



Audit and Risk Management Committee

Date:	Monday, 27 June 2022
Time:	6.00 p.m.
Venue:	Council Chamber, Wallasey Town Hall

Contact Officer: Joe D’Henin, Democratic Services Officer
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This meeting will be webcast at <https://wirral.public-i.tv/core/portal/home>

AGENDA

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

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

4. MINUTES (Pages 1 - 4)

To approve the accuracy of the minutes of the meeting held on 15th March 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 22nd June 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

Petitions may be presented to the Committee if provided to Democratic and Member Services no later than 10 working days before the meeting, at the discretion of the Chair. The person presenting the petition will be allowed to address the meeting briefly (not exceeding three minute) to outline the aims of the petition. The Chair will refer the matter to another appropriate body of the Council within whose terms of reference it falls without discussion, unless a relevant item appears elsewhere on the Agenda. If a petition contains more than 5,000 signatures, it will be debated at a subsequent meeting of Council for up to 15 minutes, at the discretion of the Chair. 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 5 - 14)

7. ANNUAL ARMC REPORT 2021-22 (Pages 15 - 40)

8. CHIEF INTERNAL AUDITORS ANNUAL REPORT AND OPINION 2021-22 (Pages 41 - 68)

9. CORPORATE RISK MANAGEMENT UPDATE (Pages 69 - 80)

10. EXTERNAL AUDIT PLAN WIRRAL COUNCIL 2021-22 (Pages 81 - 114)

11. **EXTERNAL AUDIT PLAN MERSEYSIDE PENSION FUND 2021-22
(Pages 115 - 140)**
12. **REVIEW OF CONTRACT PROCEDURE RULES (Pages 141 - 180)**

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AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 15 March 2022

Present:

Councillor	K Hodson (Chair)	
Councillors	S Whittingham	D Burgess-Joyce
	D Brennan	S Mountney
	K Cannon	T Smith
	S Kelly	Jason Walsh
	J Johnson	

49 WELCOME AND INTRODUCTION

The Chair welcomed all people present and informed them that a copy of the webcast will be available on the Council's website for two years.

The Chair invited attendees to join in a minute's silence to reflect on the situation in Ukraine, the lives already lost and the fear and trauma families there face, and for the sake of people on all sides caught up in that and the many other conflicts across the world.

50 APOLOGIES FOR ABSENCE

Apologies for absence were received from independent member Joanne Byrne and Councillor Adrian Jones.

51 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 items on this agenda and, if so, to declare them and state what they were. There were no declarations of interests.

52 MINUTES

Resolved –
That the minutes of the meeting held on 24 January 2022 be approved.

53 PUBLIC AND MEMBER QUESTIONS

There were no questions, statements or petitions received.

54 **INTERNAL AUDIT UPDATE**

The Chief Internal Auditor presented his report which identified and evaluated the performance of the Internal Audit Service and included details of any issues arising from the actual work undertaken during the period 1 January to 28 February 2022. There were no major issues to highlight.

Members asked questions on audit involvement in the change of status of Wirral Evolutions.

Resolved:
That the report be noted.

55 **INTERNAL AUDIT ANNUAL PLAN - 2022-23**

The Chief Internal Auditor introduced his report which identified the Internal Audit Plan of work for 2022-23, with proposed themed areas. The audit service worked on a twelve-month cycle but needed to be dynamic and flexible to allow for significant changes and the plan had that built in, with emphasis on themes, reflecting best auditing practice. There would be engagement with chief officers and Members to ensure new risks were captured and considered.

Members were interested in seeing more detail on the prioritisation and timescales and that was to be provided outside of the meeting with regular updates included in reports to future meetings. It was noted that there were several networks of peers who were utilised to ensure best practice was followed and relevant new risks were identified. In questions about the Council and Pension Fund's involvement with Russia and the national Government's sanctions following the invasion of Ukraine, it was clarified that the Pension Fund had 0.25% invested with Russia and the Council was looking at its own contracts to uncover any links. A further update on this was to be provided to the next meeting.

Resolved –
That 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 be endorsed.

56 **CORPORATE RISK MANAGEMENT UPDATE**

The Risk, Continuity and Compliance Manager presented the report of the Director of Resources which provided an update on the Council's risk management arrangements and areas of risk management focus over the following year. There had been an event for senior officers to consider the existing corporate risks, if or how they were aligned with the Wirral Plan and to foresee any new risks that may emerge. It also considered the potential

opportunities that could arise. It had been acknowledged that there was a changing external environment – learning to live with the Covid-19 virus, dealing with the effects of the invasion of Ukraine and the threat of cyber-attacks.

**Resolved –
That the report be noted.**

57 **EXTERNAL AUDIT PROGRESS REPORT**

The Senior Audit Manager at Grant Thornton presented the report of the Director of Resources which provided a progress update on the work being undertaken by the external auditor, Grant Thornton. The report also included a sector update which provided a summary of emerging national issues. It was noted that the financial audit for 2020/2021 was not yet fully complete in common with other Councils as a required toolkit was not yet available, although the auditor's opinion had been unqualified. The timescale for the 2021/2022 audit was given.

Members queried the timescales for clarification and noted that many Councils were suffering financially.

**Resolved –
That the update provided by the Council's external auditors be noted.**

58 **INFORMATION GOVERNANCE UPDATE**

The Archives and Records Manager presented the report of the Director of Resources which provided an update on the work to sustain and deliver effective Information Management, relating to Information Governance across the Council. This work aimed to reduce the risk of reputational damage and monetary penalties but also the need for paper records management. The report also highlighted areas of Information Governance work scheduled for the coming year. There had been an increase in reporting of incidents although following investigation no further action had been required on any.

Members questioned the policies which clarified:

- That it was the Data Protection Officer who decided whether to send issues to the Information Commissioner's Office (ICO) although there were monthly meetings of the Information Security Board to discuss incidents
- There were no recorded whistleblowing incidents in the period
- The policy for paper records is that none are to be taken home but can be digitised for viewing away from the office
- The ICO can overrule decisions by the Council on whether data can be released.

**Resolved –
That the report be noted.**



AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY 27 JUNE 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 March to 31st May 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 timely basis. This report supports these arrangements by focussing on the following:

- Any items of note arising from audit work conducted,
- Any issues arising that require actions to be taken by Members,
- Performance information relating to the Internal Audit Service,
- Developments being undertaken to improve the effectiveness of the Internal Audit Service.

The information contained within this report is for the period 1st March to 31 May 2022.

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are none arising from this report.

5.0 LEGAL IMPLICATIONS

- 5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There are none arising from this report.

7.0 RELEVANT RISKS

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

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

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

11.0 COMMUNITY WEALTH IMPLICATIONS

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

REPORT AUTHOR:

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APPENDICES

Appendix 1: Activity Summary March to May 2022

BACKGROUND PAPERS

Internal Audit Plan 2022-23

SUBJECT HISTORY (last 3 years)

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

APPENDIX 1

REPORT TITLE:	INTERNAL AUDIT UPDATE
ACTIVITY SUMMARY – MARCH TO MAY 2022	

1 Items of Note

1.1 New Town Deal

During the period Internal Audit have had a key role in providing an overview of each of the ten business cases that have been completed for the projects within the overall Town Deal programme, that will factor in £25million through the Council as the Accountable Body over the next few years. The DLUHC requires the Council's assurance processes to have been applied to these business cases prior to final agreement and release of funds, and the work performed on the business cases will also act as vital background to compiling an internal audit report on the necessary control and monitoring framework to be applied by Council officers regarding the Town Deal programme in the future. Outcomes from this work on the control and monitoring framework and systems will be reported to this Committee upon completion.

1.2 Climate Emergency

An audit was undertaken during the period to evaluate effectiveness of the Council arrangements to deliver this important initiative and ensure compliance with regulatory requirements and an internal audit report on this was finalised and distributed to senior management in early June 22. The outcome of the audit was that while it is clear that progress has been made over the last year in this area, there are a number of recommendations that need to be implemented to ensure ongoing processes are strengthened and momentum is maintained. There were four high priority recommendations made, and at the conclusion of the audit it was clear that action was being taken in each of these operational areas to address the recommendations. The follow up of the recommendations is planned as a priority task for October 22, when it is expected that clear evidence will be provided to demonstrate compliance with agreed actions.

1.3 Client Finance Banking Project

Internal Audit have been providing an ongoing consultancy role on the working party coordinating the transfer of the bank accounts of vulnerable clients whom the Council has a statutory duty to protect. This decision to transfer from a global account to individual client accounts was primarily as a result of an external inspectorate report finding, and the nature of the clients has determined this task as a key priority for internal audit input. It is pleasing to note that this project is reaching a successful conclusion and will be regarded as a business-as-usual task in the future rather than a current high risk area requiring action. This Committee will continue to be kept apprised of progress and any issues presented.

1.4 Annual Governance Review

It is a statutory requirement for the Authority to review annually the effectiveness of its governance arrangements and publish an Annual Governance Statement. During the period Internal Audit have carried out the annual governance review for 2021-22. The exercise has included 121 meetings with each of the SLT Directors and a review of:

- Governance Assurance Statements completed by each of the Directors
- Governance issues raised in external assurance reports (e.g. LGA Corporate Peer Challenge, DHLUC Assurance Reviews, Grant Thornton's Auditor's Draft Annual Report)
- Specific returns by S151, SIRO & CIA, and
- Internal Audit work in the year

The outcome of the review will be reported in the draft Annual Governance Statement. This is required to be published on the Council's website by 31/7/22 and is scheduled to be reported to ARMC in October 22. The final version will be approved along with the Council's financial statements.

1.5 M74 Review

An audit review was undertaken during the period to determine whether the controls around the use of M74 forms for the creation and authorisation of new posts are effective. The audit identified four medium priority actions to improve the control environment in operation and facilitate full corporate compliance with the policy and procedure, these have all been agreed with senior management and an action plan produced with related timescales. Internal Audit will continue to monitor progress in this area and report any shortfall to this Committee.

1.6 Key Financial Systems – Post Covid Reviews

Following on from the Covid19 Impact reviews completed in 2020-21, a programme of secondary reviews was developed in line with best practice guidance provided by CIPFA and CIIA focussing on the return to normal operations following the pandemic across these important service areas. The reviews were designed to evaluate the effectiveness of the arrangements in place to mitigate key risks to the operation of systems to facilitate a post pandemic return to 'business as usual' whilst also providing an opportunity to follow-up on the key issues, observations and recommendations identified from previous reviews.

The financial systems included within the programme of work were:

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

Findings indicated that significant progress had been made to address the key issues and recommendations made following the Post Covid impact reviews completed in 2020-21 although the development of effective Business Continuity Plans and Service Level Risk Registers was still an on-going issue in a number of cases and actions were agreed to address. Follow up audit work in this area is scheduled for 2022-23 and the outcomes will be reported to this Committee.

1.7 Counter Fraud Training

Internal Audit have developed a suite of new counter fraud training modules in line with current best practice incorporating all relevant legislative and regulatory requirements and identifying appropriate actions for individuals to take to identify and respond to potential fraud threats in these areas:

General Fraud
Bribery and Corruption
Money Laundering

The intention is to roll this training out across the Council workforce this quarter utilising the FLO automated platform and targeting specific areas of the Council's operations where fraud risks are most prevalent to relevant training modules.

1.8 Accounts Payable System

Actions are currently being taken by senior management to improve controls in operation over the Accounts Payable system following an audit during the period. A number of agreed actions are being implemented by senior management to strengthen the overall security of the system and mitigate risks associated with targeted fraudulent activity aimed at the Council. Officers have been alerted and acknowledge the need for these actions to be replicated in future systems currently being developed. Internal Audit will continue to work with senior management and colleagues to ensure that best practice solutions are implemented in response to risks in this area and continue to report on progress in this area to Committee.

2. **Audit Recommendations**

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

3. **Internal Audit Performance Indicators**

- 3.1 The Service constantly evaluates and measures the effectiveness of its performance in terms of both quality and productivity by means of a number of performance indicators in key areas as identified below. 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	95

3.2 There are currently no significant issues arising.

4. **Internal Audit Planned Work Qtr 2 22/23**

4.1 Audit work is currently being delivered in accordance with the Internal Audit Plan for 2022-23 as endorsed by this Committee in March 2022. Each piece of work has been identified for review based upon the significance of the risks presented in these areas and the corporate impact associated with failure of the control systems in operation. Work currently identified for the next quarter includes the following:

- Business Grants - Post Assurance Checks
- Financial Resilience – Budget Processes
- Corporate Governance
- Merseyside Pension Fund
- Regeneration – New Town Deal Initiative
- Wirral Growth Company
- Health and Safety
- SmartBusiness Project (ERP)

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 developments involving the Mersey Region Counter Fraud group led by Wirral Internal Audit.
- Continuing development of the Wirral Assurance Map identifying areas of assurance for the Council for utilisation in audit planning and risk management process;
- Ongoing development of performance management and reporting database with enhanced reporting via a real time dashboard for Members of this Committee;
- Ongoing improvements to the audit reporting format for consultancy engagements;
- Ongoing development of reciprocal arrangement with neighbouring authorities for audits of 'owned' non internal audit services

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AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY 27 JUNE 2022

REPORT TITLE:	ANNUAL ARMC REPORT 2021-22
REPORT OF:	CHIEF INTERNAL AUDITOR

REPORT SUMMARY

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

Attached at Appendix A is the Annual ARMC Report prepared by the Chair in consultation with Internal Audit.

