS

- 7.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives. This is mitigated by a robust system of follow up, reporting and escalation of audit matters.
- 7.2 Potential failure of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner. This is mitigated by comprehensive governance and reporting systems developed and implemented in compliance with relevant professional standards.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

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

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

11.0 COMMUNITY WEALTH IMPLICATIONS

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

REPORT AUTHOR:

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Chief Internal Auditor
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APPENDICES

Appendix 1 - Internal Audit Activity Summary - Jan to Feb 2022

BACKGROUND PAPERS

Internal Audit Plan

SUBJECT HISTORY (last 3 years)

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

APPENDIX 1

INTERNAL AUDIT UPDATE REPORT – ARMC
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ACTIVITY SUMMARY – JAN TO FEB 2022

1. ITEMS OF NOTE

1.1 Merseyside Pension Fund Reviews

Work is progressing to complete the audits within the agreed plan for the Merseyside Pension Fund. The terms of references for the following audits have been approved and another two reviews on the Benefits Payable & MyPension systems will be completed as part of the 2021/22 Internal Audit Plan:

- Northern Private Equity Pool (NPEP)
- Covid Authorisation
- VAT Compliance Arrangements
- Post Covid 'Business as Usual' Review

1.2 Key Financial Systems

Work is currently underway, as described in my previous report to this Committee to complete secondary reviews of the Councils key financial systems, post Covid. The focus of this work has been on the return to business as usual, evaluating the effectiveness of arrangements in operation across the following systems to achieve agreed objectives in a secure and controlled manner:

Accounts Payable	Payroll
Accounts Receivable	Income Control
Council Tax	Business Rates
Benefits	Personal Finance Unit
Client Finance Support Team	Merseyside Pension Fund

1.3 Planning Service - Section 106

A follow up audit has been completed to evaluate progress made to implement a number of actions agreed with senior management following an audit of S106 Monies System within the Planning Service, as reported to this Committee in September 2021.

Of the five recommendations identified in the original report all have now either been fully or partially implemented. The new system is due to be implemented by July 2022 following a slight delay due to the unavoidable absence of critical staff within the department. The new Monitoring Officer post is currently being finalised by HR, in the meantime existing resource

within the team is covering the monitoring role until the appointment is made. We are assured that recommendations relating to the Finance Partner input are progressing well with the process for accounting for monies effectively having been agreed. All sites requiring S106 payments have been visited by officers from within the department, details documented, and invoices issued. In addition, a comprehensive database identifying details relating to all S106 monies has been developed and implemented to further strengthen controls in this area.

Further audit follow up work is scheduled for later in the year to evaluate the effectiveness of the revised arrangements following the launch of the new system and outcomes will be reported to this Committee.

1.4 Hamilton Campus (Treasury Building) Data Centre

A follow up visit to the Hamilton Campus was undertaken during the period to evaluate progress made to implement recommendations made in our audit dated October 2021 and reported to this Committee in November 2021. It is pleasing to note that of the nine recommendations previously identified six have now been fully implemented with two partially addressed and one being no longer required. It was noted however that a new location is currently in the process of being identified to rehouse the data centre as the Wirral Metropolitan College requires additional space due to the new Town Deal. We understand that the existing office space is to be cleared by August 2022 and we have subsequently made an additional three high priority recommendations related to this that require immediate attention and action to ensure that the deadlines are met, risks are captured correctly, and mitigated, and related dependencies identified. Internal Audit will continue to monitor the situation and report any significant developments to this Committee.

1.5 Business Planning

In 2019/20 an audit of the Business and Service planning was completed and follow up work scheduled for later in 2020. However, with the outbreak of COVID this work was delayed. It is acknowledged that as the Council returns to business as usual, the business/ service planning and performance management processes and responsible officers have changed and continue to evolve as scrutiny around these operations has heightened. Internal Audit have now completed an initial follow up review of the recommendations as despite the changes a number of these recommendations remain pertinent. Management have advised that all transitional plans have now been prepared and high-level audit reviews of three of the plans (Regeneration & Place; Children, Families & Education and Adult's Care & Health & Strategic Commissioning) have been performed. The outcome of this work identified that they effectively addressed the required key elements of business and service planning. Further detailed follow up work is scheduled for business/service planning and performance management in 2022/23.

1.6 Wirral Evolutions

An audit of Wirral Evolutions Ltd has recently been undertaken at the request of the Council's Project Board. The purpose of the audit was to review the governance and financial management arrangements in place and provide assurances that the procedures were adequate and being adhered to. A significant number of actions were identified during this audit that covered Wirral Evolutions Ltd and the Shareholder (the Council). A follow up of the actions agreed with management has now been completed and appropriate evidence provided regarding the full implementation of the majority of these actions. This included the issue of revised financial regulations. We will be following up the remaining recommendations in March 2022 and reporting outcomes.

1.7 During October 2021, a value for money review was conducted by the Council to determine whether Wirral Evolutions offered sufficient added value to the Council in the delivery of the contract for day services for people with learning disabilities which is to be reported to the Adult Social and Public Health Care Committee in March 2022. The outcomes from the internal audit review were considered as part of this review and incorporated into the committee report.

1.8 Children's Personal Budgets/Commissioned Education Care

An audit of the arrangements in place over the Children's Personal Budgets and Commissioned Education Care system has been completed during the period to evaluate the efficiency and effectiveness of the control environment in operation. The audit identified a Major risk opinion overall and a number of areas for improvement were identified, predominately in the following areas:

- Clarification of individual roles and responsibilities
- Formalisation of more effective communication channels

Senior management have responded very proactively to the report and have taken immediate steps to address the improvement areas identified through the agreement of an action plan and implementation of corrective measures which will improve the risk opinion provided. Follow up audit work is scheduled for later this month to evaluate progress made and the effectiveness of actions taken and the outcome of this will be reported to this Committee.

2. **AUDIT RECOMMENDATIONS**

2.1 All actions arising from audit reviews are included within audit reports and action plans agreed with and presented to senior managers. Actions are then monitored for implementation progress on the Audit Planning and Management system. This includes a regime of follow up audit activity and the utilisation of the Power Bi reporting system that identifies and tracks implementation progress in real time for managers and senior leaders.

Summary Power Bi reports are presented to the Operational Performance Group on a monthly basis for operational management oversight and appropriate actions taken to address any significant issues or outstanding actions including subsequent referral to the Senior Leadership Team. In addition, the Chief Executive and the Section 151 Officer discuss audit actions progress at scheduled bi-monthly meetings with individual directors, ensuring completion within agreed timescales and demonstrating effective corporate oversight.

- 2.2 All of the actions identified in audit reports for this period have been agreed with management and are being implemented within agreed timescales. The current BRAG status for these items are currently classified as amber, green or blue as a consequence. Internal Audit will continue to monitor progress as detailed above and report any slippages to senior management via the Power Bi dashboard. Any significant items outstanding beyond agreed timescales and without sufficient mitigations will be reported to this Committee for any appropriate actions to be taken.
- 2.3 Discussions have taken place with management regarding a small number of historic actions from previous audit reports that remain outstanding as a direct consequence of delays experienced resulting from the Covid pandemic and its impact upon resources in some areas, and revised implementation timescales agreed. If any of these items remain outstanding beyond these timescales or the nature of the risk increases significantly then the escalation process will entail them being reported to this Committee for attention and action.

3. INTERNAL AUDIT PERFORMANCE INDICATORS

- 3.1 The Service constantly evaluates and measures the effectiveness of its performance in terms of both quality and productivity by means of a number of performance indicators in key areas as identified below. This is particularly important at present as the service returns to a normal level of operations following the disruptions caused by the Covid pandemic and the continued agile working:

IA Performance Indicator	Annual Target	Actual % Delivery to date
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms for the reporting period indicating satisfaction with the Internal Audit service.	90	100
Percentage of internal audit reports issued within 14 days of the completion of fieldwork.	100	97

3.2 There are currently no significant issues arising.

4. INTERNAL AUDIT PLANNED WORK QTR4 21-22

4.1 The revised flexible Internal Audit Plan as endorsed by this Committee and following disruptions arising from the Covid Pandemic includes targeted audit work aimed at evaluating the effectiveness of controls in operation in the following areas during the remainder of this quarter and much of this work is currently in train. 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.

- Business Grants - Post Assurance Checks
- Financial Resilience – Budget Processes
- Corporate Governance – Compliance Reporting
- Business Planning and Performance Management
- Regeneration – New Town Deal Initiative
- Wirral Growth Company
- Health and Safety
- SmartBusiness Project (ERP)
- Climate Emergency Arrangements
- Local Plan

5. INTERNAL AUDIT DEVELOPMENTS

5.1 Continuous Improvement

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

- Continued ongoing development of the Mersey Region Counter Fraud group led by Wirral Internal Audit to include more joint fraud exercises and training across the local region and the North West of England;
- Continuing development of the Wirral Assurance Map identifying areas of assurance for the Council for utilisation in audit planning and risk management process;
- Ongoing development of performance management and reporting database with enhanced reporting;
- Ongoing improvements to the audit reporting format;
- Ongoing development of reciprocal arrangement with neighbouring authorities for audits of 'owned' non internal audit services

- Improvements to Maintained Schools audit provision through development of risk-based work programme;

MPN
03-03-22



AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 15 March 2022

REPORT TITLE:	INTERNAL AUDIT ANNUAL PLAN - 2022-23
REPORT OF:	CHIEF INTERNAL AUDITOR

REPORT SUMMARY

The report identifies the Internal Audit Plan of work for 2022-23.

Work scheduled for completion has been included to reflect the findings of the extensive planning exercise recently undertaken to ensure the ongoing relevance of risks previously identified, as well as the inclusion of any risks to the organisation that have emerged since the original exercise or are likely to emerge in the near future.

The updated plan has been presented to Members of the Senior Leadership Team and approved for implementation.