RECOMMENDATION

The Audit and Risk Management Committee is recommended to approve the Annual ARMC Report for 2021-22 and submit this to Council.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

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

2.0 BACKGROUND

- 2.1 The Department for Communities and Local Government (DCLG) Issued amended regulations in 2006, to the 2003 Accounts and Audit Regulations – 'The Accounts and Audit (Amendment) (England) Regulations 2006.
- 2.2 One of the amended regulations relates specifically to the systems of internal audit in operation and requires bodies to regularly review their system of internal audit, and for the findings to be considered by a committee of the body, or by the body as a whole.
- 2.3 Advice from CIPFA, incorporated into the Public Sector Internal Audit Standards includes the assertion that the "systems of internal audit" can be considered to include the role and effectiveness of the Audit Committee which therefore should be assessed and evaluated. As part of this requirement there is an expectation that the 'Audit Committee' prepares an annual report that evaluates and summarises the activity of the committee during the year and that this is presented to Council.
- 2.4 An annual report for 2021-22 has been prepared by the respective Chairs of the Committee for the 2021-22 and 2022-23 municipal years in consultation with Internal Audit evaluating the activity of the Committee during the year and this is attached at Appendix A for consideration and approval by the Members.
- 2.5 In addition, a self-assessment exercise is undertaken annually of the Committee against the CIPFA best practice requirements and will be presented to the October meeting of the Committee each year for consideration.

3. OTHER OPTIONS CONSIDERED

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

4.0 FINANCIAL IMPLICATIONS

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

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

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

7.0 RELEVANT RISKS

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

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

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

11.0 COMMUNITY WEALTH IMPLICATIONS

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

REPORT AUTHOR: **Mark P Niblock**
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APPENDICES

Appendix 1: Annual ARMC Report 2021-22

The information contained within the appendices below may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact josephdhenin@wirral.gov.uk if you would like this document in an accessible format.

BACKGROUND PAPERS

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

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Annual report presented to this Committee in June/July every year.

APPENDIX 1

Audit and Risk Management Committee

Annual Report 2021-22

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Councillor Kathy Hodson, Chair - Audit and Risk Management Committee 2021-22
Councillor Simon Mountney, Chair – Audit and Risk Management Committee 2022-23

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1. Foreword

I am pleased to present the Audit and Risk Management Committee's Annual Report for 2021-22. It records the activities undertaken by the Committee across a wide range of control, risk and corporate governance matters.

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

I strongly believe that this Annual Report demonstrates the immense value that the Committee brings to the Council and the public in ensuring that improvements to the governance arrangements of the authority are being delivered. As the Chair I can clearly see first-hand the significant contribution that the Audit and Risk Management Committee makes to the improvement and development of operational standards and protocols across a wide range of governance areas particularly during what has clearly been a very challenging year.

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

By the Chair of the Audit & Risk Management Committee during 2021-22
Councillor Kathy Hodson

2. Background

2.1 What drives Governance Policy

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

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

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

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

2.2 Why do we need an Audit Committee

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

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

2.3 What does an Audit Committee do

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

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

2.4 How do Officers Support the Committee?

The Audit and Risk Management Committee is supported by:

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

3. 2021-22 Financial Year

This Annual Report for 2021-22 produced by the Audit and Risk Management Committee has been prepared in accordance with the CIPFA best practice publication *'Audit Committees: Practical Guidance for Local Authorities and Police'*. The report demonstrates how the Audit and Risk Management Committee has fulfilled its terms of reference during a very difficult year and how it is fully committed to helping to improve the Council's governance and control environments during what should prove to be a very challenging year ahead.

The committee's activities during 2021-22 were designed to make a positive contribution to the continual improvement of governance arrangements across the Council, as well as performing the statutory roles as identified in the Constitution.

4. Some Key Information

4.1. Audit and Risk Management Committee Membership

During 2021-22 the Audit and Risk Management Committee had the following Members:

Councillor Kathy Hodson – Chair
Councillor Stuart Whittingham - Spokesperson
Councillor Jason Walsh - Spokesperson
Councillor Stuart Kelly - Spokesperson
Councillor Jennifer Johnson
Councillor David Burgess-Joyce
Joanne Byrne

Councillor David Brennan
Councillor Adrian Jones
Councillor Kate Cannon
Councillor Tony Smith
Councillor Simon Mountney
Peter McAlister

4.2. Key Features of the Audit Committee and its Operation

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

Best Practice	Expectation	Met	Comment
Independence	Independent from the executive and scrutiny	√	The Committee was independent of the executive and scrutiny
Number of Members	Minimum of 3 to 5 members	√	The Committee had 12 Members
Number of meetings	Aligned to business needs	√	The Committee met 5 times during the year.
Co-option	To be considered relative to skills	√	Training was provided during the year to increase Members' skills.
Terms of Reference	Accord with suggested best practice	√	The Committee adopted the CIPFA recommended model.
Skills and training	Members have sufficient skills for the job	√	General and specific training was provided during the year to increase Members' skills.

4.3. Meetings and Attendance

The Audit Committee normally met 5 times during the year in January, March, July, September and November.

Attendance by Members and approved deputies was over 90%.

5. Core Activity During 2021-22

5.1. Terms of Reference

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

Internal Audit

The Audit and Risk Management Committee:

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

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

External Audit

The Audit and Risk Management Committee:

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

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

Risk Management

The Audit and Risk Management Committee:

- Considered regular reports on the Departmental and Corporate Risk Registers and challenged policy and process,
- Provided significant input to the development of the risk registers through Member workshops,
- Considered reports on the proposed development of corporate Risk Management arrangements,
- Promoted Risk Management across the Council,
- Considered regular reports on Corporate Risk Management,

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

Internal Control and Governance

The Audit and Risk Management Committee:

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

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

Accounts

The Audit and Risk Management Committee:

- Agreed the Council's accounting policies,
- Agreed the Annual Statement of Accounts,
- Received and considered the external auditor's report on the accounts, and ensured that the Council responds to the auditor's comments,
- Received and considered the Council's Medium-Term Financial Strategy,
- Agreed the annual Merseyside Pension Funds accounts,

- Received and consider the external auditor's report on the MPF accounts and responded to comments,

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

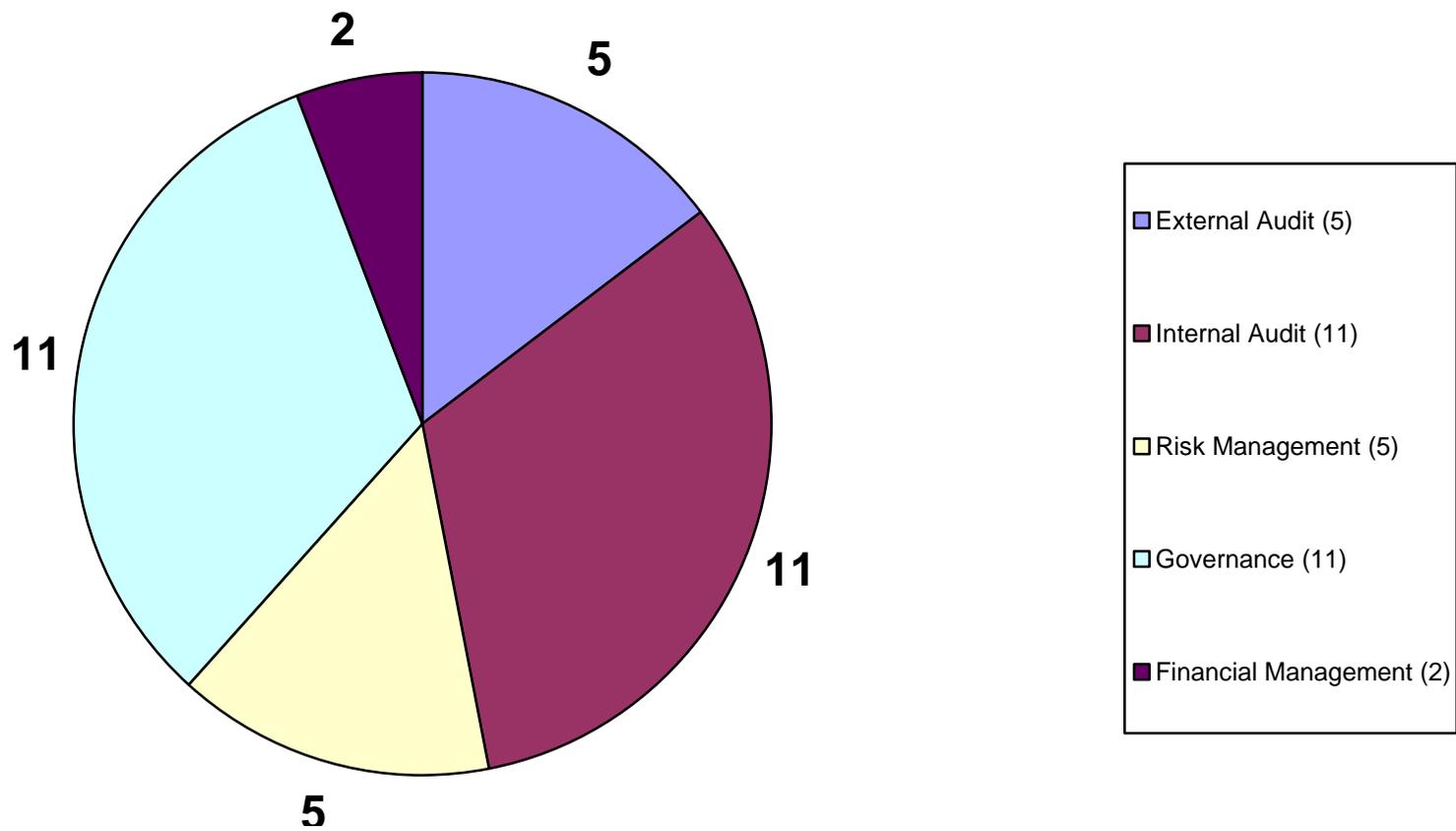
Specific Issues

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

- Regulation of Investigatory Powers Act 2000,
- Whistleblowing Policy
- Senior Information Reporting Officer Annual Report
- Regeneration Activity
- Independent Members Appointments

To give a flavour of our business during the year, the following shows the types and numbers of reports considered between April 2021 and March 2022:

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



6. Other Activities

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

- i) Overseeing the implementation of actions to address governance issues identified.
- ii) Devoting significant resource to addressing governance issues arising out of the Covid pandemic.
- iii) Overseeing developments designed to improve risk management arrangements;
- iv) Referring matters to other bodies for attention as appropriate;
- v) Asking Chief Officers to attend as appropriate and present reports on issues identified which affected governance.

7. Outcomes

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

- Oversaw work on the Statement of Accounts;
- Encouraged and presided over a strengthening of the control environment, specifically by overseeing various targeted reviews and the production of the Annual Governance Statement;
- Presided over significant challenges that the organisation faced during the pandemic effecting the structure of the organisation and all services;

- Encouraged and presided over developments and improvements to strengthen the delivery of the Internal Audit service to ensure continued compliance with the Public Sector Internal Audit Standards;
- Presided over systems for routinely reporting actions taken by officers in relation to items identified as being significant governance issues in the Annual Governance Statement;
- Encouraged a strengthening of the Council's overall control environment; specifically by overseeing various targeted reviews and the production of and challenge to the Annual Governance Statement;
- Challenged risk management arrangements and facilitated the development of improvements in this area including the strengthening of the Member Risk Management workshops.
- Ongoing contribution to the development of improved governance in operation over the Council's procurement arrangements through oversight and challenge including compliance with corporate policy and procedure;

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

The Committee also presided over the introduction of two independent, non-elected members to the Audit and Risk Management Committee to further strengthen its effectiveness in line with current best practice.

8. Plans for 2022-23

During 2021-22 the Audit and Risk Management Committee has consolidated the progress that has been made in previous years and has performed well during a very difficult and challenging year that has included the continuation of the Covid pandemic, extremely difficult financial conditions faced by the organisation and linked to this, a number of external assessment reports in year identifying areas for improvement in some of the Councils governance arrangements. Throughout, the Committee has continued to provide challenge and support to the organisation in equal measure throughout this difficult period. Going forward we will look to develop our role as the recognised champion of good governance and the ultimate vehicle for assuring that adequate challenge is provided to the Council to ensure that effective systems of control and governance are in operation and being complied with.

Consequently, with a new Chair we are embarking upon a period of changes to the Committee designed to increase its effectiveness that will include pulling on the latest best practice in this area that will see the following:

- A restructuring of the Committee membership, fully integrating the independent members and reducing the number of elected members in order to make the committee more focused and effective.
- Development of working relations with officers to improve our understanding of the respective roles and improvement opportunities available,
- Streamlined reports and reporting to allow for more focussed attention by the Committee on key risks and strategic issues
- Smaller more focussed agendas to facilitate the above
- More targeted training and development for Members of the Committee to improve their effectiveness

The Committee will endeavour to work more closely with officers to help identify and address issues in what promises to again to be a very challenging and difficult environment. Our priorities for 2022-23 are to implement all the developments mentioned as well as continuing to meet our duties as specified in the Constitution by developing and building on our current status as well as operating more proactively to address all challenges faced as well as implementing any new requirements as they arise.