RECOMMENDATION

The Audit and Risk Management Committee is recommended to endorse the work proposed in the Internal Audit Plan for 2022-23 in accordance with the terms of reference for the Audit and Risk Management Committee.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 The Audit and Risk Management Committee is required by its terms of reference to advise on the adequacy of the Council's strategic risk management, internal control and governance processes.

2.0 BACKGROUND

- 2.1 The Public Sector Internal Audit Standards produced jointly by the Chartered Institute for Public Finance and Accountancy and the Chartered Institute of Internal Auditors sets out the expected professional standards for Internal Audit in Local Government.
- 2.2 The standards set out the requirement for a risk based internal audit plan. This report identifies the Annual Internal Audit Plan for 2022-23.
- 2.3 The audit plan is intentionally not as detailed regarding specific audits as in previous years to ensure that it remains dynamic and flexible, to allow for emerging risks to be incorporated and targeted work in these areas to be undertaken in year. This approach is very much in line with current best professional practice and all stakeholders will be updated during the year as adjustments including any additions are made.

3. OTHER OPTIONS CONSIDERED

- 3.1 No other options considered.

4.0 FINANCIAL IMPLICATIONS

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

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

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

7.0 RELEVANT RISKS

- 7.1 The Council may not achieve its corporate objectives.
- 7.2 The Audit and Risk Management Committee may fail to comply with best professional practice and thereby not function in an efficient and effective manner.
- 7.3 Appropriate actions may not be taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.

7.4 Statutory requirements for the Council to provide adequate and effective systems of internal audit may not be met.

8.0 ENGAGEMENT/CONSULTATION

8.1 Members of this Committee are consulted throughout the process of preparing and delivering the Internal Audit Plan.

9.0 EQUALITY IMPLICATIONS

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

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

11.0 COMMUNITY WEALTH IMPLICATIONS

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

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APPENDICES

Appendix 1: Internal Audit Annual Plan 2022-23

BACKGROUND PAPERS

CIPFA Code of Practice for Internal Audit in Local Government
Chartered Institute of Internal Auditors Standards & Protocols for Internal Auditing
Public Sector Internal Audit Standards

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Report presented annually to Committee.

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WIRRAL INTERNAL AUDIT SERVICE

INTERNAL AUDIT PLAN

2022 - 2023

Section One

INTRODUCTION

- 1.1 This document summarises the results of Internal Audit's planning work. It sets out details of the:
- Responsibilities and scope of internal audit
 - Resourcing and delivery of the Council's internal audit service
 - Arrangements for reporting internal audit work
 - Proposed programme of work areas for 2022/23 (the Audit Plan).
- 1.2 The Audit Plan for 2022/23 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). The PSIAS represent mandatory best practice for all internal audit service providers in the public sector.

- 1.3 The Council has adopted the PSIAS definition of internal auditing:

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

- 1.4 In accordance with PSIAS, the mission of internal audit is to:

Enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

- 1.5 The work of internal audit is a key element in delivering the Council's strategic priority of corporate effectiveness and business efficiency, but also supports the Council in achieving all the aims and objectives set out in the Wirral Plan.
- 1.6 The PSIAS require that the internal audit service is delivered and developed in accordance with the Internal Audit Charter. The Council has formally agreed provisions relating to internal audit as detailed in the Financial Procedure Rules of the Council's Constitution in accordance with the Internal Audit Charter.

Section Two

INTERNAL AUDIT – RESPONSIBILITIES AND SCOPE

2.1 *Responsibilities of internal audit*

The internal audit function is responsible for:

- Reviewing and assisting with developing the Council's governance processes. Specifically, this includes:
 - Promoting appropriate ethics and values within the Council
 - Supporting effective organisational performance management and accountability
 - Communicating risk and control information to appropriate areas of the organisation
 - Coordinating the activities of, and communicating information among, Audit and Risk Management Committee, external audit, internal audit and management
- Evaluating the effectiveness of the Council's risk management processes and contributing to their improvement
- Assisting in the maintenance and development of an effective control environment by providing robust independent assurance over its operation.

2.2 *Responsibilities of management*

The establishment and maintenance of adequate control systems is the responsibility of management. Recommendations made by internal audit can reduce risk and improve systems of control. However, the implementation of audit recommendations cannot eliminate risk entirely.

2.3 *Responsibilities of the Audit and Risk Management Committee*

In regard to internal audit, the Audit and Risk Management Committee is responsible for:

- Approving, but not directing, internal audit's strategy, plan and monitoring performance
- Reviewing summary internal audit reports and the main issues arising, and seeking assurance that action has been taken where necessary
- Receiving and considering the Chief Internal Auditors annual report.

2.4 *Responsibilities for fraud prevention and detection*

The primary responsibility for the prevention and detection of fraud rests with management. Management's responsibilities include creating an environment where fraud is not tolerated, identifying fraud risks, and taking appropriate actions to ensure that controls are in place to prevent and detect fraud.

It is not the role or responsibility of internal audit to detect fraud. However, internal audit will evaluate the potential for the occurrence of fraud in each assignment and how the Council manages the risk of fraud.

2.5 *Scope of internal audit activities*

The scope of internal audit work includes:

- The entire control environment of the Council, comprising financial and non-financial systems.
- Reviewing controls that protect the interests of the Council in its dealings with partnerships in which the Council has an involvement.

Internal audit may also provide assurance services to parties outside the Council as appropriate and with the agreement of the Council.

Section Three

RESOURCING & DELIVERY OF INTERNAL AUDIT

3.1 *Resource requirements*

The level of resource required to deliver an effective internal audit service to the Council has been assessed based on the need to provide adequate audit coverage of the Council's:

- Key financial systems
- Risk management and governance arrangements
- Front line services
- Support services
- Merseyside Pension Fund Administering Authority activities
- Procurement and contract management activity
- Information management arrangements
- Anti-fraud and corruption arrangements
- Schools including contracted Academy work

Account has also been taken of the need to be able to resource:

- Unplanned work which may arise during the year
- Follow up work to provide assurance that previously agreed recommendations are implemented
- Provision of advice and consultancy to internal customers

3.2 *Delivery of the internal audit service*

The 2022/23 Internal Audit Plan will be delivered by a highly experienced and suitably qualified in-house team of 10 FTE auditors led by the Chief Internal Auditor. The level of available internal audit resource is considered sufficient to deliver a robust annual internal audit opinion to the Audit and Risk Management Committee.

As in recent years, where opportunity arises, the internal audit team will also collaborate with internal audit colleagues from other local authorities in regard to the approach and delivery of particular audit assignments.

3.3 *Independence and objectivity*

The internal audit team is managed by the Chief Internal Auditor reporting directly to the Director of Resources, the Council's statutory Section 151 Officer and with direct unfettered access to the Chief Executive Officer and Chair of the Audit and Risk Management Committee. These arrangements are designed to prevent any potential impairment to independence and objectivity in regard to the provision of an effective internal audit.

3.4 *Approach to placing reliance on other sources of assurance*

When planning specific audit assignments, other sources of assurance may be taken into consideration in order to ensure the best use of the audit resource. Any work that is necessary in order to place reliance on other sources of assurance will be determined as required for each assignment.

3.5 *Assurance services to other organisations*

Wirral Internal Audit Services provide assurance work to a number of external organisations via agreed SLAs. Time has been included within the audit plan for 2022/23 to accommodate income generating work of this nature during the year, as detailed below:

External Assurance - Traded Provision
Wirral Growth Company
Academy Schools
Merseyside Pension Fund

Section Four

INTERNAL AUDIT REPORTING ARRANGEMENTS

4.1 *Distribution of internal audit reports*

At the conclusion of each audit assignment, a draft report and action plan is discussed with the manager responsible for the area which has been audited. A final report containing management responses to any issues identified is subsequently distributed to:

- The relevant Senior Managers for the area reviewed,
- The Directors responsible for the area reviewed,
- The Council's external auditor, Senior Leadership Team and ARMC in summary activity report format.

Within six months of the conclusion of individual audit assignments and presentation of audit reports a follow up audit is undertaken to evaluate progress made by managers to implement agreed recommendations and areas for action. The outcomes from the follow up work undertaken are reported to responsible managers and any areas of insufficient progress or outstanding action are escalated to senior management and Members of the Audit and Risk Management Committee.

4.2 *Overall assurance opinion*

In each audit report, an overall opinion on the organisational risk presented is provided for the area audited. The opinion is based on the information obtained in the course of the audit and represents an assessment of the effectiveness of the risk management, control and governance processes in the area audited.

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

Moderate	This opinion indicates that the likelihood/impact of the risks identified during the review, should they materialise would leave the Council open to moderate risk of a fundamental or material nature. This opinion suggests that there are some weaknesses in the design and/or operation of the control environment that may have varying degrees of impact on the achievement of the systems and/or corporate objectives.
Minor	This opinion indicates that the likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to minor risk.
Negligible	There were no weaknesses identified during the review

4.3 *Reporting to elected members*

On a regular scheduled basis throughout the year internal audit update/progress reports are presented to the Audit and Risk Management Committee Members summarising the outcomes of internal audit work and any significant matters identified. Such matters may include risk exposures, governance weaknesses, performance improvement opportunities and value for money issues and include those matters escalated to Members for action.

4.4 *Annual Audit Opinion*

An annual report is presented to the Audit and Risk Management Committee which includes the Chief Internal Auditor's overall opinion on the Council's risk management, control and governance processes. This opinion forms one of the sources of assurance in support of the Council's Annual Governance Statement. The opinion is based upon the collective findings from the internal audit work completed during the year.

Section Five

INTERNAL AUDIT PLAN - METHODOLOGY

5.1 *Requirements of the Public Sector Internal Audit Standards*

The PSIAS state that the 'chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals'.

5.2 *Development of the Audit Plan*

In developing the Audit Plan, account has been taken of:

- The Council's overall risk management processes including the Corporate Risk Register and departmental/service registers
- Senior management's views on risk in their areas of responsibility
- The results of previous internal audit work
- Other existing sources of assurance, including the work of external audit
- New or emerging risks affecting the Council or local government as a whole
- Known changes to the Council's business, operations, programs, systems, and controls
- The requirement to ensure sufficient and wide-ranging coverage in order to provide a robust annual audit opinion
- Any planned work deferred from the 2021/22 Audit Plan that is still considered a priority

This year the Audit Plan has been developed to identify themed areas for audit attention during 2022/23 as at the date of writing this report and indicates areas that have been earmarked for audit activity in year, at this time. The Audit Plan deliberately does not however identify specific audit assignments, allowing a higher degree of flexibility and dynamism during the year to accommodate risks emerging as a result of the changing landscape and risk profile of the organisation for the duration of the Audit Plan. This approach follows a significant period of change and continuing uncertainty across the sector and reflects current best practice adopted by the relevant professional bodies and peer colleagues.

5.3 *Alignment of the Audit Plan to the Council's Corporate Priorities*

The Audit Plan has been prepared in a way that reflects key risks presented to the Council whilst also taking account of corporate priorities. It is acknowledged that the Corporate Risk Register is currently subject to an exercise to ensure that it is aligned to the new Wirral Plan and as such the audit plan will be adjusted in year to reflect any changes made and emerging risks as a result of this work. Some planned review areas clearly contribute to more than one risk or priority. For presentational purposes the review theme areas have been listed in a manner that is considered most closely linked to the relevant directorate.

5.4 *Budgeted time allocations*

A budgeted time allocation has been set for each area included in the Audit Plan. It is accepted that the exact resource requirement for each assignment cannot be forecast with certainty at this stage. The plan therefore represents the best estimate of the way in which the Council's internal audit resources will be deployed.

5.5 *Timing and prioritisation of audit work*

The intention is to complete audit work in all themed areas identified in the Audit Plan within the year. However, the exact scope, timing and respective prioritisation of work will take account of:

- The need to finalise any work from 2021/22 that remains incomplete at year-end
- The requirement to provide assurance over the Council's key financial systems
- The views of management of the service areas in regard to risks presented and the timing of work
- Any urgent unplanned work arising or changes in the level of audit resources available

5.6 *Significant interim changes to planned work*

It is essential that the Audit Plan is kept under constant review during the year to ensure that it remains dynamic and relevant, reflecting the evolving risk profile of the organisation. It will be necessary therefore to constantly make revisions to the Audit Plan in year, in order to respond to changes in priorities or changes in the level of risk presented. These updates will be reported to the Audit and Risk Management Committee at regular intervals during the year.

Section Six

SUMMARY INTERNAL AUDIT PLAN

Area of Audit Work	Risk Context	Overview of Assurance
ADULT CARE AND HEALTH		
Social Care – emerging risk areas.	<p>Council in conjunction with NHS partners enables care provision for vulnerable citizens; important to ensure care quality, partnership working and financial aspects are effective.</p> <p>Planning work has identified several risk areas that require consideration for audit review during 22/23.</p>	<p>Areas considered for inclusion in 22/23 detailed work include:</p> <ul style="list-style-type: none"> - implementation of the new Integrated Commissioning System - internal review of arrangements for social work contracts - preparedness for new charging reforms - residential care - review of arrangements, plans, processes to bring Evolutions back in-house - internal review of Direct Payments.
CORPORATE OFFICE		
Business Planning & Performance Management	Effective business planning and performance management arrangements remain key to ensuring Council activity is geared to the achievement of Council objectives.	Review of aspects of the business and service planning and performance management arrangements in a sample of Council departments.
Partnership arrangements	Effective partnership working essential to delivery of Wirral Plan aims.	Review of Council Partnership arrangements in support of Wirral Plan.

Area of Audit Work	Risk Context	Overview of Assurance
Response to external reviews	The Council needs to have effective arrangements in place to respond to issues emerging from external assurance, peer, external audit and Improvement Board reviews. The Council's response may identify areas for audit assurance and review.	Respond to issues arising from the corporate response to external reviews that require audit review.
CHILDREN FAMILY & EDUCATION		
Schools	Appropriate financial control arrangements and sound governance procedures are essential to ensuring effective financial management in schools.	An audit programme focussed on financial and governance risks is undertaken at all schools over a four-five year programme, with phasing planned based on risk assurance rating. Ongoing support and guidance on effective control environments provided as requested.
Emerging risk areas	Planning work has identified several risk areas that require consideration for audit review during 22/23.	Areas considered for inclusion in 22/23 detailed work include: <ul style="list-style-type: none"> - returns from Early Years providers Development - reviewing planned revisions to the new approach to delivering traded services - follow-up of previous Children's Commissioning audit review to confirm implementation of improvements agreed.
Troubled Families Grants	The Council needs to maximise income and prove details claimed are accurate	Audit verification of multiple aspects of grant claim details including appraisal of outcomes.

Area of Audit Work	Risk Context	Overview of Assurance
	and valid whilst also ensuring that regulatory requirements are fulfilled correctly.	
Academies	Address significant risks presented whilst continuing to explore alternatives for wider Internal Audit service development.	Agreeing SLAs with a small number of Academies to undertake their internal scrutiny role.
NEIGHBOURHOODS		
Climate Emergency Response	Failure to respond effectively and develop plans/adaptations could lead to legal challenge, reputational damage, increased costs and a lack of resilience.	Assessment of risks and mitigating controls to ensure appropriate arrangements are in place to manage this corporate risk.
Commercialism	Impact on future income flows of any failure to develop and deliver commercial culture and processes.	Annual review of governance, specifically efficiency and effectiveness of decision-making regarding commercial ideas and the actual improvements in income as a result. Planned work may include testing to ensure Council charging policies are correctly and properly applied.
Leisure and General Establishments reviews.	Need to ensure expected income streams are fully maximised and key corporate policies and procedures are followed across the Council.	Review of income from a sample of establishments plus confirmation of compliance with a range of established policies and procedures.

Area of Audit Work	Risk Context	Overview of Assurance
RESOURCES		
Financial Resilience	Failure to effectively manage changes to the way that the Council is funded could lead to poor decisions on service reductions, unplanned efficiencies and in year overspends, resulting in the Council being unable to deliver priority services to vulnerable communities.	Assessment of risks and mitigating controls to ensure the Council's has robust arrangements in place for ongoing financial resilience, including the achievement of savings plans.
Financial Systems <ul style="list-style-type: none"> • Transactional Management - Collection Fund • Payroll • Accounts Receivable • Accounts Payable • Income Control 	These systems provide material disclosures for the financial statements. (S151 requirement).	High level reviews evaluating and testing the effectiveness of the key controls within each financial system and focused on any emerging key risks areas from the implementation of the new ERP system.
Transactional Management - Benefits	These systems provide essential financial support to vulnerable clients.	Provision of assurance to s151 Officer on a cyclical basis in respect to the various Benefit systems. i.e. HB, CTSS, DHP's, IHM & LWASS
Client Finance Support Team	These operations provide essential support to vulnerable clients.	Assurance on effectiveness of the client finance support systems reviewed on a cyclical basis. i.e. Direct Payments, Court of Protection.

Area of Audit Work	Risk Context	Overview of Assurance
Personal Finance Unit	Prompt financial assessment, billing and recovery of client financial contributions is essential to fund the Council budget.	Provision of support in respect to ongoing service development.
Treasury and Capital Management	These systems provide material disclosures for the financial statements.	High level reviews evaluating and testing the effectiveness of the key controls within the Capital Programme, Assets and Treasury Management operations focused on any emerging key risks areas.
Financial Accounting System	These systems provide information and disclosures for the financial statements.	Provision of information and assurance to s151 Officer in respect to the production and external audit of the financial statements.
Financial Control	Provision of assurance to the S151 Officer on the supporting financial sub-systems.	Reviews evaluating and testing the effectiveness of the key controls within the financial sub-systems that support the Council's business and focused on any emerging key risks areas.
Compliance with Policies and Procedures	Appropriate procedures must be established, understood, and consistently applied. Non-compliance with corporate policies and procedures across disciplines such as HR, finance, information, procurement, health & safety, put the reputation of the Council and the health and safety of our staff and residents at risk, and may lead to financial penalty and ultimately loss of life.	<p>Assessment of risks and mitigating controls to ensure the Council has appropriate arrangements in place to ensure compliance with policies and procedures.</p> <p>Review of compliance included within the remit of the Corporate Governance Group, supported by Internal Audit.</p> <p>Areas considered for inclusion in 22/23 audit work include:</p> <ul style="list-style-type: none"> - Recruitment - IR35 - Case Management System for capability, disciplinary, grievance.

Area of Audit Work	Risk Context	Overview of Assurance
Health and Safety Management	If health and safety/compliance policies and procedures are not sufficiently developed, tested or adhered to by officers, members or contractors, this could lead to an incident resulting in harm to employees/Members/members of the public, legal challenge and reputational damage.	Assessment of risks and mitigating controls to ensure full compliance with legislative requirements and policies agreed with the Council's partners.
Commissioning	Important for organisation to maintain effectiveness of identifying outcomes to meet needs through efficient market intelligence and stakeholder involvement. Risk of interruption to the delivery of vital services from the failure of a critical supplier.	Support and guidance plus compliance work regarding: <ul style="list-style-type: none"> - Breach notices - Highways - Partnership working - Procurement & Contract Management Assessment of risks and mitigating controls.
Programme and Project Initiation	Programmes and projects when established take a considerable amount of coordination and officer time, making it critical to ensure that they are commenced for the right reasons and with the right approvals, timeframes and monitoring processes.	Assessment of recently commenced programmes and projects to evaluate their basis, intended outcomes and membership responsibilities, aiming to ensure effective delivery of benefits from initial design. To include a review of Programme Management Office arrangements.
Grants	Essential to maximise income and prove details claimed are accurate and prompt.	Responsive work prior to despatch of claims
Merseyside Pension Fund	The Council as administering authority for the Merseyside Pension Fund (MPF)	Provision of an opinion on the MPF control environment based on the outcomes of a separate cyclical MPF internal