For 2022-23 we will:

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

Councillor Simon Mountney
Wirral Council Audit and Risk Committee

9. Appendix 1.

Audit and Risk Management Committee – Terms of Reference

1. Composition:

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

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

2 Terms of Reference

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

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

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

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

- (i) Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the Council and ensure that the Full Council is kept sufficiently informed to enable it to approve the Council's Risk Management Policy and Framework and that proper insurance exists where appropriate.
 - (ii) Consider the effectiveness of the system of risk management arrangements.
 - (iii) Consider an annual report and quarterly reports with respect to risk management including, an opinion on the adequacy and effectiveness of the Council's risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.
 - (iv) Receive assurances that action is being taken on risk related issues identified by both internal and external auditors and other inspectors.
 - (v) Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk.
 - (vi) Report to full Council as appropriate.
- (d) Anti-Fraud and Corruption
- (i) Provide proactive leadership and direction on Anti-Fraud and Corruption and champion Anti-Fraud and Corruption throughout the Council.
 - (ii) Consider the effectiveness of the Council's anti-fraud and corruption arrangements.
 - (iii) Consider an annual report and other such reports, including an annual plan on activity with respect to Anti-Fraud and Corruption performance and receive assurances that action is being taken where necessary.
 - (iv) To be appraised of any steps arising from Whistleblowing investigations and to ensure appropriate actions are being taken and reported.
- (e) Annual Statement of Accounts
- (i) Consider the external auditor's reports and opinions, relevant requirements of the International Standards on Auditing and any other reports to members with respect to the Accounts, including the Merseyside Pension Fund and approve the Accounts on behalf of the Council and report required actions to the Council. Monitor management action in response to issues raised by the external auditor.
 - (ii) Consider the External Auditors Annual Governance Report and approve the Letter of Representation with respect to the Accounts and endorse the action plan contained in this Report.
- (f) External Audit

- (i) Consider any other reports of external audit and other inspection agencies.
 - (ii) Ensure there are effective relationships between external audit and internal audit.
 - (iii) To liaise with the Public Sector Audit Appointments over the appointment of the Council's external auditors and make recommendations to Council.
- (g) Merseyside Pension Fund
- (i) Following presentation to the Pensions Committee and with due regard to any comments and observations made, consider the draft Accounts of the Merseyside Pension Fund and authorise the publication and release of these accounts to the external auditors for the audit by the statutory deadline.
- (h) Treasury Management
- (i) Consider the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensure that they meet best practice.
- (i) Partnerships and other bodies
- (i) To deal with any audit or ethical standards issues which may arise in relation to partnership working, joint committees and other local authorities or bodies.
 - (ii) Ensure that there are effective governance arrangements in place for Wirral Borough Council's wholly owned limited companies and trading vehicles.
 - (iii) Receive and review the financial statements and dividend policies of any Wirral Borough Council limited companies and to consider recommending corrective action where appropriate
- (j) Administration
- (i) Review the Committee's own terms of reference no less frequently than annually and where appropriate make recommendations to the Council for changes.
 - (ii) Ensure members of the committee have sufficient training to effectively undertake the duties of this committee.
 - (iii) Consider the Annual Report of the Chair of the Committee. To provide independent assurance of 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.

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AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY 27 JUNE 2022

REPORT TITLE:	CHIEF INTERNAL AUDITORS ANNUAL REPORT AND OPINION 2021-22
REPORT OF:	CHIEF INTERNAL AUDITOR

REPORT SUMMARY

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

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

This report presents the Chief Internal Auditors Annual Report for 2021-22.

RECOMMENDATION

Members of the Audit and Risk Management Committee are recommended to note the report.

SUPPORTING INFORMATION

1. REASON FOR RECOMMENDATION

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

2. OTHER OPTIONS CONSIDERED

- 2.1 This option is considered the most appropriate for the preparation and delivery of this report as it fully complies with current best professional practice.

3. BACKGROUND INFORMATION

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

CHIEF INTERNAL AUDITORS ANNUAL REPORT 2021-22

- 3.3 The attached Chief Internal Auditors Annual Report specifies the Internal Audit assurance opinion on key areas of the Council's activity for 2021-22.
- 3.4 Audit work conducted during the year has been affected by the Covid pandemic, particularly during the early part of the year and the flexible Internal Audit Plan introduced during 2020/21 was rolled forward into 2021-22 to accommodate risks presented in real time. As things returned to a higher degree of normality during the year the Internal Audit Service was able to return to a normal service delivery model albeit operating in a hybrid fashion and was able to undertake a significant and comprehensive amount of planned work across key risks to the Council. In addition, some work was also targeted in those areas where pandemic related risks were presented. This combination of work is considered sufficient to support the delivery of the Chief Internal Auditors annual opinion.
- 3.5 The Internal Audit programme of planned work was compiled on an ongoing risk assessment basis that included consideration of the sensitivity and complexity of all risks presented in year. Client requests, systems being developed, and the availability of resources were also other factors also taken into account during the year.

3.6 Internal Audit work, both planned and completed has been continuously reported to this Committee in real time throughout the year to ensure that Members were constantly kept informed regarding audit activity. This has been particularly important to demonstrate the range of audit work during the pandemic, and the dynamic nature of the planning process over this extraordinary period. This has ensured that the Committee has been provided with ongoing assurances regarding the effectiveness of controls in operation across the Council in response to risks presented during the year.

4. **FINANCIAL IMPLICATIONS**

4.1 There are none arising directly from this report.

5. **LEGAL IMPLICATIONS**

5.1 There are none arising directly from this report.

6. **RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

6.1 There are none arising directly from this report.

7. **RELEVANT RISKS**

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

7.2 Potential failure of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner. This is mitigated by comprehensive governance and reporting systems developed and implemented in compliance with relevant professional standards.

8. **ENGAGEMENT/CONSULTATION**

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

9. **EQUALITY IMPLICATIONS**

9.1 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. **ENVIRONMENTAL AND CLIMATE IMPLICATIONS**

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

11. COMMUNITY WEALTH IMPLICATIONS

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

REPORT AUTHOR: Mark P Niblock
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APPENDICES

Appendix One - Chief Internal Auditors Annual Report 2021-22

The information contained within the appendices below may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact josephdhenin@wirral.gov.uk if you would like this document in an accessible format.

BACKGROUND PAPERS

CIPFA Publication: Audit Committees a Practical Guidance for Local Authorities 2018
Public Sector Internal Audit Standards

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit and Risk Management Committee	Annual Report

**Chief Internal Auditor's
Annual Report and Opinion on the System of Internal Control
2021-22**

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

Executive Summary

1.1 Introduction

In accordance with the Public Sector Internal Audit Standards (PSIAS), the Chief Internal Auditor is required to provide an annual opinion on the overall adequacy and effectiveness of the organisation's control and governance processes. This is traditionally achieved through the delivery of a comprehensive risk-based plan of work (the Internal Audit Plan), agreed with Officers and Members. For 2021-22 however, due to both ongoing and legacy issues relating to the Covid pandemic the service operate a streamlined audit plan for much of the year that was more flexible, and dynamic reflecting the key risks to the organisation including those relating to Covid challenges and activity, and as reported quarterly to management and the Audit and Risk Management Committee. The Internal Audit Service delivered a comprehensive programme of work over the full twelve-month period up to the 31 March 2022, covering all of the in-year key risks to the Council and as detailed in this report which is considered sufficient to support the delivery of the Chief Internal Auditor's annual opinion. This does not imply that Internal Audit has reviewed all risks and assurances relating to the organisation, however the opinion does form one of the key sources of assurance that underpins the Council's Annual Governance Statement.

1.2 Overall Assurance

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

1.3 Opinion

It is important to acknowledge that external reports received by the Council during the reporting period identify a number of areas for improvement across the Council's governance arrangements and for which improvement plans have been put in place and many actions implemented to improve systems in year.

Having taken account of this and the impact on the control environment as well as the outcomes from the programme of audit work, including my ongoing engagement with senior management, it is my opinion that, the Council generally maintains adequate and effective control and governance processes overall. This opinion is based on audit work performed during 2021-22 and from cumulative knowledge of the organisation.

There has been positive engagement with management in agreeing recommendations where audit work has identified weaknesses in the design or application of controls. Action plans are in place to address all issues identified through the work of internal audit. The results of the follow up audits completed provide assurance that the actions agreed in response to audit reports are implemented in a timely fashion.

Section Two

Basis of the Opinion

2.1 Planned coverage and output

As a direct consequence of the ongoing Covid pandemic during the year that included legacy issues and risks associated with systems implemented to manage corporate activity in response to the pandemic, the Internal Audit Service operated a more flexible and dynamic programme of audit work that recognised and adapted to the evolving risk landscape. The service did however manage to complete sixty four individual assignments across a wide range of service areas during 2021-22 specifically targeted at key risks to the Council with 100% of actions identified in audit reports agreed with clients for implementation.

The ability of the team to complete some planned audit work during the early part of the year was directly affected by the pandemic, preventing completion of a number of audit assignments, however under the circumstance's coverage is considered sufficient and wide- ranging enough to allow a confident and evidence-based annual audit opinion. It is important to note that the overall opinion is based on internal audit work undertaken during 2021-22 and the significant level of challenge to the Council that necessitated some changes to its day-to-day control and governance arrangements. During the year Internal Audit continued to have significant involvement in supporting the Council's response to Covid-19 undertaking work relating to the Council's response, as well as directly supporting Covid-19 activity across a wide variety of business areas. To date no significant issues or weaknesses arising from this work have been identified that would impact on the overall opinion.

2.2 Summary of work supporting the opinion

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

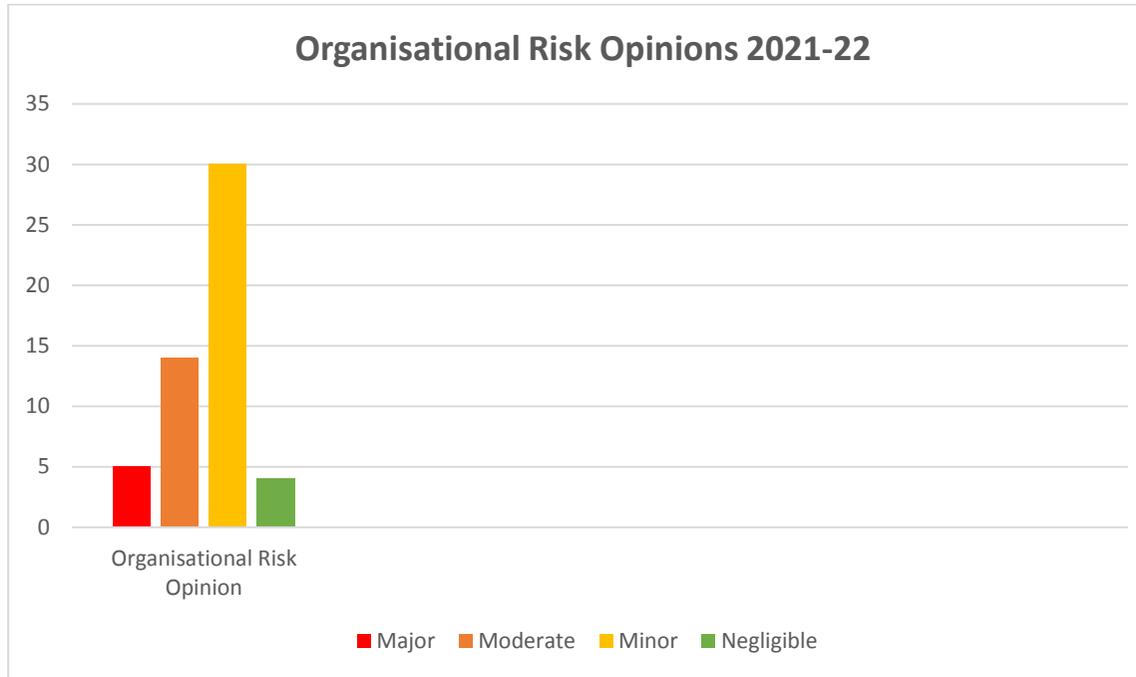
- The work of Internal Audit in reviewing the Council's governance arrangements including challenging and supporting the arrangements implemented during the pandemic.
- Assessment of risk management arrangements across business areas including those implemented in response to risks presented throughout the pandemic.

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

2.3 Audit assignments completed

A full list of the audit assignments that have helped inform the opinion is provided in Appendix A. The list identifies a wide range of different types of audit activity undertaken during the year. Where actual planned audits have been completed each of these is graded in terms of the risk to the organisation and how well risks were managed in the area under review. Four different levels of opinion are used: major, moderate, minor and negligible. Definitions of the assurance levels are provided in Appendix B. Where audit work comprises consultancy work of an advisory and guidance type nature or is of a Covid supporting activity, either providing support and guidance or involvement in systems designed to address challenges presented, a specific risk opinion has not been included, however audit involvement has been provided in compliance with best professional practice to support effective control and governance principles.