Area of Audit Work	Risk Context	Overview of Assurance
	is required to make arrangements for the proper administration of the financial affairs of the Fund and provide assurance they are managed to secure effective, economic and efficient use of resources and to safeguard its assets.	audit plan. The plan is updated annually to take account of the emerging key risks facing the Fund and is delivered in accordance with the approved service level agreement. The work is split between: Pensions Administration; Investments, Accounting & Compliance; and cross cutting risk areas.
LAW & GOVERNANCE		
Corporate Governance / Annual Governance Statement (AGS)	<p>Statutory requirement for the Council to produce an Annual Governance Statement.</p> <p>Failure to maintain effective corporate governance could result in poor decision-making, malpractice and breach of legislation, leading to regulatory intervention and significant cost, both in financial terms and to the reputation of the Council.</p>	<p>Undertake work to support and assist in the preparation of the Annual Governance Statement, ensuring it aligns with knowledge and understanding of structures and processes in place.</p> <p>Provide support and challenge to development of governance arrangements, including attendance and support for Corporate Governance Group and review of the Code of Corporate Governance.</p> <p>Assessment of risks and mitigating controls to ensure the Council maintains effective corporate governance.</p>
Emerging risk areas	Planning work has identified several risk areas that require consideration for audit review during 22/23.	<p>Areas considered for inclusion in 22/23 detailed work include:</p> <ul style="list-style-type: none"> - Audit of school admission appeals - Audit new sign-off system for committee reports - Elections Planning and Coordination.
Constitution	Essential to overall good governance that the Council's Constitution is current, relevant and functions effectively.	Annual review and feedback to Monitoring Officer regarding assurance on effectiveness and corporate compliance.

Area of Audit Work	Risk Context	Overview of Assurance
Mayor's Charity	Failure to comply with Charity Commission requirements.	Undertake Independent Examination of the Mayor's Charity accounts.
REGENERATION & PLACE		
Regeneration Projects	Significant investment in many development projects largely around the Birkenhead area necessitate regular internal audit coverage to ensure funding streams are maximised, specific initiatives progress as per agreed plans, contracts let are properly tendered and managed, and expenditure is appropriately controlled.	<p>Areas considered for inclusion in 22/23 detailed work include:</p> <ul style="list-style-type: none"> - Review of business cases for each of the ten Town Deal projects as a part of the Council's assurance processes as the Accountable Body. - Assessment of the Hind Street development, Wirral Waters and the operation of the Future High Streets Fund.
Emerging risk areas	Planning work has identified several risk areas that require consideration for audit review during 22/23.	<p>Areas considered for inclusion in 22/23 detailed work include:</p> <ul style="list-style-type: none"> - financial exposure from commercial investments. - further review of key issues arising from the LCC BV review including relationships between leading officers, members and contractors. - audit review of the process to refocus the activity of the Wirral Growth Company. - consideration of issues facing the asset management service, including capacity issues and working relationships between departments. - review of issues relating to the planning function, including compliance with requirements for the

Area of Audit Work	Risk Context	Overview of Assurance
		implementation of the Local Plan and follow-up of earlier planning system review in the context of a new IT system currently being implemented.
ICT		
Cyber Security	A significant and ever-increasing risk is presented in this area and IT security must be sufficient to deter, detect and prevent unauthorised access to IT systems which could result in loss of data and disruption to Council services.	<p>Assessment of controls in place to reduce the risk of successful Cyber Attack using the guidance provided by the National Cyber Security Centre (NCSC). This includes 10 steps on how organisations can protect themselves in cyberspace in the following areas:</p> <ul style="list-style-type: none"> • Risk Management • Engagement & Training • Asset Management • Architecture & Configuration • Vulnerability Management • Identity & Access Management • Data Security • Logging & Monitoring • Incident Management • Supply Chain Security
Information Management	It is essential that the Council is compliant with relevant data and information management legislation which if not effective may lead to loss or breach of personal data creating security or reputational risk.	Assessment of controls in place to ensure that personal information is managed and protected in line with relevant Policies and Procedures.

Area of Audit Work	Risk Context	Overview of Assurance
IT Projects/Systems Development	<p>It is essential to the Council that IT risks and controls are sufficiently considered throughout IT projects and during systems developments and are consistent with the Digital, Data and Technology Strategy.</p> <p>Failure to deliver an effective Smart Business Enterprise Resource Planning (ERP) solution across a range of linked services will present a significant risk to the ongoing efficient and effective operation of the Council.</p>	<p>Ongoing advice, consultancy, and targeted audit work to provide assurance that IT risks and controls are embedded and considered throughout the lifecycle of IT related projects/systems development.</p> <p>Ongoing targeted audit support, consultancy advice and guidance to the ERP project to ensure that expected timeframes are achieved in a controlled manner and that effective controls are included throughout.</p> <p>Post ERP go live review to ensure effectiveness of arrangements including confirmation that systems being utilised correctly.</p>
Business Continuity Planning – Response to a Disruptive Incident	It is essential that the Council maintains effective business continuity plans that enable it to respond to an incident, that could if unchecked result in a major failure in service delivery.	Assurances that Digital has BCPs in place, that are up to date, and tested, to mitigate the risk of being unable to respond to an incident such as IT failure.
Emerging risk areas	Planning work has identified risk areas that require consideration for audit review during 22/23.	Areas considered for inclusion in 22/23 detailed work will include an audit of the physical management of the relocated CCTV Control room and the data processes in place.

Area of Audit Work	Risk Context	Overview of Assurance
COUNTER FRAUD		
Counter Fraud Strategies, Policies and Awareness Training	Fraud and corruption are ever present risks to all organisations. It is important therefore that the Council's arrangements to counter fraud reflect best practice.	Review internal fraud policies and evaluation of awareness and compliance across the Council and continued delivery of awareness training for all employees. Collaborative working exercises across the Mersey region.
National Fraud Initiative (NFI)	NFI matches data across organisations and systems to help public bodies identify anomalies which may signify fraud. The Council is required by law to participate in NFI.	Coordination of the NFI exercise, including the investigation of matches and review of user outcomes. To identify possible cases of fraud and error from data provided through NFI and ensure that corrective action is taken in respect of any identified under/overpayment.
Fraud – Reactive	Fraud referrals deemed of sufficient significance to be referred to and accepted by the CIA are investigated by Internal Audit in line with the Counter-Fraud and Corruption Strategy.	Investigations of allegations/referrals to Internal Audit.
Fraud – Proactive	Fraud and corruption are ever present risks to all organisations. It is important therefore that a programme of proactive anti-fraud work is undertaken to prevent and detect fraud.	Risk based proactive work to prevent and detect fraud.

Area of Audit Work	Risk Context	Overview of Assurance
ADVISORY		
Audit Queries	Day to day client queries regarding identification and management of systems, risks and controls.	Time allocation for specific queries that arise from directorates that require audit services.
Corporate Working Groups National/Regional Working Groups	Co-ordinated national and regional solutions to implementation of controls to manage risks.	Time allocation to contribute to Audit Working Groups (in addition to that included under respective risk areas above)
CONTINGENCY		
		Time allocation to allow for new emerging risks and unplanned work for example large investigations.



AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 15 March 2022

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

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

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

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

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

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options considered appropriate as failure to report this information would demonstrate ineffective governance and non-compliance with professional best practice.

3.0 BACKGROUND INFORMATION

Corporate Risk Register (CRR)

- 3.1 The Strategic Leadership Team (SLT) undertook a detailed reassessment of the Corporate Risk Register on 2nd March. This included a review of the existing Corporate Risks and consideration of new risks. The in-depth discussion and reflection highlighted several risks that require a change in emphasis and focus alongside the development of several new risks. This work will be undertaken over the next few weeks.
- 3.2 The discussion highlighted the changing external environment; from the shift to a different phase of the pandemic, to one of living with COVID-19, and the recognition of the potential impact of the war in Ukraine, for example pension fund investments in Russia and the increased threat of cyber-attacks.
- 3.3 There was also a recognition that some of the risks faced by the Council do not easily align with the Wirral Plan 2021-26 themes and priorities. To help ensure that these risks are identified and captured as part of the Corporate Risk Register the presentation of the Corporate Risks will be considered.
- 3.4 An updated Corporate Risk Register will be presented at the next committee meeting.
- 3.5 The regular monitoring of Corporate Risks is undertaken via a variety of ways:
- Strategic Leadership Team, on a six-monthly basis, undertake a deep dive review and consider whether the Corporate Risks are still relevant, the scoring is appropriate, and the mitigations are robust.
 - Chief Executive & Section 151 Officer hold bi-monthly performance sessions with individual Directors to discuss the relationship with Corporate and Directorate Risks and to review at a directorate level whether the risks are relevant, and mitigations have been correctly identified.
 - Monthly Operational Performance Board meetings include a review of Directorate Risks in summary with the Corporate Management Team to ensure the directorate risk registers are being monitored effectively and are being reviewed frequently.

- Directorate Management Teams for each Directorate, as part of their regular monthly performance monitoring will consider risks in detail and make recommendations to SLT as to whether directorate risks need to be escalated to the CRR. Formal quarterly reporting of Directorate Risk Registers.
- Chief Internal Auditor holds meetings with Directors to discuss the Corporate Risks and aligned Internal Audit Plan work throughout the year identifying key areas of change as well as new and emerging risks.

ARMC Risk Sub-Group

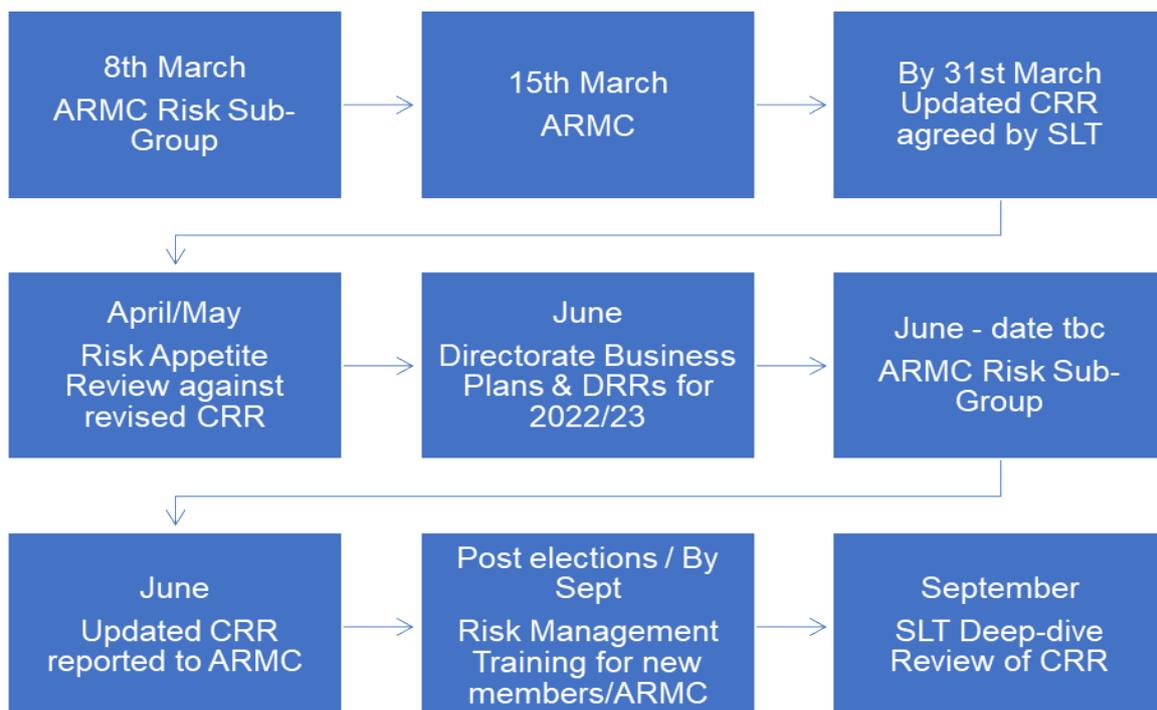
3.6 The next meeting of the group is due to take place on the 8th of March, rescheduled from February. This meeting will include discussions on some of the evolving outcomes from the SLT session and any issues emerging from the recent risk management training session in January open to all members.

Other Risk Management Activity

3.7 Additional, short term, resource has been made available to support the Risk, Continuity and Compliance Manager carrying out reviews of the Directorate Risk Registers and providing feedback and challenge to the directorates. This is timely as directorate business planning is underway and helping to ensure risk registers are an integral part of business plans. The output of the refreshed Corporate Risk Register will also be considered by directorates to allow for the flow and linkage of risks at all levels.

3.8 Work continues to finalise the approach to capturing the Council’s risk appetite including the role of Members in the developing risk appetite statement. The aim is to link this with the revisions to the Corporate Risk Register.

3.9 The timeline below shows several of the key stages and areas of work in 2022:



4.0 FINANCIAL IMPLICATIONS

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

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

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

7.0 RELEVANT RISKS

- 7.1 Without robust risk management procedures in place there is a danger that the Council will fail to identify, understand, and monitor key strategic and operational risks. An ineffective and poorly established risk management framework prevents the optimisation and balanced approach between risk taking and control, leading to ineffective assurance and missed opportunities. The consequence of both is that risks are not considered in decision-making which could have serious financial, reputation and resource implications.
- 7.2 Risk management arrangements for the Council form part of the key controls for the Corporate Risk 18 – 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.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

11.0 COMMUNITY WEALTH IMPLICATIONS

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

REPORT AUTHOR: **Helen Turner**
(Risk, Continuity and Compliance Manager)
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APPENDICES

None

BACKGROUND PAPERS

Risk Management Policy
Corporate Risk Register

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	
Development of the Revised Corporate Risk Register	11 March 2019
Update of the Corporate Risk Register	22 July 2019
Update of the Corporate Risk Register	23 September 2019
Update of the Corporate Risk Management Arrangements	18th November 2019
Corporate Risk Management Update	27th January 2020
Risk Management Update	10th March 2020
Corporate Risk Register Update	16th November 2020
Corporate Risk Management Update	25th January 2021
Corporate Risk Management Update	9th March 2021
Corporate Risk Management Update	5 th July 2021
Corporate Risk Management Update	27 th September 2021
Corporate Risk Management Update	30 th November 2021
Corporate Risk Management Update	24 th January 2022

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AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 15 March 2022

REPORT TITLE:	EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE
REPORT OF:	DIRECTOR OF RESOURCES (S151 OFFICER)

REPORT SUMMARY

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

RECOMMENDATION/S

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

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

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

2.0 OTHER OPTIONS CONSIDERED

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

3.0 BACKGROUND INFORMATION

- 3.1 Grant Thornton are the Council's independent external auditors. Their annual work programme is set in accordance with the Code of Audit Practice and includes nationally prescribed and locally determined work.
- 3.2 The report provides members of the Committee with an update on progress of the external audit; it also includes details of national publications relevant to the Council.
- 3.3 The external auditor's progress report attached at Appendix 1 provides the Committee with an update on planning for the 2022/23 external audit work. Planning work is due to commence and the timeframes for the key deliverables are detailed in the report.
- 3.4 The sector update includes the following:-
 - Government response to MHCLG (now DLUHC) on Local Authority financial stability and the Section 114 regime
 - An update on the Public Accounts Committee (PAC)
 - Update on 2020/21 audited accounts – PSAA
 - Public Sector Audit Appointments 2023/24
 - Guide to Value for Money
 - Climate change risk
 - Local government and net zero in England
 - Cyber and information security – Good practice

4.0 FINANCIAL IMPLICATIONS

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

5.0 LEGAL IMPLICATIONS

- 5.1 There are no legal implications identified.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are no human resources implications identified.

7.0 RELEVANT RISKS

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

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. The appendix is not equality compliant and therefore paper copies are available upon request.

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

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The external audits are currently undertaken remotely as a consequence of the pandemic and the authority will support this continuing were practically possible to reduce our carbon footprint. The content and/or recommendations contained within this report are expected to have no impact on emissions of Greenhouse Gases.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The content contained within this report ensures we have a financially resilient Council that supports the residents and economy of the Borough

REPORT AUTHOR: **Diane Grisdale**
Senior Finance Manager
email: dianegrisdale@wirral.gov.uk

APPENDICES

Appendix 1 – Wirral Council External Audit Progress Report – March 2022

BACKGROUND PAPERS

Terms of Engagement
External Audit Plan
Statement of Accounts
CIPFA Code of Practice

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Meeting – External Audit Progress Report	18 November 2019
Audit and Risk Management Meeting – External Audit Progress Report	28 January 2019
Audit and Risk Management Meeting – External Audit Progress Report	18 November 2018

Wirral Council Audit Progress Report and Sector Update

Year ending 31 March 2022

March 2022
Page 53



Contents

Section	Page
Introduction	3
Progress at March 2022	4
Audit Deliverables	6
Financial Reporting Council annual report	7
Sector Update	9

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

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Introduction

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

The paper also includes:

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

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

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

Progress at March 2022

Financial Statements Audit 2020/21

We presented our detailed Audit Findings Report to the 24 January 2022 Audit & Risk Management Committee setting out our response to audit risks and the proposed audit opinion. We issued our audit opinion on 28 January 2022. The audit opinion was unqualified and unmodified.

Our responsibilities include providing an assurance statement on the Council's Whole of Government Accounts consolidation pack to the National Audit Office (NAO), based upon the 2020/21 audited financial statements. The NAO has not yet confirmed the data collection arrangements to the Council and therefore our assurance work is expected during early 2022, after which we will provide our certification that the audit is completed.

Financial Statements Audit 2021/22

We are currently at the initial planning stage of the 2021/22 audit. This involves audit risk assessment informed by review of minutes from assurance committees, review of Internal Audit reports, meetings with senior officers and an understanding of any changes to the Code of Practice which may impact upon the Council.

We will undertake detailed audit planning and interim testing of balances in the spring of 2022 in order to issue our detailed Audit Plan in June 2022.

Value for Money 2020/21

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

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

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office had updated its guidance to auditors to allow us to postpone completion of our 2020/21 work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This was intended to help ensure as many as possible could be issued in line with national timetables and legislation.

We plan to complete our Value for Money work during March 2022 and to issue the Auditor's Annual Report no later than 31 March 2022.

Progress at February 2022 (cont.)

Other areas

Meetings

We meet with Finance Officers on a regular basis and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive and Director of Resources in January to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

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

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2020/21 is the third year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 and 2019/20 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your Director of Resources including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit & Risk Management Committee in our audit plan.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit & Risk Management Committee (ARMC) setting out our proposed approach in order to give an opinion on the Council's 2020/21 financial statements and the Auditor's Annual Report on the Council's Value for Money arrangements.</p>	June 2021	Completed
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the January ARMC</p>	November 2021	Completed
<p>Auditors Report</p> <p>This is the opinion on your financial statements.</p>	November 2021	Completed
<p>Auditor's Annual Report</p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	March 2022	Not yet due
2021/22 Deliverables (dates to be confirmed)	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit & Risk Management Committee setting out our proposed approach in order to give an opinion on the Council's 2021/22 financial statements and the Auditor's Annual Report on the Council's Value for Money arrangements.</p>	June 2022	Not yet due
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the ARMC</p>	November 2022	Not yet due
<p>Auditors Report</p> <p>This is the opinion on your financial statements.</p>	November 2022	Not yet due
<p>Auditor's Annual Report</p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	November 2022	Not yet due

Financial Reporting Council annual report

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Page 59
Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Good with limited improvements (Grade 1 or 2)	6	1	1
Improvements required (Grade 3)	3	5	2
Significant improvements required (Grade 4)	0	0	1
Total	9	6	4

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

Grade	Number 2020/21	Number 2019/20
Good with limited improvements (Grade 1 or 2)	6	6
Improvements required (Grade 3)	0	0
Significant improvements required (Grade 4)	0	0
Total	6	6

FRC report (cont.)