For those opinions provided the chart below analyses the audit opinions identified within audit reports during 2021-22. It is notable that the majority of opinions provided fall within the minor and negligible categories although a sizeable number are rated as moderate, representing the nature of the risks presented during this challenging period. It is encouraging however to note that only a relatively small number of audits (9%) were ranked as presenting a major risk to the organisation during the audit.



2.4 Summary of key issues arising in year

Issues have been identified in audit work completed during the year and reported to senior management for appropriate actions to be undertaken to mitigate any risks and strengthen and improve the respective control environment. All of these issues have been summarised and reported to the Audit and Risk Management Committee at regular scheduled meetings and appropriate actions taken by Members that have included relevant officers being invited to Committee meetings to provide updates including progress being made to implement agreed actions. Key issues identified and reported during 2021-22 include the following for which actions have either been undertaken in year by senior management or are progressing and will be subject to further audit work during 2022-23:

Information Governance and GDPR Compliance.

The Council will need to ensure that it continues to build on the progress made during 2021-22 to achieve key objectives in this area, current arrangements must continue to be strengthened to ensure ongoing compliance with GDPR, especially in light of the new corporate hybrid working arrangements and associated increased risks and threats presented. Internal Audit will continue to contribute to these developments and remain an active member of the Information Governance Board providing targeted advice and guidance.

Finance Management.

DHLUC Assurance reviews published during the year identified some significant risks to the Council regarding its ability to balance its budget over the period of the MTF5. During 2021-22 the Council was reliant on exceptional financial support (Capitalisation Directive) to achieve a year-end balanced position although the support required did reduce to £6.5m. External reviews subsequent to the DHLUC Assurance reports, including LGA Corporate Peer Challenge (CPC) and Independent Panel, have highlighted that there is an improving recognition of the Council's financial context and the Council had an improved grip on its finances. For 2022-23 the Council set a balanced budget without the use of reserves.

Challenges remain however and this is acknowledged in the Council's Annual Governance Statement for 2021-22 along with a recognition that progress needs be maintained. The Council faces challenging savings and efficiencies targets for 2022-23 and an ambitious capital programme provides increased revenue pressure in future years. The CPC recognised that there is a need for the management of the budget to be a shared priority and to ensure that there is total commitment and prioritisation to deliver the agreed budget proposals.

The Council's Financial Recovery Plan, reported under Financial Sustainability in the Council's wider Improvement Action Plan, includes a series of actions the Council has either taken, is in the process of implementing or plans to implement in 2022 and beyond in the areas of strengthening medium term financial planning, implementing robust planning and monitoring of savings, reserves, improving financial governance and oversight, and capital and assets. It is essential that progress in this area continues at pace.

Risk Management

Over recent years there has been significant progress in improving corporate risk management arrangements that include reviews of the Corporate Risk Register (CRR) on an annual and ongoing basis, with risks subject to review by SLT and ARMC throughout the year, and an ARMC risk management Member sub-group. There are examples where risks are being actively managed through Directorate risk registers and DMT discussions, although regular review is not always consistently applied across all directorates. Recent activity has included the appointment of two ARMC Independent Members and the provision of a risk management awareness training session for all Members in January 2022, with the intention of this being a regular event, an externally facilitated risk appetite session in February 2022, and an SLT focus session in March 2022 to facilitate the review and update of the CRR.

It is recognised that more can be done to further strengthen corporate risk management arrangements. An independent review of the Council's risk exposure in relation to all commercial investments has been commissioned and will be completed in 2022-23.

The Improvement Plan following the external reviews includes actions from June 22 to report the CRR to Policy and Resources Committee and to report on Regeneration and Investment risks in line with external audit guidance.

Business Continuity Planning

Work on business continuity planning is progressing with several actions currently being undertaken across the organisation to improve arrangements in this important area of operations that include the development and implementation of more effective operational plans as well as the delivery of targeted training and awareness sessions. The next phase will include testing with Digital on their response arrangements; this will subsequently provide information for services to further develop their BCPs including in the event of a Cyber Security attack.

It is important that this work is concluded in line with agreed targets during the year to ensure that key risks to operations are effectively mitigated through robust contingency planning.

Cyber Security

Risks have continued to increase significantly during the previous twelve months in this area and the Council must continue to improve its response to and protection from these constantly evolving and more complex and sophisticated threats. A number of actions have been agreed with senior management following audits to achieve key objectives in this area during 2022-23 to ensure that robust controls and mitigations remain in operation across the Council and evolve in line with the heightened risks. The Council is also working towards implementing improvements identified in the 'Cyber Threat Plan' as well as achieving Cyber Essentials Plus accreditation, a government backed scheme that identifies best practice control standards across a range of disciplines to protect the organisation against threats of this nature. Internal Audit will continue to monitor progress in this area during the year through regular liaison with the Head of ICT and Digital and through further targeted audit work.

Adult Safeguarding

Work completed with Council officers and WCT social workers during the year identified an issue of communication flow regarding the progression of safeguarding cases. It is pleasing to note that follow up audit work provided evidence that this original high-level risk had been fully acknowledged by senior management and agreed actions taken promptly to rectify the issue through improved working practices and information channels.

Children's Personal Budgets and Commissioned Care

Actions are currently being undertaken by management within the Children's department to address several serious weaknesses in control systems identified in an internal audit report during the latter part of the year. Management have provided ongoing updates on progress being made to address these reported issues and further audit work is scheduled to be completed during the first half of 2022-23 to assess the overall progress made and the impact of the revised working practices on the control environment.

Accounts Payable – Access

Actions are being taken by senior management to improve controls in operation over the Accounts Payable system following an audit towards the end of the year. Actions being implemented will strengthen the security of the system and mitigate risks associated with targeted fraudulent activity aimed at the Council. Officers have been alerted and acknowledge the need for these actions to be replicated in future systems currently being developed. Internal Audit will

continue to work with senior management and colleagues to ensure that best practice solutions are implemented in response to risks in this area.

Data Centre

Actions have been taken in year by senior management to address issues identified in audit reports to improve security and protect the integrity of data maintained at the Councils main data centre. Since the audit was undertaken however, a number of developments have taken place regarding occupancy of the building and risks in this area have now increased as a direct result and the need for enhanced control arrangements has heightened. Internal Audit continue to work with colleagues to ensure that the risks are addressed with minimum impact to the Council's operations.

Planning - S106 System

During the year an audit review of the Section 106 Monies system in operation within the planning permissions system identified a number of significant risks where controls were not deemed to be effective and a number of actions were agreed with senior management to address these and improve arrangements. It is encouraging to note that all of the agreed recommendations have been addressed in year and that plans are well developed for further improvements including the implementation of a new computerised operating system scheduled for July 2022. 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 the Audit Committee.

Regeneration – Financial Risk

The Council has recognised that there are governance risks in relation to its Regeneration agenda that could impact its Medium-Term Financial Plan (MTFP) and has plans in place to improve reporting on legacy projects and financial commitments. Grant Thornton's Auditor's Annual Report for 2020-21 also identifies several risks in this area and includes a key recommendation that Governance arrangements for the oversight of the regeneration agenda and issuing of financial guarantees for leases and acquisition of assets should be strengthened and accounting advice should be received prior to entering into transactions. The CPC highlighted that further work is required to bring together the multiple regeneration projects into a single place and to support a delivery plan that addresses underlying risks. The Council's Improvement Plan highlights several related actions in this area for implementation during 2022-23 that are also identified

in the Council's Annual Governance Statement as being significant and it is important that these actions are completed in line with agreed timescales to ensure that all risks in this area are mitigated effectively.

Key Financial Systems – Post Covid Reviews

Following on from the Covid19 Impact reviews completed in 2020-21, a programme of secondary reviews was developed in line with best practice guidance provided by CIPFA and CIIA focussing on the return to normal operations following the pandemic across these important service areas. The reviews were designed to evaluate the effectiveness of the arrangements in place to mitigate key risks to the operation of systems to facilitate a post pandemic return to 'business as usual' whilst also providing an opportunity to follow-up on the key issues, observations and recommendations identified from previous reviews.

The financial systems included within the programme of work were:

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

Findings indicated that significant progress had been made to address the key issues and recommendations made following the Post Covid impact reviews completed in 2020-21 although the development of effective Business Continuity Plans and Service Level Risk Registers was still an on-going issue in a number of cases and actions were agreed to address. Follow up audit work in this area is scheduled for 2022-23.

2.5 Follow-up audit assignments completed

In accordance with the requirements of the Public Sector Internal Audit Standards follow-up audit assignments are normally routinely completed for all audits. These audits examine the progress that management has made in implementing previously agreed audit recommendations. A revised opinion is subsequently issued for each 'follow up' audit, which is informed by the extent to which the issues identified in the original audit report have been addressed. Good progress has been made during 2021-22 by management in response to these audits. Any failure to implement agreed recommendations within agreed timescales are routinely reported to the Audit and Risk Management Committee.

2.6 Limitations placed on internal audit

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

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

The Council's external PSIAS assessment was completed during 2021 and the overall conclusion was that the Council's internal audit arrangements 'fully conform' with all aspects of the standards.

Section Three

Performance, Quality Assurance and Improvement Programme

3.1 Performance

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

The table below details the key performance targets relating to the Internal Audit Service and identifies actual performance during 2021-22, indicating that all of the targets were achieved:

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

3.2 Quality Assurance

The development and maintenance of a Quality Assurance and Improvement Programme (QAIP) is a requirement within PSIAS. The purpose of the QAIP is to ensure that the Internal Audit service operates in accordance with PSIAS and the Local Government Application Note (LGAN) and maintains consistently high standards. The Internal Audit Service

operates a Quality Assurance Improvement Programme (QAIP) that is designed to provide all stakeholders with reasonable assurance that the service performs its work in accordance with this, the Internal Audit Charter, Strategy and Code of Ethics. The QAIP is designed to cover all elements of internal audit activity in accordance with PSIAS Standard 1300 ensuring compliance, adding value and helping improve organisational operations. Key elements of the quality assurance improvement programme are described below:

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

3.3 Feedback from audit clients

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

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

- *The recent audit went very well, many thanks go to the Auditor for her support during the audit which made the process manageable.*
- *The auditor's approach was very professional.*
- *The audit has identified areas for improvement that we might not have considered..... a very welcome experience..*
- *The process was very helpful and highlighted important areas for improvement.*

3.4 Areas for Development

The main challenge for the Internal Audit Service in 2022-23 is to ensure that any shortfalls in audit coverage across Council systems arising directly from the Covid pandemic during 2021-23 are addressed ensuring that sufficient audit work is completed during the year to support the annual audit opinion.

In addition, the Covid pandemic has also necessitated changes to the focus of some planned work, as the environment within which the Council is operating has changed significantly and many new risks have emerged and will continue to do so. In order to address this, a more dynamic approach to the planning of audit work has been adopted in line with best professional practice and this includes the adoption of a more flexible and dynamic Internal Audit Plan as presented to the Audit and Risk Management Committee in March 2022.

Outcomes from external reviews during 2021-22 has identified some areas of corporate operations and governance systems for improvement and actions are underway by the Council to identify and implement systems to strengthen arrangements in these areas. The Internal Audit Service has an important role to play, assisting and supporting the organisation in evaluating and assessing progress in a number of these areas and inclusions have been made to the Audit Plan to accommodate targeted work in some of these areas and programmes will be developed to undertake this work during 2022-23.

Other corporate initiatives currently being implemented that will require the Internal Audit Service to develop a more robust and refined audit approach to certain operations during 2022-23 includes the implementation of Integrated Care Systems for the planning and delivery of health and care services, as well as the delivery of numerous major corporate regeneration projects across the borough. Each of these will involve a different model of delivery and include working directly with partners from outside of the organisation such as NHS auditors, to develop joined up collaborative solutions to risk and control issues presented.

Throughout the Covid pandemic the Internal Audit Service was largely required to work remotely with the vast majority of audit engagements being undertaken in this fashion. This enforced change provided opportunities to challenge the way that the team operates and to implement some improvements to working practices. A number of these working practices continue today and allow for increased flexibility of delivery that is beneficial to both the organisation and the workforce. The Internal Audit Service will continue to monitor and evaluate the effectiveness of this hybrid way of operating and develop the model as required making sure that performance management and quality control arrangements remain paramount.