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Sector Update

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

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

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

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

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

Public Sector

Local
government

Government response to MHCLG Select Committee report on Local Authority financial sustainability & the section 114 regime – MHCLG

Government has published a response to the Housing, Communities & Local Government (HCLG) Committee report on local authority financial sustainability and the section 114 regime, published in July.

The MHCLG report states “In recent years, the financial sustainability of local government has faced successive challenges, including increased demand for services, especially social care, changes to the level of funding equalisation between councils and, most recently, the COVID-19 pandemic. In some instances, councils have been in such acute financial trouble that they have approached the Ministry of Housing, Communities and Local Government for financial assistance; three of these—Northamptonshire in 2018, Croydon in late 2020 and Slough in July 2021—issued section 114 notices, essentially declaring they had run out of money. Our inquiry has sought to identify the most serious threats facing local councils’ finances. In light of the various factors we consider in the report, including the somewhat delayed Fairer Funding Review, renewed discussion about property taxes and the need to reform funding for social care, the time is right to consider a more radical review of local government finances—and our report makes various recommendations about how this should be done. We also consider what happened at Croydon—which prompted us to look at the section 114 regime—in the annex to our report.”

The report includes sections on:

- Social Care
- Funding
- COVID-19
- Local authority commercial investment
- Audit and control

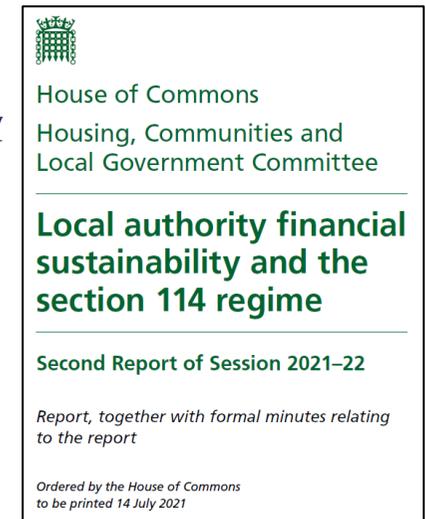
The report made 13 recommendations, and the Government response to these was published in October. The response notes “Moving forward, we will work to provide the sector with a sustainable financial footing, enabling it to deliver vital frontline service and support other government priorities. We will also take stock, including of the impact of the pandemic on local authority resources and service pressures, to determine any future reforms.”

The initial report can be found here:

<https://committees.parliament.uk/publications/6777/documents/72117/default/>

Government response can be found here:

<https://www.gov.uk/government/publications/local-authority-financial-sustainability-and-the-section-114-regime>



Public Accounts Committee (PAC) – Local auditor reporting on local government in England & government response

The PAC inquiry examined the timeliness of auditor reporting on English local public bodies' financial statements covering 2019-20. The National Audit Office (NAO) report, on which this inquiry is based, found that “delays in the delivery of audit opinions beyond the deadlines for publishing local authority accounts, alongside concerns about audit quality and doubts over audit firms' willingness to continue to audit local public bodies, highlight that the situation needs urgent attention.”

The PAC report found “Without urgent action from government, the audit system for local authorities in England may soon reach breaking point. With approximately £100 billion of local government spending requiring audit each year, the Ministry of Housing, Communities & Local Government (the Department) has become increasingly complacent in its oversight of a local audit market now entirely reliant upon only eight firms, two of which are responsible for up to 70% of local authority audits. This has not been helped by the growing complexity of local authority accounts, with audit firms now asked to carry out more work in each audit, comply with new regulatory demands and adapt to the new multifaceted landscape in which local authorities operate, while also struggling to hire and retain experienced auditors.”

Key conclusions were:

- The marked decline in the timeliness of external audit undermines accountability and hampers effective decision-making.
- There is a pressing risk of market collapse due to an over reliance on a small number of audit firms and significant barriers to entry.
- The commercial attractiveness to audit firms of auditing local authorities has declined.

- The rapidly diminishing pool of suitably qualified and experienced staff increases the risks to the timely completion of quality audits.
- We are not convinced that the recently announced new local audit arrangements will meet the pressing need for effective system leadership now.
- Unless local authority accounts are useful, relevant and understandable they will not aid accountability.

The report made recommendations in each of these areas. The government response was published on 28 October.

The PAC report and response can be found here:

[Timeliness of local auditor reporting on local government in England - Committees - UK Parliament](#)



House of Commons
Committee of Public Accounts

Local auditor reporting on local government in England

Eleventh Report of Session 2021–22

2020/21 audited accounts – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has reported that only 9% of local government audits for 2020/21 were completed by the end of September. This is a sharp contraction on the 45% filed on time for 2019-20, and is the third successive year where the number of accounts produced on schedule has reduced.

PSAA state “The challenges posed by COVID-19 have contributed to the current position. However, a range of further pressures documented in the Redmond Report are also continuing to impact performance. In particular there is a shortage of auditors with the knowledge and experience to deliver the required higher quality audits of statements of accounts, which increasingly reflect complex structures and transactions, within the timeframe expected. The growing backlog of audits is also a concern, with 70 of the 2019/20 audits still incomplete.”

Grant Thornton commented “Audit quality remains a priority for our firm and we continue to work hard with local audit stakeholders to ensure the delivery of high quality audits in as timely a fashion as is practicable. Unfortunately, much of this work will be delivered past the 30 September target date, owing to ongoing constraints posed by the COVID-19 pandemic and the backlog this has caused. We remain committed to public sector audit and are now focused on delivering the majority of our local audits by December 2021.”



The news article can be found here:

<https://www.psa.co.uk/2021/10/news-release-2020-21-audited-accounts-psaa/>

2023-24 audit appointments – Public Sector

Audit Appointments

Following a consultation exercise Public Sector Audit Appointments (PSAA) has invited all principal local government including police and fire bodies to become opted-in authorities. At the same time it published its procurement strategy and prospectus for the national scheme from April 2023. Both documents have evolved in response to the feedback provided by the market engagement exercise and consultation on the draft prospectus undertaken during June 2021.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and

- establishing arrangements that are able to evolve in response to changes to the local audit framework.

PSAA set out the proposed timeline, which anticipates contracts being awarded in August 2022.



The news article can be found here:

<https://www.psa.co.uk/2021/09/psaa-publishes-its-prospectus-and-procurement-strategy-and-invites-eligible-bodies-to-opt-in-from-april-2023/>

The procurement strategy can be found here:

<https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/procurement-strategy/>

Guide to support Value for Money (VfM) analysis for public managers – CIPFA

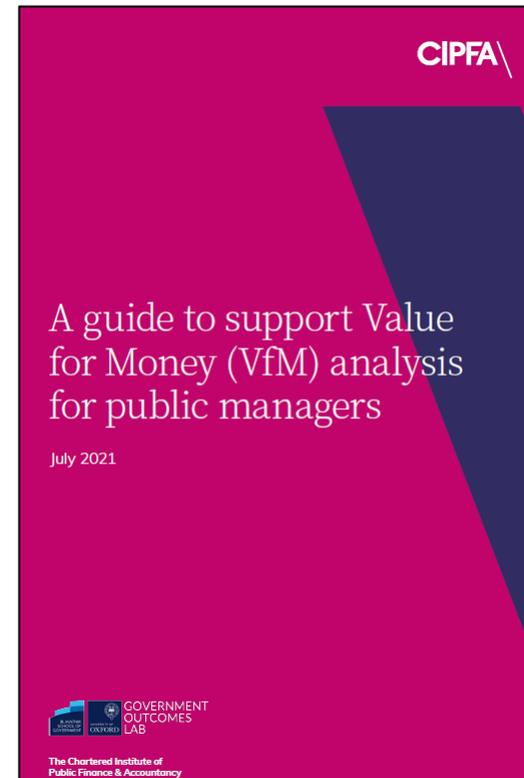
The Chartered Institute of Public Finance and Accountancy (CIPFA) has published this guide which complements a VfM toolkit which has been published separately. Both were developed under a collaborative project between Government Outcomes Lab (GO Lab) and CIPFA.

CIPFA state “The guide is aimed at public managers planning to assess Value for Money (VfM) of outcomes-based contract (OBC) programmes, or any other type of programme with an outcome-focus, using prospective information. This involves assessing economic validity of the programme with respect to ‘doing nothing’ as well as the closest comparator.”

CIPFA explain that the guide:

- Describes what VfM represents in public provision of social services with a special focus on outcome-based contracts (OBCs). In particular the guide emphasises the link between economy and effectiveness criteria.
- Promotes thinking about longer-term effects of interventions, such as outcomes and impact, at the design/ planning stage of programmes. This means that having a good appreciation for efficiency is helpful but not necessary, especially when outcomes are both identifiable and measurable.
- Explain how it could be used to appraise public programmes with respect to anticipated costs and value of them using prospective information.

The guide is available to CIPFA members through the website.



Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)

Local government and net zero in England – NAO

The National Audit Office (NAO) report responds to a request from the Environmental Audit Committee to examine local government and net zero. It considers how effectively central government and local authorities in England are collaborating on net zero, in particular to:

- clarify the role of local authorities in contributing to the UK’s statutory net zero target; and
- ensure local authorities have the right resources and skills for net zero.

The NAO comment “While the exact scale and nature of local authorities’ roles and responsibilities in reaching the UK’s national net zero target are to be decided, it is already clear that they have an important part to play, as a result of the sector’s powers and responsibilities for waste, local transport and social housing, and through their influence in local communities.

Government departments have supported local authority work related to net zero through targeted support and funding. However, there are serious weaknesses in central government’s approach to working with local authorities on decarbonisation, stemming from a lack of clarity over local authorities’ overall roles, piecemeal funding, and diffuse accountabilities. This hampers local authorities’ ability to plan effectively for the long-term, build skills and capacity, and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly.

MHCLG, BEIS and other departments recognise these challenges and are taking steps to improve their approach. Their progress has understandably been slowed by the COVID-19 pandemic, but there is now great urgency to the development of a more coherent approach.”