Appendix A

Summary of Internal Audit Activity During 2021-22

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

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

No	Audit Assignment	Organisational Risk Opinion	High Recs	Med Recs	Low Recs	Recs Impl / In Progress
1	Accounts Payable - Access Control - Audit	Major	10	5	1	In Progress
2	Adult Safeguarding - Audit	Major	1	0	0	Y
3	Annual Leave Extra Holiday Review 21-22 - Audit	Moderate	0	4	0	In Progress
4	Bank Statements – Consultancy, Advice and Guidance	N/A	0	0	0	-
5	Bank Tender Project – Consultancy, Advice and Guidance	N/A	0	0	0	-
6	Borrowing - Handelsbanken – Consultancy, Advice and Guidance	N/A	0	0	0	-
7	Certification of claim after verification - Audit	Minor	0	0	0	Y
8	Children's commissioned care - Audit	Major	3	3	0	In Progress
9	Constructionline – Consultancy, Advice and Guidance	N/A	0	0	0	-

No	Audit Assignment	Organisational Risk Opinion	High Recs	Med Recs	Low Recs	Recs Impl / In Progress
10	Corporate Governance Group - Advice and Guidance	N/A	0	0	0	-
11	Corporate Governance - Advice and Guidance	N/A	0	0	0	-
12	Covid 19 BAU Review - Accounts Payable - Audit	Moderate	2	2	1	In Progress
13	Cyber Security - Audit	Major	6	4	0	In Progress
14	Data Centre Follow Up - Audit	Major	4	0	0	In Progress
15	Covid Business Payments - Assurance Reviews - Audit	Moderate	2	2	5	In Progress
16	Gifts and Hospitality - Audit	Moderate	0	4	0	Y
17	Hamilton Park Development - Audit	Minor	0	0	0	Y
18	Hayfield School - Audit	Minor	0	4	1	Y
19	Heat Network Grant Claim - Audit	Minor	0	0	0	Y
20	Hind Street Development - Audit	Minor	0	1	0	Y
21	Housing Benefits - Specified Accommodation - Audit	Moderate	1	7	1	In Progress
22	Information Governance Board - Advice and Guidance	N/A	0	0	0	-
23	Information Governance Board (SIRO Report) - Advice and Guidance	N/A	0	0	0	-

No	Audit Assignment	Organisational Risk Opinion	High Recs	Med Recs	Low Recs	Recs Impl / In Progress
24	Insurance Management Follow up - Audit	Moderate	0	5	4	In Progress
25	Leasowe Primary - Audit	Minor	0	5	1	In Progress
26	Lingham Primary School - Audit	Minor	0	6	2	Y
27	Liscard Town Centres Q2 Claim - Audit	Minor	0	0	0	Y
28	Local Pension Board Annual Report 20/21 - Audit	Negligible	0	0	0	Y
29	M74 Forms - Audit	Moderate	0	4	0	In Progress
30	Mayor's Charity Fund 2020/21 - Audit	Minor	1	7	0	In Progress
31	Meadowside School - Audit	Minor	0	3	2	Y
32	New Ferry Town Centres Q1 & Q2 Claims - Audit	Minor	0	0	0	Y
33	Northern LGPS Collective Asset Pool - NPEP - Audit	Minor	0	0	3	In Progress
34	Our Lady & St Edwards Catholic Primary - Audit	Minor	0	0	0	Y
35	PAY.net System Access Controls - Advice and Guidance	N/A	0	0	0	-
36	Payroll Covid-19 BAU Review - Audit	Minor	0	1	3	In Progress
37	Pensions Payroll Recharge - Advice and Guidance	N/A	0	0	0	-

No	Audit Assignment	Organisational Risk Opinion	High Recs	Med Recs	Low Recs	Recs Impl / In Progress
38	Port City Innovation Hub Q3 - Audit	Minor	0	0	0	Y
39	Port City Innovation Hub Q4 - Audit	Minor	0	0	0	Y
40	Post C19 BAU Review - Accounts Receivable - Audit	Negligible	0	1	0	In Progress
41	Post C19 BAU review - Collection Fund - Audit	Moderate	0	2	1	In Progress
42	Post C19 BAU Review - Income Control - Audit	Negligible	0	0	0	Y
43	Post C19 BAU Review - PFU - Audit	Moderate	0	3	0	In Progress
44	Post C19 BAU review- Benefits - Audit	Moderate	0	2	1	In Progress
45	Post C19 BAU Review-CFST - Audit	Moderate	0	3	2	In Progress
46	Post Covid-19 BAU Pensions Review - Audit	Minor	0	0	0	Y
47	Pre-Dev Hamilton Park & Northside - Audit	Minor	0	0	0	Y
48	Pre-Dev Hind Street Q3 - Audit	Minor	0	0	0	Y
49	Purchase Cards - Audit	Minor	0	7	0	In Progress
50	Raeburn Primary school - Audit	Minor	0	4	0	In Progress
51	Review of complaint - Merseyside Pension Fund	Moderate	1	6	1	Y

No	Audit Assignment	Organisational Risk Opinion	High Recs	Med Recs	Low Recs	Recs Impl / In Progress
52	Rock Ferry Primary School - Audit	Minor	0	1	3	Y
53	Sandbrook Primary School - Audit	Minor	0	1	1	Y
54	St Paul's Catholic Primary School 2020/21 - Audit	Minor	0	2	2	In Progress
55	Staying Safe Online Statistics - Advice and Guidance	N/A	0	0	0	-
56	Thingwall Primary School - Audit	Minor	0	2	1	In Progress
57	VAT Compliance Arrangements - Audit	Negligible	0	0	0	Y
58	Well Lane Primary school - Audit	Minor	0	9	0	In Progress
59	West Kirby Primary School - Audit	Minor	0	2	2	Y
60	Wirral Evolutions - Audit	Moderate	0	3	0	Y
61	Wirral Heat Network Q3 - Audit	Minor	0	0	0	Y
62	WTC Liscard Q3 - Audit	Minor	0	0	0	Y
63	WTC New Ferry Q3 - Audit	Minor	0	0	0	Y
64	Planning - Section 106 - Audit	Moderate	1	4	0	In Progress

Appendix B

Organisational Risk Opinions

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



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AUDIT AND RISK MANAGEMENT COMMITTEE

Monday 27th June, 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.

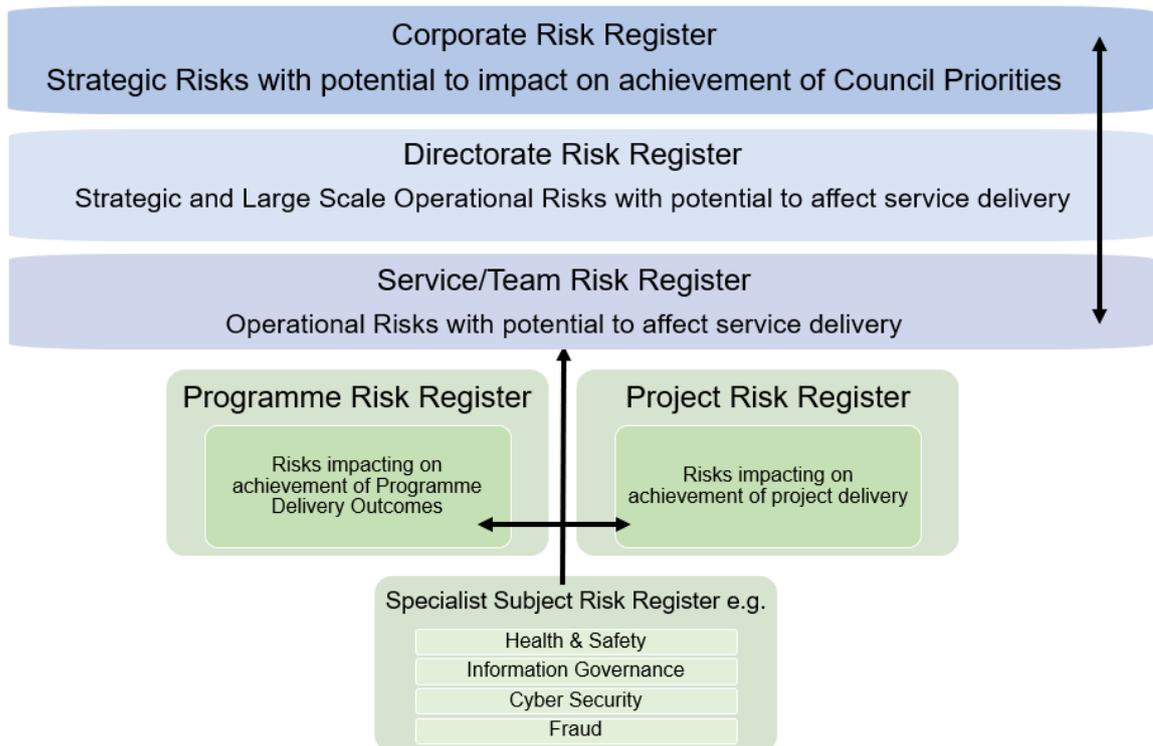
2.0 OTHER OPTIONS CONSIDERED

- 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

- 3.1 The Council defines a risk as “an uncertainty that could have adverse or beneficial effects on the achievement of objectives”. It seeks to identify, understand, and manage these risks by the implementation of it’s risk management strategy and a by operating a hierarchy of risk registers throughout the organisation.

Hierarchy of Risk Registers within Wirral Council



- 3.2 The aim is not to eliminate all risk but reduce it to acceptable and tolerable levels as well as improving the awareness and visibility of risk levels being carried by the Council. The risk management processes need to be applied continuously to demonstrate sound decision making and be dynamic to adapt and reflect the changing situation the Council operates within.

Corporate Risk Register (CRR)

- 3.3 The CRR captures the large scale, strategic risks that have the potential to impact on the Council's priorities and its ability to deliver its services. This does not mean that all risks identified will occur but rather if they did that it could have a significant impact on the Council.
- 3.4 The Strategic Leadership Team (SLT) undertook a detailed reassessment of the Corporate Risk Register in March. This has led to a number of changes some of which are still being concluded. A follow-up session with a selection of SLT is due to take place in July ahead of the next regular quarterly review in September. It is worth noting that a risk register is a dynamic document and therefore reflects the situation at a point in time.
- 3.5 Following this session in July the CRR will be shared and be available for directorates to consider as part of their regular reviews of the Directorate Risk Registers to allow the flow of risks up and down through the risk hierarchy described above.
- 3.6 One of the major changes to the CRR is the inclusion of a positive risk or opportunity for the first time. The aim is to identify the beneficial outcomes of a vision, areas where it is possible to be innovative rather than reactive and demonstrate the consideration of the long-term benefits.
- 3.7 The inclusion of the opportunity side to risk does require a different approach for the scoring of a positive risk, this will be picked up and confirmed during the refresh of the Council's risk management framework later in the year.
- 3.8 As reported to the Committee in January the Council currently uses a 5x5 scoring matrix and a three-tiered colour coding system; red, amber, green. See Appendix 1 for the scoring tables.
- 3.9 The other significant change to the CRR has been its expansion to consider all significant and strategic risks faced by the Council. Standard risk management practice is to identify those risks that have the potential to impact on the delivery of an organisation's priorities, in the Council's case this would be the current Wirral Plan. This expansion in the scope of the CRR is in acknowledgment that not all risks easily align with the Wirral Plan 2021-26 themes and priorities.
- 3.10 Several new risks have been included and current risks revised to reflect the changing circumstances faced by the Council and its residents, including from the cost-of-living pressures, government policy and legislation changes and the development of the Council's Improvement Plan.
- 3.11 Risk identification and evaluation is subjective, even with prescribed scoring methodologies. Repeated reflection of the risk descriptions is required to ensure that risks, controls, and mitigation are relevant and effective.

ARMC Risk Sub-Group

- 3.12 The Risk Sub-Group is composed of members of this committee, the Chair and party spokespersons, with sessions scheduled around the time of each committee meeting. The sessions allow for more detailed discussion and evaluation of the risk

management arrangements and developments, including the Corporate Risks. The next meeting of the group is due to take place in July with dates of future meetings to be finalised.

Other Risk Management Activity

- 3.13 To further strengthen corporate risk management arrangements a key piece of work will be the review and update of the Council's risk management policy and supporting strategy, this will include the defining the approach to and the articulation of the risk appetite.
- 3.14 Following the updating of the risk management framework training will be updated and made available to all staff with focussed content for certain groups, such as managers, and including members.
- 3.15 The Council's Improvement Plan highlights several related actions including a review of Council companies and associated risks, a review of risks relating to financial investments and a financing and resourcing model for regeneration. An independent review of the Council's risk exposure in relation to all commercial investments will be completed in 2022-23.
- 3.16 One other aspect of risk management where there is a large amount of work is related to the health and safety risks and hazards faced by the Council. An innovative new Health and Safety Risk Profile application has been developed and rolled out earlier this year to aid services in the identification of the legal duties that services/functions are required to manage and to provide assurances that there are suitable and sufficient controls implemented to mitigate against these risks. Work is now underway by the Health and Safety Team to evaluate the submissions and target areas with compliance issues as well as highlight common areas where additional support or resources may be required.

4.0 FINANCIAL IMPLICATIONS

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

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

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

7.0 RELEVANT RISKS

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

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

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

- Have no impact on emissions of Greenhouse Gases

11.0 COMMUNITY WEALTH IMPLICATIONS

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

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APPENDICES

Appendix 1 – Risk Scoring Tables

Appendix 2 - Corporate Risk Register May 2022

The information contained within the appendices below may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact josephdhenin@wirral.gov.uk if you would like this document in an accessible format.

BACKGROUND PAPERS

Risk Management Policy

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	
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
Corporate Risk Management Update	15 th March 2022

Appendix 1. Risk Scoring Tables

Table 1. Scoring Matrix

		Impact →				
		1 Very Low	2 Low	3 Medium	4 High	5 Very High
Likelihood ↑	5 Very High	5	10	15	20	25
	4 High	4	8	12	16	20
	3 Medium	3	6	9	12	15
	2 Low	2	4	6	8	10
	1 Very Low	1	2	3	4	5

Table 2. Colour Bands and Recommended Actions

Risk Colour – based on combined score	Risk Level	Descriptor	Action Required
Green	Low	Minor risks that are well controlled and/or which have a modest impact.	Additional control actions are unlikely to be needed. But the risk needs to be kept under periodic review.
Amber	Medium	Important risks that may potentially affect the achievement of operational or strategic objectives and/or the delivery of key services	The introduction of additional control actions should be considered. For risks with a high or very high impact a contingency plan may be necessary.
Red	High	Critical risks that are likely to significantly affect the achievement of operational or strategic objectives and/or the delivery of key services.	Further mitigating action should be considered. The risk should be kept under regular review.

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Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current / Residual Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score			Selection of Planned Actions	Target Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score			Status of Risk ↑ ↓ ↔ *	Associated Wirral Plan 2021-26 Priority (select from dropdown - up to 2)	Comments / Progress
1	Ability to Deliver Failure to translate into action and deliver changes needed, including organisational culture, and improvement action plan leads to increased scrutiny interventions/commissioners, inefficiencies, financial implications		Independent Assurance Panel established Dec 2021. Regular reporting to P&R Committee DLUHC Recommendations monitoring in place Regular monitoring reports by Independent Assurance Panel Agreement to move to all out elections in 2023. Changes to committees - number and structure implemented May 2022	2	5	10	Finalise Improvement Plan LGA Corporate Peer Challenge findings to be incorporated into plans. Strengthening of cross-party working collaboration. Extension of the delegated authority to officers			0	*		New risk - target score to be agreed.
2	Key Partnerships Failure to develop and maintain key partnerships with effective governance and decision making leads to loss of reputation with external stakeholders, distraction from priorities, breakdown of arrangements and inefficiencies			2	4	8		0	0	0		A - Active and Healthy Lives - working to provide happy, active and healthy lives for all, with the right care, at the right time to enable residents to live longer and healthier lives. C - Inclusive Economy - working for a prosperous, inclusive economy - helping businesses to thrive and creating jobs and opportunities for all.	Change in focus of risk - controls and scores to be reviewed.
3	Whole Council Recovery Lack of effective recovery from pandemic/Failure to link strategic plans to ensure whole organisation/corporate responsibility for recovery resulting in poor service delivery, lack of transformation and people left behind			2	4	8	Wirral Plan refresh			0	*	D - Safe and pleasant communities - Working for safe and pleasant communities where our residents feel safe, and are proud to live and raise their families B - Brighter Futures - working together for brighter futures for our children, young people and their families by breaking the cycle of poor outcomes for all regardless of their background	New risk - controls/actions/target score to be agreed.
4	Increasing and unmanageable demand for services Pressures on public of Cost of Living and longer term Covid impacts leads to changes in planning assumptions and unanticipated demand for services resulting in infrastructure and service structures not meeting requirements, growing inequalities, inefficiencies, increased costs, public at risk.	Simone White / Graham Hodgkinson / Julie Webster	Use of Public Health intelligence to highlight health and wellbeing needs of the local population, inform local priorities, policies and strategies. Partnership working with Wirral's Health and care, voluntary and 3rd sector organisations to use Wirral resources to support residents to lead active and healthy lives. NHS Health Inequalities group also established. Logic financial modelling to understand impact of current initiatives on savings Monitoring of savings targets and impact of pressures on services Reporting and monitoring demand on services and other wider pressures e.g. workforce. Developed workforce strategy Accommodation Gateway Panel reviewing children when they come into care	3	4	12	Development of Health Inequalities Strategy. Working group being formed to feedback to Health and Wellbeing board Carry out financial forecasting in preparation for Oct '23 policy change and factor into the Medium term financial plan Contribute to and share planning as a partner within the North West and ADASS reviews. Care and Support Review-to trial new ways of working with people to provide a more personalised response. Assistive Technology Plan-implement a range of technology and digital options to assist people to remain healthy and independent. An increased range of extra care housing. - April 2022 Review and improve the support offer to people at risk of needing hospital care or who are being discharged from hospital.	3	4	12		A - Active and Healthy Lives - working to provide happy, active and healthy lives for all, with the right care, at the right time to enable residents to live longer and healthier lives. B - Brighter Futures - working together for brighter futures for our children, young people and their families by breaking the cycle of poor outcomes for all regardless of their background	From October 2023, the Government plans to introduce a new £86,000 cap on the amount anyone in England will have to spend on their personal care over their lifetime. Could lead to an increase in demand/costs.
5	Safeguarding Failure of Council and partnership working to effectively manage safeguarding risks across all services leading to a safeguarding incident, resulting in harm to individuals and/or families, potential legal challenge, resident dissatisfaction and public scrutiny	Simone White / Graham Hodgkinson	Multi-agency Safeguarding Arrangements for Children via Wirral Safeguarding Children Partnership (WSCP) - activity led by the LA, health economy and police including: robust local audit and case review procedures. Section 11 and Section 175 audits of individual agency and school safeguarding arrangements. Scrutiny, publication of policies and guidance, a comprehensive programme of multiagency training (online since April 2020) including: Working Together, CE, Neglect, Domestic Abuse, Contextual Safeguarding, Early Help. Serious incidents are escalated to Assistant Director Level to ensure that learning and procedures are implemented and followed up. Participation in Wirral Safeguarding Adults Partnership Board established in 2021 DASS contract review including safeguarding requirements Adoption of the Prevention Framework Close monitoring of referrals and contacts, caseloads to provide early warning and enable staff highlight spike in demand Ongoing work with the CSU to understand the process around incident reporting and embed within contract monitoring arrangements.	3	5	15	WSCP safeguarding leads have approved commissioning standards Strengthen Provider incident reporting - development of protocol, based on NHSE guidance. Commissioners to be updated on new process and provider contracts varied accordingly. Formalising arrangement with WCCG re STEIS reporting. Contract variations sent to all non NHS providers. Establishment of the Breaking the Cycle programme, encapsulating 8 core projects including: PAUSE, Cradle to Career, DRIVE with outcomes - 3 year programme to 2023 Continue to deliver the new early help model through the design of a new self-help digital tool for families.	0	0	0		A - Active and Healthy Lives - working to provide happy, active and healthy lives for all, with the right care, at the right time to enable residents to live longer and healthier lives. B - Brighter Futures - working together for brighter futures for our children, young people and their families by breaking the cycle of poor outcomes for all regardless of their background	Target score to be considered.
6	Challenging Market Conditions/Provider Failures Inability to respond to difficult market conditions/provider failures suffered by health and care people services, (cost of living/staffing/quality) leading to lack of provision, increased costs and budgets	Simone White / Graham Hodgkinson	Fostering Improvement Plan / Placement Review. Quality assurance and contract management systems in place. Care provider market support for service continuity and quality of provision. Use of care homes contingency plans which cover events which may affect the safe running of the service. Wherever possible, we would expect the registered person to take reasonable steps to cover the staff shortfalls themselves in the short-term using bank or agency staff.	3	4	12	Review of Quality assurance and contract management model with a view to new model being implemented. Additional contract review underway Development of whole People services approach to ensure consistency and shared best practice/resources	0	0	0		A - Active and Healthy Lives - working to provide happy, active and healthy lives for all, with the right care, at the right time to enable residents to live longer and healthier lives. B - Brighter Futures - working together for brighter futures for our children, young people and their families by breaking the cycle of poor outcomes for all regardless of their background	Target score to be considered.

Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current / Residual Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score			Selection of Planned Actions	Target Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score			Status of Risk ↑ ↓ ↔ *	Associated Wirral Plan 2021-26 Priority (select from dropdown - up to 2)	Comments / Progress	
7	SEND Failure to appropriately and effectively identify, assess, meet the need and improves outcomes for children and young people with Special Educational Needs and Disabilities resulting in a statement of action from Ofsted, poor school inspection outcomes, children do not reach their full potential and reputational damage for Children's Services and the Council	Simone White / Graham Hodgkinson	SEND Improvement Plan and Self-evaluation co-produced for the last four years - key actions are evaluated regularly through the SEND Operations Group and the SEND Strategic Board reviewing performance and holding to account. External review of provision and recommendations Appointment of Head of SEND and Inclusion Priorities detailed in the SEND Strategy 2020-24 Robust identification and assessment framework in early years, with trained and qualified SEND professionals. Training and development programme for SEND Team	3	4	12	Robust performance management and quality assurance framework Competency framework for EHCP Co-ordinators and EP SEND Sufficiency Strategy development SEND Strategic Board governance review and refresh Development of Action Plan following SEND inspection and subsequent findings and recommendations.	2	4	8		B - Brighter Futures - working together for brighter futures for our children, young people and their families by breaking the cycle of poor outcomes for all regardless of their background		
8	Service Delivery Failure Unanticipated major failure in service area (particularly Adults / Children's / Regeneration) leads to service users at risk, intervention/enforcement action, increased costs and damage to reputation	Simone White / Graham Hodgkinson / Alan Evans		3	5	15			0	*			New risk - controls/actions/target score to be agreed.	
9	Workforce Capacity to Deliver Lack of capacity to deliver services and change projects resulting in delays to service redesign/improvements/project delivery and benefit realisation, inefficiencies and costs, welfare issues amongst staff, public at risk and reputational damage.	Shaer Halewood	Refreshed Wirral Plan 2021-26 and Directorate Business Plans setting out priorities and key activity. Role of Organisational Performance Group - highlighting cross cutting work, pressure areas and performance. Regular communications - Exec View, Director blogs, Wellbeing newsletters, staff roadshows and Directorate events, Staff Forum role as voice of the workforce Manager training including - Manager Micros/Managers Network, Staff Check-Ins procedures to help monitor workloads and pressure points. Staff Engagement/awareness sessions for communication of Wirral Plan 2021-26 Vacancy Panel recruitment process and use of Matrix for agency recruitment	3	4	12	Service Review Programme Staff Engagement/awareness plan for communication of Delivery Plans Communication of new Target Operating Model (TOM) and New Ways of Working Workforce Planning to align with TOM and Change Programme	2	4	8	↔			
10	Health & Safety Management Failure of officers, members or contractors to develop, test or sufficiently adhere to health and safety / compliance policies and procedures leads to incident or exposure resulting in harm to employees / Members / members of the public, legal challenge and reputational damage	Shaer Halewood	Health and Safety Strategic Group, chaired by Chief Executive, supported by the Health and Safety Steering Group. Hazard specific risk assessment procedures implemented for COVID-19 including for the remobilisation of services, reviewed by H&S Team and Public Health. Measures incorporated into general H&S risk assessments. Updated H&S Strategy and Policy rolled out 2021. Refresh of H&S subject specific policies and supporting information.	3	5	15	Monitoring and audit programme for risks identified within H&S Risk Profile tool. Completion of activity outlined in H&S Improvement Plan. Follow-up review by Zurich of 2019 report and recommendations - implement recommendations	2	5	10	↔			
11	Financial Stability Failure to maintain sufficient level of priority and focus on achieving the required Financial Stability that could lead to in-year 2022/23 savings not being achieved resulting in budget overspend and/or 2023/24 budget not being delivered to timetable resulting in a legal budget not being set.	Shaer Halewood	Robust and rigorous monitoring of budgets and savings plans in year - included in regular performance reporting to committees Budget workshops held for Budget Holders - use of budget envelopes. Clear financial governance structure - accountability, management and monitoring of budgets. Finance Sub-Committee established. Finance training for Members.	3	5	15	Budget setting process going forward inc review of savings proposals for 2022 - 2024 to ensure a programme of support established early on, quarterly reporting helping to ensure these proposals progress with an escalation process for any issues that may arise. Review of the process for agreeing capital projects and funding to ensure a return on investment and a better link with the revenue budget	2	5	10				
12	Long Term Financial Resilience/Management Failure to effectively develop long-term planning leads to poor decisions on service reductions, unplanned efficiencies and in year overspends, resulting in the withdrawal of Council services to communities, government intervention, S114 declaration.	Shaer Halewood	Refreshed Medium Term Financial Plan based on investment and income generation Refreshed Financial Resilience Strategy Scrutiny and challenge to ensure future business cases for savings proposals are robust and deliverable Capital Budget arrangements with revised reporting and monitoring via Investment and Change Board Pension Fund - Triennial valuation ALMFSS./ISS,Asset Allocation, Performance data, Independent Advisors, FSM and lower risk strategies EPS	3	5	15	Financial Sustainability Programme - consolidated revenue, capital and reserves management and monitoring. Community Wealth Building Strategy Develop a funding/investment strategy to identify internal finance pressures and external funding sources to support planned growth projects Development of Asset Management Plan and an accompanying Asset Disposal Strategy. Financial Recovery Plan - 3 year plan	2	5	10				
13	Good Working Relations to Deliver Change Inability to maintain professional and collaborative relationships leads to delays in decision making, increased costs, threat of intervention					0			0	*			New risk to be reflected on and confirmed.	
14	Emerging Threats/Diseases Lack of knowledge and uncertainty of new and emerging diseases leading to challenges in maintaining and developing plans resulting in inability to respond effectively, inefficiencies, risk to public and staff.	Julie Webster		3	5	15			0	*	A - Active and Healthy Lives - working to provide happy, active and healthy lives for all, with the right care, at the right time to enable residents to live longer and healthier lives. D - Safe and pleasant communities - Working for safe and pleasant communities where our residents feel safe, and are proud to live and raise their families		New risk - controls/actions/target score to be agreed.	