Key findings include:

- Central government has not yet developed with local authorities any overall expectations about their roles in achieving the national net zero target.
- There is little consistency in local authorities’ reporting on net zero, which makes it difficult to get an overall picture of what local authorities have achieved.
- Neither MHCLG nor HM Treasury has assessed the totality of funding that central government provides to local government that is linked with net zero.

The report can be found here:

<https://www.nao.org.uk/report/local-government-and-net-zero-in-england/>



Cyber and information security: Good practice guide – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The NAO state “Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation’s data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

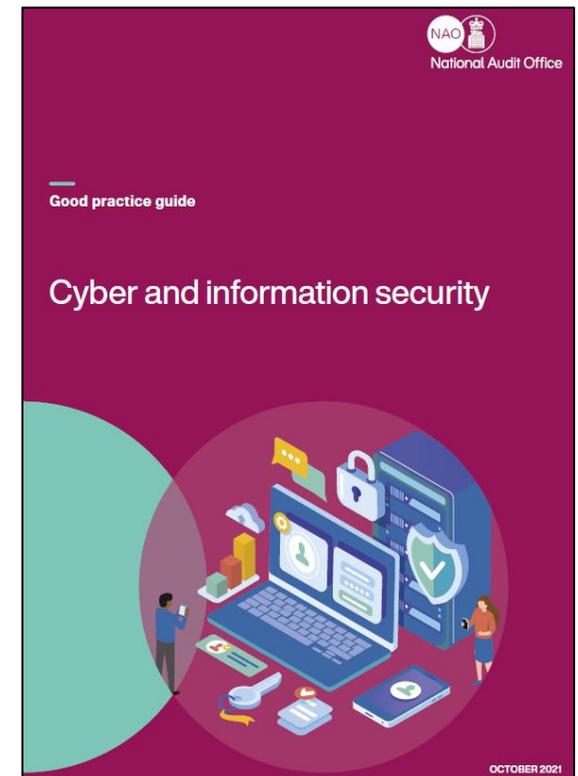
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.”

The report can be found here:

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>





AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 15 March 2022

REPORT TITLE:	INFORMATION GOVERNANCE UPDATE
REPORT OF:	DIRECTOR OF RESOURCES (S151 OFFICER)

REPORT SUMMARY

This report provides an update on the current work being done to sustain and deliver effective Information Management, relating to Information Governance across the Council. This work aims to reduce the risk of reputational damage and monetary penalties. The report also highlights areas of Information Governance work scheduled for the coming year.

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

RECOMMENDATION

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

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. This report outlines current controls in place 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, as a public body is subject to The Data Protection Act UK 2018 which incorporates the requirements of the General Data Protection Regulation (GDPR). This legislation enhanced and strengthened the rights of individuals in relation to personal data and how it is collected, stored, used, shared, kept secure and destroyed. It also requires public bodies to be mindful of the rights and freedoms of individuals when processing their personal data.
- 3.2 The Council has a statutory Data Protection Officer (DPO), who acts independently of the Council in order 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 carried out prior to GDPR being enacted and this work was carried out in tandem with a review of Council websites to ensure compliance. As this review was a number of years back, the policies and procedures are now due for a further review and that has commenced January 2022 and is part of the IG work plan for the next 12 months.
- 3.4 Support for the DPO is given by Law and Governance department who specifically assist on complex Information Governance Issues. The Senior Information Risk Officer (SIRO) also supports the DPO by offering oversight and advice as required.
- 3.5 Many employees have now worked from home for between 18 months and 2 years and this shift has altered Information Governance risks and the mitigation required to minimise those risks. Although for many employees working from home is the new normal it is still important to be mindful of changing and emerging risks.
- 3.6 This report details key work undertaken in the past 12 months to help mitigate the changing risks in relation to Information Governance. It also gives details of work for the next 12 months which will help ensure the Council's compliance in a number of information management and data protection policy areas.
- 3.7 At ARMC on 30/11/2021 in relation to the SIRO report, several Councillor questions were raised in relation to Internal Reviews for Freedom of Information Requests and

also Referrals to the Regulator, the Information Commissioner (ICO) for the period 2020/21, the additional detail given below answers those questions.

Internal Reviews - 2020/21

There were 21 Internal Reviews requested in this period.

17 of those were upheld and the requestors advised the next step in the process is to complain to the ICO if they remain dissatisfied.

4 were not upheld and these 4 internal reviews were undertaken because the requestor complained the request had been answered late. In such cases the review seeks to establish why the request was late and then advise the requestor. In addition, we review what help and assistance we can give to the service area. The number of internal reviews are relatively low in relation to the number of requests fulfilled but each one is reviewed independently of the original request.

ICO Referrals - 2020/21

During this period there were 6 cases reported to the ICO. The Council self-referred 1 incident in relation to a temporary health and social care worker and their processing of personal data. There were 5 public referrals:

3 in relation to subject access requests.

1 in relation to a school's admissions complaint.

1 in relation to a damaged paperwork being received.

In the period 2020/21, the ICO issued 1 decision notice in which they asked the Council to disclose some information it has previously deemed as commercially sensitive. This request had been subject to a robust Internal Review and the Council applied what they believed to be a comprehensive legal argument to not disclose the information.

Information Governance Risks

- 3.8 Two risks related to Information Management/Governance have featured on the Council's Corporate Risk Register for several years. These risks have the potential for wide ranging impact across the Council in terms of service delivery, financial and reputational damage. These risks are linked to risks on the Information Governance Board (IGB) Risk Register and are subject to regular review. The risks are currently recorded as:

- CRR20 - 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".
- CRR21 - 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".

Both of these risks were considered at the recent Strategic Leadership Team Risk Focus session on 2nd March 2022. The scores for CRR20 - Cyber Security are to be increased to reflect the potential for an increase in the threat of cyber-attacks as a potential impact of the war in Ukraine. There will also be a reassessment of CRR21 - Information Management to ensure alignment with changes to other Corporate

Risks. The changes to both risks will be fed through to the IGB Risk Register and monitored at the next Board meeting in April 2022.

- 3.9 The Information Governance Board (IGB), is chaired by the DPO and meets on a 6-weekly basis. It maintains its own risk register which is reviewed at each meeting. The risk register currently contains 13 risks which link directly to two risks within the Corporate Risk Register. The top scoring risks relate to:

The need to develop options for the long-term housing of the records management and archives service.

Poor management systems and the amount of unlisted and unmanaged information/ records in both paper and electronic form, and a lack of awareness and understanding of information management and information/cyber security responsibilities across Council, all of which have the potential to have large scale or wide-ranging impacts across the Council.

The work outlined in this report and activity planned in 2022 aims to mitigate and manage the risks. The IGB will continue to monitor these risks and escalate issues to the Corporate Governance Group and Senior Leadership Team as required.

IG Work in 2021/22

- 3.10 The work undertaken in the previous year/s in relation to Covid-19 led to a more connected partnership working between the Council and partner agencies such as NHS and Public Health England. This work helped the Council and partner agencies work more strategically together in the Covid related field. This work has continued into 2021/22 and there is still the requirements to draw up robust privacy notices which reflect and demonstrate new purposes why the Council needed to process data. These notices help the Council demonstrate transparency to the public on how and why they use people's personal data. These notices needed to be reviewed to ensure they were fit for purpose as Covid restrictions changed.
- 3.11 Covid also required a large number of Data Sharing agreements to be drawn up and agreed. These agreements were in relation to the Council working with partner agencies and charitable organisations. Review work was carried out on these agreements to ensure personal data was being held for an appropriate retention period.
- 3.12 The impact of COVID-19 has not completely gone away, although assumptions are that within 12 months there will be less impact on the teams related to Covid, this will be monitored and reviewed. The following current information and statistics help to demonstrate the variety and scale of the work currently being undertaken.

Statistical snapshot of Information Governance work

3.13 Security Incidents

- 3.13.1 The tables below provide a breakdown of the reported information security incidents and the incident severity assessment. The reported incidents for 2020/21 are provided for comparison.

	2020/21	2021/22*
April	10	12
May	14	8
June	13	12
July	8	14
August	14	5
September	13	21
October	12	18
November	16	19
December	7	18
January	10	13
February	18	10*
March	11	
	146	150

*As at 21 February 2022

The incident severity categorisation is assessed by the Information Security Incident Team. All incidents are discussed in a weekly meeting and severe cases are escalated to the relevant Service Manager for appropriate actions to be taken which could include changes to processes or refreshing staff training.

Incident Severity Assessment	2020 / 2021	2021 / 2022*
Severe	10	7
Moderate	37	32
Low	92	102
Informational	5	4
Undefined	2	0
Non-Incident	0	5
	146	150

*As at 21 February 2022

3.13.2 The increase in recorded incidents, over historical records, can in the main be attributed to the wider awareness of data protection arrangements following the introduction of GDPR in May 2018. This not only applies to staff who are required to and have undertaken training on Information Security and the requirement to report incidents in a timely manner but also the awareness and understanding of service users as to the requirements to ensure their data is held securely. Information Security and the requirement to report incidents has had a higher profile since 2018 and service areas understand the need to report even on low level incidents.

The close monitoring of the security incidents have identified that there are weaknesses in areas which rely on accuracy of addresses they hold for customers, such as Benefits and Council Tax. As a result of having granular information on the security recording system some targeted work, such as GDPR training sessions has been undertaken and is further planned to ensure these incidents are minimised in the future. The planned work includes attending DMTs; plans for a suite of training on the new learning platform Flo and a planned session with the Councils Corporate Management Team and Strategic Leadership Team on where improvements can be made and to highlight any issues officers are facing that may be contributing to incidents occurring.