Risk Ref.	Risk Description	Lead Director	Existing Mitigation / Controls	Current / Residual Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score			Selection of Planned Actions	Target Risk Score (Out of a MAXIMUM of 25) Likelihood x Impact = Total Score			Status of Risk ↑ ↓ ↔ *	Associated Wirral Plan 2021-26 Priority (select from dropdown - up to 2)	Comments / Progress	
15	Response to a Significant Disruptive Incident (both internal and external) Inability to respond effectively to a significant disruption resulting in a major failure in service delivery, increased financial burden, risk to public and staff safety	Nicki Butterworth / Shaer Halewood	Emergency response structure - Strategic Co-ordination Group, operational response was led by Tactical Co-ordination Group, when necessary operating through a series of delivery cells. Governance structures adaptable to changing situations e.g. during COVID-19 response. Role within Mersey Resilience Forum (MRF) - specialist groups, exercising and development of plans. Updated Community Safety Strategy - key priorities and activity Requirement for annual review of Business Continuity Plans and awareness raising with staff.	3	5	15	Review and refresh of arrangements post COVID-19 - building on changes to guidance and lessons learnt. Exercising and testing of Business Continuity Plans. Participation in MRF/national exercises - identifying plan improvements and developments	2	5	10	↔			
16	Cyber Security IT security and staff awareness are insufficient to deter, detect and prevent unauthorised access (internal and external) to IT systems, resulting in data breach/loss of access to data and disruption to Council services with increased financial costs.	Shaer Halewood	Technical controls: 1) Endpoint security software, 2) Network firewall 3), Prevention of downloading of unauthorised software Member of NW notification groups/networks to share knowledge on latest incidents. Regular patching and updates programme. National Cyber Security Centre Keeping Safe Online training package essential for all staff/Members working online. Cyber Security Board created to review security issues and agreed action plan. Specialist training for IT technical experts.	4	5	20	Project to achieve Cyber Essentials+ accreditation in 2022. Review of Cyber Security Policy/activity. Roll out of Cyber Ninja awareness training for staff - Aug 2022. Implementation of recommendations for Internal Audit reports	2	5	10	↑		Risk score increased to reflect increased global threats in particular as a result of war in Ukraine.	
17	Climate Response Failure to develop and implement adaptations and effective response to changing climate/extreme weather leads to increased financial costs, reputation damage, lack of resilience	Nicki Butterworth	Climate emergency strategy and action plan, Action Plan Group meets regularly to monitor progress - targets for carbon, waste and trees. New ways of working and some unforeseen environmental benefits and opportunities to be built upon. Climate Emergency Manager and Team. Tree planting strategy inc targets in place. Partnership working through Cool Wirral Partnership's Climate Change Strategy, Cool 2. Carbon Literacy training - Bronze status as a Carbon Literate Organisation. Environmental impact assessment for Council contracts.	3	4	12	Council achieve net zero status by 2030, borough-wide carbon net zero status by 2041. Development of strategy on electric vehicles/charging linked with the climate emergency strategy. Develop a asset management strategy including targeting of high carbon emission areas. Implement procurement strategy on climate emergency linked to social value programme for the achievement of the procurement targets within the climate emergency plan. Continued staff training and awareness programme. Internal Audit review and associated recommendations.	2	4	8	↔	E - Sustainable Environment - working towards a clean-energy, sustainable borough that leads the way in its response to the climate emergency and is environmentally friendly.	D - Safe and pleasant communities - Working for safe and pleasant communities where our residents feel safe, and are proud to live and raise their families	Anticipate risk will change and drop to DRR after final inspection later in 2022.
18	Development and Implementation of the Local Plan 2022-2037 Failure to ensure the Council's arrangements for the consultation, publication and implementation of the Local Plan resulting in intervention, a loss of control over future development and missed opportunities to promote economic growth.	Alan Evans	Regulation 18 consultation completed. LGA, Planning Officers Society and Planning Advisory Service supporting the work on the Local Plan. Local Development Scheme for Wirral includes risk assessment and indicative timetable (latest version 03/10/2020). Members engagement on Draft Local Plan completed. Full working Draft Local Plan issued to Statutory Bodies and Duty to Cooperate Partners for comment. Draft Statements of Common Ground issued to Duty to Cooperate Partners. Ongoing engagement with DLUHC. Ongoing engagement with Homes England and LCR CA on funding for strategic brownfield site.	2	4	8	Publication of the Local Plan: Regulation 19 consultation extended to July 2022. Submission to the Secretary of State 2022. Indicative date for Local Plan Adoption early 2023.	1	4	4	↔	C - Inclusive Economy - working for a prosperous, inclusive economy - helping businesses to thrive and creating jobs and opportunities for all.		Full Council (21st March 2022) approved the publication of the Submission Draft Plan for representations to be submitted on its 'soundness' before submitting it to the Secretary of State
19	Vision for Economic Development Failure to maintain and deliver vision and strategy for sustainable economic development and infrastructure leading to a decline in prosperity, increased deprivation and inequalities across borough resulting in increased demands on council services, increased costs,	Alan Evans	Development and consultation of the Local Plan. Regeneration projects brought forward within a clear strategic framework reflecting the Borough's Local Plan and providing confidence to investors, funders and developers. Strategic Framework allows for enabling infrastructure, skills and business support to be brought forward to underpin major project development. Clearly documented legal frameworks and agreements for all regeneration projects. Robust business cases, project and programme plans with detailed risk registers, to underpin key decisions. Clear lines of project reporting through project groups to the Regeneration and Place Board with supporting structures and monitoring in place. Existing relationships in place with key developers - Muse (Wirral Growth Company LLP) and Peel (Wirral Waters)	3	5	15			0	*		C - Inclusive Economy - working for a prosperous, inclusive economy - helping businesses to thrive and creating jobs and opportunities for all.	D - Safe and pleasant communities - Working for safe and pleasant communities where our residents feel safe, and are proud to live and raise their families	Consideration as to whether to turn into an opportunity and scored accordingly.
20	Exposure to Long-Term Liabilities Failure to understand and monitor exposure to long-term liabilities (in particular within regeneration agreements/contracts) resulting in lack of planning/preparedness/contingencies, financial penalties and costs	Alan Evans / Shaer Halewood		3	5	15	Independent review of the Council's risk exposure in relation to all commercial investments	2	5	10	*	C - Inclusive Economy - working for a prosperous, inclusive economy - helping businesses to thrive and creating jobs and opportunities for all.		New risk - controls/actions/scores to be agreed.
21	Opportunity - Ability to build on the positive Covid response leading to better partnership working, speed of delivery and ability of doing things differently and effectively					0			0	*			New Risk - yet to be scored - scoring matrix to be adapted to reflect positive risk.	

The scoring of risks is broken down into 2 main parts; likelihood and impact.

Wirral Council has set definitions for each score banding. These should be referred to when discussing the risk scores to help ensure consistency of scoring over the lifetime of the risk register as well as across different projects and teams around the council.

Each risk is given 3 different scores to help provide a storyline for the risk.

Unmanaged/Gross - with no controls in place.

Managed / Current - based on having existing controls in place and working to reduce either the likelihood of the risk occurring or the impact if it did.

Target - where the risk owner is trying to get to, perhaps with additional actions being taken, somewhat aspirational as the effect of actions maybe difficult to judge. What level can or will be achieved.

The tables below provide the scoring definitions as per the Risk Management Policy 2017.

Impact and Likelihood Scores

Impact

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

Likelihood

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

Risk Scoring Table

Impact →

	Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Very High (5)	5 Very low impact but very high likelihood	10 Low impact but very high likelihood	15 Medium impact but very high likelihood	20 High impact and very high likelihood	25 Very high impact and very high likelihood
High (4)	4 Very low impact but high likelihood	8 Low impact but high likelihood	12 Medium impact but high likelihood	16 High impact and high likelihood	20 Very high impact and high likelihood
Medium (3)	3 Very low impact and medium likelihood	6 Low impact and medium likelihood	9 Medium impact and medium likelihood	12 High impact but medium likelihood	15 Very high impact and medium likelihood
Low (2)	2 Very low impact and low likelihood	4 Low impact and low likelihood	6 Medium impact and low likelihood	8 High impact but low likelihood	10 Very high impact but low likelihood
Very Low (1)	1 Very low impact and very low likelihood	2 Low impact and very low likelihood	3 Medium impact and very low likelihood	4 High impact but very low likelihood	5 Very high impact but very low likelihood

↑
Likelihood



AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 27 June 2022

REPORT TITLE:	EXTERNAL AUDIT PLAN WIRRAL COUNCIL 2021-22
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

Wirral Council is required to subject its financial statements to external scrutiny before a final version is published. This scrutiny role will be carried out by the Council's appointed auditors, Grant Thornton. During the summer Grant Thornton will undertake their audit of the relevant financial activities and arrangements for securing value for money. The results of this audit will be reported back to the Committee in October 2022.

The Council's external auditors have produced the Audit Plan for their statutory audit of Wirral Council 2021-22. The plan is appended to this document in Appendix 1.

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

RECOMMENDATION/S

The Audit & Risk Management Committee is requested to:

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

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

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

2.0 OTHER OPTIONS CONSIDERED

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

3.0 BACKGROUND INFORMATION

- 3.1 Grant Thornton have been appointed as the Council's independent external auditors. Their annual work programme is set in accordance with the Code of Audit Practice and includes nationally prescribed and locally determined work.
- 3.2 The report provides members of the Committee with a summary of the external audit approach; it also includes details of the audit fees for 2021/22 on page 20 of the report.

4.0 FINANCIAL IMPLICATIONS

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

5.0 LEGAL IMPLICATIONS

- 5.1 There are no legal aspects related to this matter.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 None arising directly from this report.

7.0 RELEVANT RISKS

- 7.1 Grant Thornton will complete a risk based audit whereby they will focus audit effort on those areas where they have identified a risk of material misstatement in the accounts.
- 7.2 If any concerns identified by Grant Thornton are not addressed by the Council then there is a risk that the Council will not be able to meet its statutory requirements in

respect to the Statement of Accounts as well as impacting upon the Value for Money and Financial Resilience of the Council and the Council's reputation.

8.0 ENGAGEMENT/CONSULTATION

8.1 None arising directly from this report.

9.0 EQUALITY IMPLICATIONS

- 9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help Council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.
- 9.2 There are no equality implications arising specifically from this report. The PDF file attached may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact Diane Grisdale if you would like this document in an accessible format.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

11.0 COMMUNITY WEALTH IMPLICATIONS

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

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APPENDICES

Appendix 1 – External Auditors Audit Plan Wirral Council 2021-22

The information contained within the appendices below may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact josephdhenin@wirral.gov.uk if you would like this document in an accessible format.

BACKGROUND PAPERS

External Audit Plan
CIPFA Code
Code of Audit Practice
Code of International Standards on Auditing

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
External Auditors Audit Plan 2020/21	05/07/21
External Auditors Audit Plan 2019/20	10/03/20
External Auditors Audit Plan 2018/19	24/04/19

Wirral Council audit plan

Year ending 31 March 2022

27 June 2022
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Other risks identified	
Accounting estimates and related disclosures	
Other matters	
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Value for Money Arrangements	
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters

Factors

Council developments

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

The Council has continued to face significant financial challenges which has resulted in the Council receiving Governmental exceptional financial support in the form of a capitalisation direction to balance its budget in 2020/21 and a approval from the Department of Levelling Up, Housing and Communities (DLUHC) to further exceptional financial support of £5.846m to assist the Council in 2021/22, following the outcome of the two external assurance reviews into the Council's finances and governance arrangements.

The two reviews highlighted areas for improvement in both governance and financial management and made a number of recommendations which the Council has begun to implement during 2021/22, including appointing an Independent Panel to monitor the progress of the implementation of the recommendations of the review. At the time of producing this plan, the Council is projecting a year-end balanced budget with the aid of the £5.846m of the exceptional financial support in the form of the capitalisation direction.

The Medium Term Financial Strategy (MTFS) has been updated to reflect the recommendations made and future financial challenges, with the MTFS and budget being approved by the Council on 28 February 2022 following public consultations. The Council needs to ensure it delivers against the budget which includes the delivery of a significant savings income and efficiencies plan (£18.29m) and an increase of £2.5m to its general fund reserves in 2022/23 which is required in order to improve the Council's financial resilience.

The Regeneration and Place Directorate has a significant number of regeneration projects that are being developed. This includes both new homes and commercial floorspace. To support the regeneration of the Borough, Council has secured £100m of external funding through the Future High Streets Funds and Levelling Up Fund. Combined with other services the Council has agreed a capital programme of £113.8m for 2022/23 of which £53.6m will be funded through borrowing. Given the pressures on revenue the Council will need to ensure that the capital programme remains affordable.