3.13.3 Determining the level of “Impact” of an incident is decided at the Security Incident Review Meetings with the Data Protection Officer, using advice and guidance from the ICO and the following statements are used as guidance:

Severe The incident affected a large number of external persons
 The information involved was very sensitive
 The council incurred additional costs as a result of the incident
 The council experienced reputational damage as a result of the incident
 The incident was reported to the ICO or other regulatory body
 An external breach of one or more council systems was achieved

Moderate The incident affected a large number of internal users
 The incident affected several external persons
 The information involved was extensive
 The incident included a formal complaint
 The incident involved significant time / effort to manage

Of the 7 incidents given an impact of ‘Severe’, 2 were self-reported to the ICO. The ICO decided not to take further action on one, and the other they decided that the ‘offence was committed against Wirral Council’ and the actions taken by Wirral Council were ‘proportionate to any sanction that may be imposed by a court for an offence of this nature’. Of the other incidents given an impact of ‘Severe’, one undertook a disciplinary hearing with the member of staff who caused the incident, and others advised that team members would be reminded of the correct processes to be followed, to be vigilant and if required given training.

Of the 32 incidents given an impact of ‘Moderate’, 3 were self-reported to the ICO; all of which the ICO determined that no further action was necessary. A large number of ‘Moderate’ incidents occurred in Council Tax and Benefits and the Transactional Management Business Unit Manager met with the DPO on this issue and has now changed / updated processes and has recently provided new GDPR training for all members of staff in response to the increased number of incidents in this area.

The information recorded on all incidents is crucial to highlight patterns or weaknesses in processes, it is especially important to learn lessons from the security incidents and especially those graded as Severe or Moderate.

A review has already commenced in 2022 to ensure the processes relating to security incident reporting and monitoring is fit for purpose

3.14 Referral to Information Commissioners Office (ICO)

3.14.1 In 2021/22 the Council self-reported five information security incidents to the Information Commissioner’s Office (ICO), all of which received the decision that no further action by the ICO was necessary. Some incidents reported are independent of the table above, as individuals may go directly to the ICO if they have a complaint. The ICO gave advice that although no action was necessary, they wished the Council to review the following: -

- Ensure People received adequate training
- Review related policies and procedures to ensure they were fit for purpose
- Review our Internal Complaints procedure to ensure it is fit for purpose

3.14.2 In relation to the period 20/21 referenced in the SIRO report presented to AMRC in November 2021, there were 6 cases referred to the ICO. The Council self-referred 1 incident in relation to a temporary health and social care worker and their processing of personal data. There were 5 public referrals:

- 3 in relation to subject access requests.
- 1 in relation to a school’s admissions complaint.
- 1 in relation to a damaged paperwork being received.

In the period 2020/21, the ICO issued 1 decision notice in which they asked the Council to disclose some information it has previously deemed as commercially sensitive. This request had been subject to a robust Internal review and the Council applied what they believed to be a comprehensive legal argument to not disclose the information.

3.14.3 A plan to review all ICO referrals is due at the next meeting of the Information Governance Board and an action plan will be produced and monitored, and reported back to the committee via the Corporate Governance Group update.

3.15 Requests for Information

3.15.1 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. However, for financial year 21/22 and moving forward the figures are to a reporting schedule of requests received in the month, In terms of this there is a five week delay in reporting monthly figures.

	21/22 FOI's/EIR's received	21/22 FOI's/EIR's responded to on time	% 21/22 FOI's/EIR's responded to on time	21/22 subject access requests received	21/22 subject access requests responded to on time	% 21/22 subject access requests responded to on time
April	85	69	81%	19	14	74%
May	117	90	77%	31	21	68%

June	93	67	72%	11	10	91%
July	95	70	74%	19	11	58%
August	129	91	71%	24	17	71 %
September	123	93	76%	22	16	73%
October	134	103	77%	30	16	53%
November	135	105	78%	15	12	80%
December	89	69	78%	13	8	62%
January						
February						
March						
TOTALS	1000	757	76%	184	125	68%

3.15.2 Review and analysis of the subject matter of requests by the Information Management Team (IMT), allows for a review of what is included within the publications scheme, published on our web pages. The review of the scheme is continually undertaken to establish if there are any common FOI requests or emerging themes. If these are established then IMT can liaise with specific service areas to have this data published, to avoid the volume of similar FOI requests in the future. However, it is not possible to predict the volume of FOIs that are submitted, and some requests are so specific in nature that we wouldn't generally publish such data on the publications scheme.

Sometimes the information being requested is high profile but may be commercially sensitive or not available for publication until a certain time after consultation etc. For 2022/23 we are proactively assessing times when we carry out external communications to ensure that we can publish as much information in advance to minimise the number of requests being submitted as a result of these communications.

Requests for Internal reviews

3.15.3 If a requestor is dissatisfied with their response to an FOI request, the legislation allows then to request an Internal review of the response they received. In 2021/22 there were 21 requests for an Internal review. The information management team has begun to record more granular details in relation to the outcomes of internal reviews so this detail can be presented when requested to committee. The granular detail is given below:

- 11 were upheld and the requestors advised the next step in the process is to complain to the ICO if they remain dissatisfied.
- 5 resulted in further data being provided to the requestor.
- 4 were the result of the request being answered over the timescale.
- 1 currently remains open and is being processed.

Contrasting this with the period for 2020/21 there were also 21 Internal Reviews. 17 were upheld and the requestors advised the next step in the process is to complain to the ICO if they remain dissatisfied. 4 were not upheld and these 4 internal reviews were undertaken because the requestor complained the request has been answered late. In such cases the review seeks to establish why the

request was late and then advise the requestor. In addition, we review what help and assistance we can give to the service area. The numbers of IRs are relatively low in relation to the number of requests fulfilled but each one is reviewed independently of the original request.

Actions by the ICO

3.15.4 The ICO has not issued any monetary fines against the Council for the period 2021 to current date, but they did advise the Council in relation to 1 Internal Review that they needed to revisit the request and answer in a timely fashion. This action was carried out and the Internal Review closed. The ICO also advises after any Internal Review is escalated to them that the organisation in question should:

- Ensure People who handle personal data are appropriately trained and have access to specialist advice of they require it.
- Ensure IG related policies and procedures are up to date and fit for purpose
- Ensure their Internal Complaints procedure has been reviewed and is fit for purpose.

Archives Service Statistics

3.15.5 The Archives search room was closed throughout the pandemic, reopening to the public 25 October 2021. Between this date and late February 2022, it has seen 157 visitors for whom 3592 documents were produced. Archive enquiries were received throughout the pandemic and 253 of these were answered remotely between April 2021 and late Feb 2022.

Records Management Statistics

3.15.6 For much of the last year, Records Management has continued to play a key role supporting Asset Consolidation and Staff Relocation (ACSR), clearing records from buildings whose staff now worked from home. This saw 850 boxes of material transferred into the records management facility, most in the period April to September 2021. Since then, the transfer of paper records to the facility has slowed significantly, reflecting the large-scale digitisation of Council services and operations.

The significant amount of material transferred during ACSR constitutes a large backlog of records awaiting processing by Records Management. This process is ongoing.

The demand from council officers to access records from the facility remains, with some 290 records on average being retrieved each month. Records are not permitted at home, retrieved records instead being digitised and delivered digitally where possible; where this is not feasible, officers come into Cheshire Lines to access records. Typically, between 20% and 30% of paper records requested are delivered digitised. This digitisation will increase and become the norm as more employees remain working from home.

Appraisals of records

- 3.15.7 During 2021 the clearing buildings of records has involved the time-consuming appraisal of many documents for archival value. This year some 227 boxes were appraised, significantly reduced from last year's number of more than 2,200 boxes.

Future plans

- 3.16 The legacy demands of the COVID-19 response have naturally led to some Information Governance tasks being delayed. However, 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:

- A Deputy Data Protection Officer has been recruited and commenced with the Council March 2022.
 - Plans are underway to secure an additional full-time employee on the Information Management team; currently employed as part time.
 - A wholesale review of Information Management policies and procedures commenced January 2022 to ensure they remain fit for purpose and reflect best practice.
 - Ongoing use of communication channels for staff awareness messages to remind them of the responsibilities everyone has.
 - During late 2021/22 a review of the Councils processing activities commenced, reviewing and mapping all our processing activities and recording them on a central register called a Record of Processing Activities – ROPA. The Council is required to have a ROPA and for it to be available for inspection by the Information Commissioner on request.
- 3.17 In relation to the ongoing mitigating and managing risks in relation to Cyber Security, the following activities are planned or already in progress:
- Collaboration with the Department for Levelling Up Housing and Communities Local Digital Cyber team to identify and implement improvements.
 - Use of National Cyber Security Centre services, such as Early Warning, to detect and defend against malicious activity.
 - Decommissioning and replacement of legacy infrastructure.
 - Participation in Local Resilience Forum Cyber Resilience Working Group to share best practice and develop responses.
- 3.18 With regard to compliance with Data Security and Protection Toolkit (DSPT), this is an annual self-assessment for health and care organisations. The Council and any other organisations which have access to NHS patient data and systems must comply with the requirements of the toolkit. This compliance demonstrates and provides assurances that the Council are committed to and practicing good data security and that personal information is handled correctly. Failure to comply with the DSPT requirements could impact on your ability to access NHS patient data.

From 2022 onwards the self-assessment process and compliance requirements were in part moved to be owned by Health and Social Care, with advice and support to complete the toolkit available from key officers within ICT. The administration of DSPT toolkit remains within Information Management. The Council is currently compliant with DSPT.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Although there are no immediate financial implications arising directly from this report. There could be financial implications if the Council's compliance is not adequate, which would lead to further risk of the Council's financial resilience.

5.0 LEGAL IMPLICATIONS

- 5.1 Public Bodies have a statutory duty to appoint a Data Protection Officer. This Officer plays a key role in monitoring internal compliance and is required to inform and advise on data protection obligations. They 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 is required to act independently and should be 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 Council's transparency when processing information. The DPO also has a pivotal 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 and policies 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

11.0 COMMUNITY WEALTH IMPLICATIONS

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

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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 (SIRO Report)	30 th November 2021
Audit & Risk Management Committee (Information Governance Update)	9 th March 2021
General Data Protection Regulation (GDPR) Implementation Update	12/03/2018
Council – Members and Acceptable Use Policy	18/03/2019