In relation to the regeneration projects, the Council is entering into a number of commercial activities where it is having to issue financial guarantees or enter into complex transactions which have significant potential liabilities for the Council.

Changes in IT systems

The planned delivery of the new Smart Business Enterprise Resource Planning (ERP), including the upgrade of the General Ledger system did not take place on 1 April 2022 as originally expected and is now anticipated to take place later during 2022/23. Whilst there is no impact on the audit of the 2021/22 annual accounts, we have begun engaging with our internal IT specialist auditors to ensure that appropriate work is performed to provide with the necessary assurance over the completeness and accuracy of any data migrated to new systems and the controls adopted for future audit purposes.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Resources.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- As disclosed in our 2020/21 Audit Findings Report we identified eight recommendations for management. An update on the implementation of the recommendations can be seen on page 24
- The findings from our Value for Money work for 2020/21 has recently been shared with management for comment and responses. We will provide an update on the key and improvement recommendations made in subsequent Audit and Risk Management Committee meetings and report progress in our 2021/22 Annual Auditor's Report.
- We will continue to provide you with sector updates via our Audit Committee updates.

Introduction and headlines

Purpose

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

Respective responsibilities

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

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council [and group]'s financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Risk Management committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

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

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

Significant risks

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

- Management override of controls
- ISA 240 improper revenue recognition risk
- ISA 240 improper expenditure recognition risk
- Valuation of Land & Buildings and Investment Property
- Valuation of the Pension Fund Net Liability

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

Materiality

We have determined planning materiality to be £9.925m (PY £10m) for the Council, which equates to 1.25% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.496m (PY £0.5m).

Value for Money arrangements

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

- The arrangements in place to ensure the Council manages risks to its financial sustainability.
- The arrangements in place for Council governance and its ability to make key decisions.

Audit logistics

We carried out our planning visit during April and our final visit will take place in October to December. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit for 2021/22 is still to be confirmed as the PSAA approval process for 2020/21 audit fees is still being finalised. The fee for 2021/22 will be subject to the Council delivering a good set of financial statements and working papers.

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

Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA 240 revenue improper recognition risk	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition may not be rebutted completely, because we have identified that certain revenue streams such as fees, charges and other service income could be overstated in order to achieve the year end balanced position, given the ongoing financial pressures the Council faces.</p> <p>For the remaining material revenue streams we have acknowledged the following:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition for • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Wirral Council, mean that all forms of fraud are seen as unacceptable. 	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the Council’s policy for the recognition of revenue for all material revenue streams • gain an understanding of the processes and controls put in place by management to ensure that the revenue has been appropriately recognised . • challenge key assumptions, the appropriateness of source data and the basis for calculations of revenue accruals • substantively test increased samples of revenue and year end receivables from other income supporting evidence.. <p>We will also design and carry out appropriate audit procedures to ascertain the recognition of revenue is in the correct accounting period using cut-off testing.</p>

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA 240 improper expenditure recognition risk	<p>Practice note 10 (PN10), issued by the FRC, states auditors should also consider that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Having considered the risk factors set out in ISA 240 and PN10 and the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure manipulation can mainly be rebutted as</p> <ul style="list-style-type: none"> • there is little incentive to manipulate expenditure recognition for • opportunities to manipulate expenditure recognition are very limited • the culture and ethical frameworks of local authorities, including Wirral Council, mean that all forms of fraud are seen as unacceptable. <p>However, we have determined that the risk of fraud arising from expenditure recognition may not be rebutted completely, because there may be a risk of non-pay expenditure being understated and the treatment of REFUCUS not being fully evaluated to achieve a balanced year end position given the ongoing financial pressures the Council faces.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the Council’s policy for the recognition of non-pay expenditure, including REFUCUS. • gain an understanding of the processes and controls put in place by management to ensure that the Council’s non-pay expenditure has been appropriately recognised and matched to appropriate expenditure incurred. • challenge key assumptions, the appropriateness of source data and the basis for calculations of expenditure accruals. • substantively test increased samples of year end payables and non pay expenditure balances. <p>We will also design and carry out appropriate audit procedures to ascertain the recognition of expenditure is in the correct accounting period using cut-off testing.</p>

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the group and the Council, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and buildings and Investment Property	<p>The Council revalues its land and buildings on a rolling five-yearly basis. Investment properties are revalued annually.</p> <p>These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally for land and buildings, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for surplus assets and investment property) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings and investment property as a significant risk for the Council, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write out to them and discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engage our own valuer to assess the instructions to the Council's valuer, the Council's valuation report and the assumptions that underpin the valuation • test revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the Pension Fund Net Liability	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Merseyside Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Income guarantees in relation to commercial activities	<p>The Council is entering into a number of commercial activities where it is having to issue or enter into complex transactions such as PUT/Call options. These activities have significant potential liabilities for the Council.</p> <p>During the prior year audit, we identified that the Council did not have the necessary understanding of the accounting treatment for these guarantees and recommended that the Council seek external consultancy on the accounting given this is a complex and specialised area.</p> <p>For some of the commercial schemes, these guarantees are now active as the contracts have been signed which is why we consider this to be an audit risk area.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the commercial activities currently being undertaken and the impact of these activities on the Council's financial position • review management's assessment of the income guarantees. • assess the proposed accounting treatment for the income guarantees and related complex transactions to ensure it meets the Code and relevant accounting standards' requirements.

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

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates. We identified two recommendations in our 2020/21 audit in relation to the Council's estimation process for the minimum revenue provision and the business rates appeals provision

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Introduction

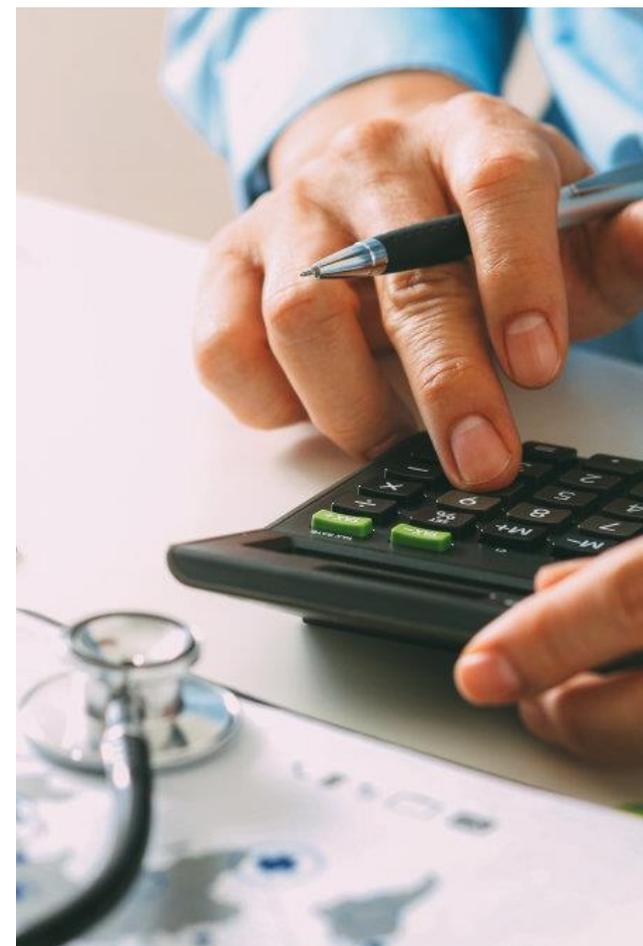
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

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

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

Specifically do Audit and Risk Management Committee members:

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



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

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

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

The Council's Information systems

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

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

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

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

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



Estimation uncertainty

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

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

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

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

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

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

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

Planning enquiries

As part of our planning risk assessment procedures we have issued management with a series of questions which they have responded to and with the assistance of Internal Audit the Chair of the Audit and Risk Management Committee has also added their comments to our questions.

Further information

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

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

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.

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

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

- giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

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

National Issue on Infrastructure Assets

A national issue has been identified with regards to Infrastructure assets which is being discussed between audit firms, the NAO and CIPFA. The risk is where authorities have incurred expenditure on the replacement or enhancement of existing infrastructure assets, the authority may not readily be able to identify the original assets being replaced or enhanced.

In addition, some local authorities are not considering or accounting for impairments of infrastructure assets and some may not be identifying and applying appropriate useful lives to calculate depreciation. This in turn could result in an overstatement of both gross book values and accumulated depreciation, and potentially also net book values, because the authority may not write the expenditure or cumulative depreciation from the books.

As part of our audit response for 2021-22, we will perform specific audit procedures to gain an understanding of the potential impact of this issue on Wirral Council's infrastructure assets.

[We will consider whether this issue will impact upon our audit opinion to be issued and we also await further information from CIPFA in terms of any possible amendments to the CIPFA Code of Practice on Local Authority Accounting.](#)

Materiality

The concept of materiality

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

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £9.925m (PY £10m) for the Council, which equates to 1.25% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be any error identified in the disclosure of the Senior officer remuneration.

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

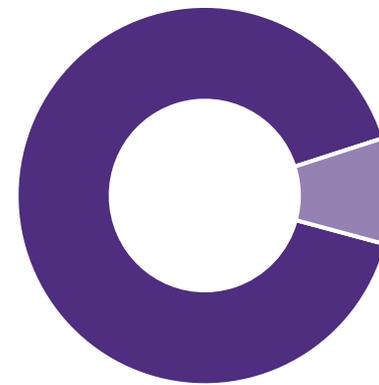
Matters we will report to the Audit and Risk Management Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.496m (PY £0.5m).

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

Prior year gross operating costs

£794m Council
(PY: £781m)



■ Prior year gross operating costs

Materiality

£9.925m
Council financial statements materiality
(PY: £10m)

£0.496m
Misstatements reported to the Audit and Risk Management Committee
(PY: £0.5m)

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

[We plan to rely on the operation of application controls whether automated / IT dependent and will therefore carry out an extended ITGC assessment on the IT systems that support the operation of those controls. This is to gain assurance that the relevant controls have been operating effectively throughout the period.]

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle E-Business Suite	Financial reporting	<ul style="list-style-type: none"> Roll-forward procedures linked to prior year detailed ITGC assessment (design and operating effectiveness)

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

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We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.



Risks of significant VFM weaknesses

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

Risks of significant weakness

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

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The arrangements in place to ensure the Council manages risks to its financial sustainability.

The Council is in a difficult financial position financially and was only able to manage its 2020/21 financial position through the capitalisation of revenue expenditure. For 2021/22 the Council is also reliant on exceptional financial support in the form of a capitalisation directive to achieve a year end balanced budget.

There is a challenging savings target for 2022/23 based on current assumptions, which historically the Council has been unable to deliver. Given the low level of general fund reserves, there is limited scope for non-delivery of savings in the future and reliance on the general fund reserves to mitigate any non-delivery of savings plans.

The Council has an ambitious capital programme which will result in increased revenue pressure in future years via the Minimum Revenue Provision (MRP) and interest payments. The Council is currently benefiting from a reduction in its MRP payments which will unwind in future years. (see further details on page 26).

We will review the arrangements in place at the Council and the progress made on the recommendations made in our 2020/21 Auditor's Annual Report and assess whether there are any weaknesses in the arrangements. We will report our findings in our Auditor's Annual Report.



The arrangements in place for Council governance and its ability to make key decisions.

The recent Government external assurance review identified weaknesses in the Council's governance. It highlighted that the new committee structure was not operating effectively and that appropriate decision making was being made worse by the regular elections for Council Members.

There has been an inability to make key decisions such as the approval of realistic savings plans.

Also identified in the review of arrangements was that the corporate risks do not fully align with the Wirral Plan strategic vision and key priorities and whilst this is in the process of being updated, the risk process did not adequately identify or respond to the Council's financial position or the risks relating to the regeneration contract guarantees.

Risks of significant VFM weaknesses

Potential types of recommendations

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

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Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

Audit logistics and team

Planning and risk assessment

Audit & Risk Management committee
27 June 2022

Audit Plan

Audit & Risk Management committee
26 October 2022

Audit Progress Report

Year end audit
October to December

Audit & Risk Management committee
17 January 2023

Audit Findings Report/Draft Auditor's Annual Report

Audit opinion

Audit & Risk Management committee
1 March 2023

Auditor's Annual Report

Sarah Ironmonger, Key Audit Partner

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

Naomi Povey, Audit Manager

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

Ben Hall, Audit Incharge

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

Audited body responsibilities

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

Our requirements

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

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

Audit fees

In 2018, PSAA awarded a contract of audit for Wirral Council to begin with effect from 2018/19. The fee agreed in the contract was £123,095. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page [X] in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee. Our fee for the audit for 2021/22 is still to be confirmed as the PSAA approval process for 2020/21 audit fees has still to be finalised.

All fee variations are subject to approval and agreement with PSAA.

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	Actual Fee 2020/21	Proposed fee 2021/22
Wirral Council Audit (excluding VAT)	£218,445	£229,533

Assumptions

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

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

Relevant professional standards

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

Independence and non-audit services

Auditor independence

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

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

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

Other services

The following other services provided by Grant Thornton were identified.

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

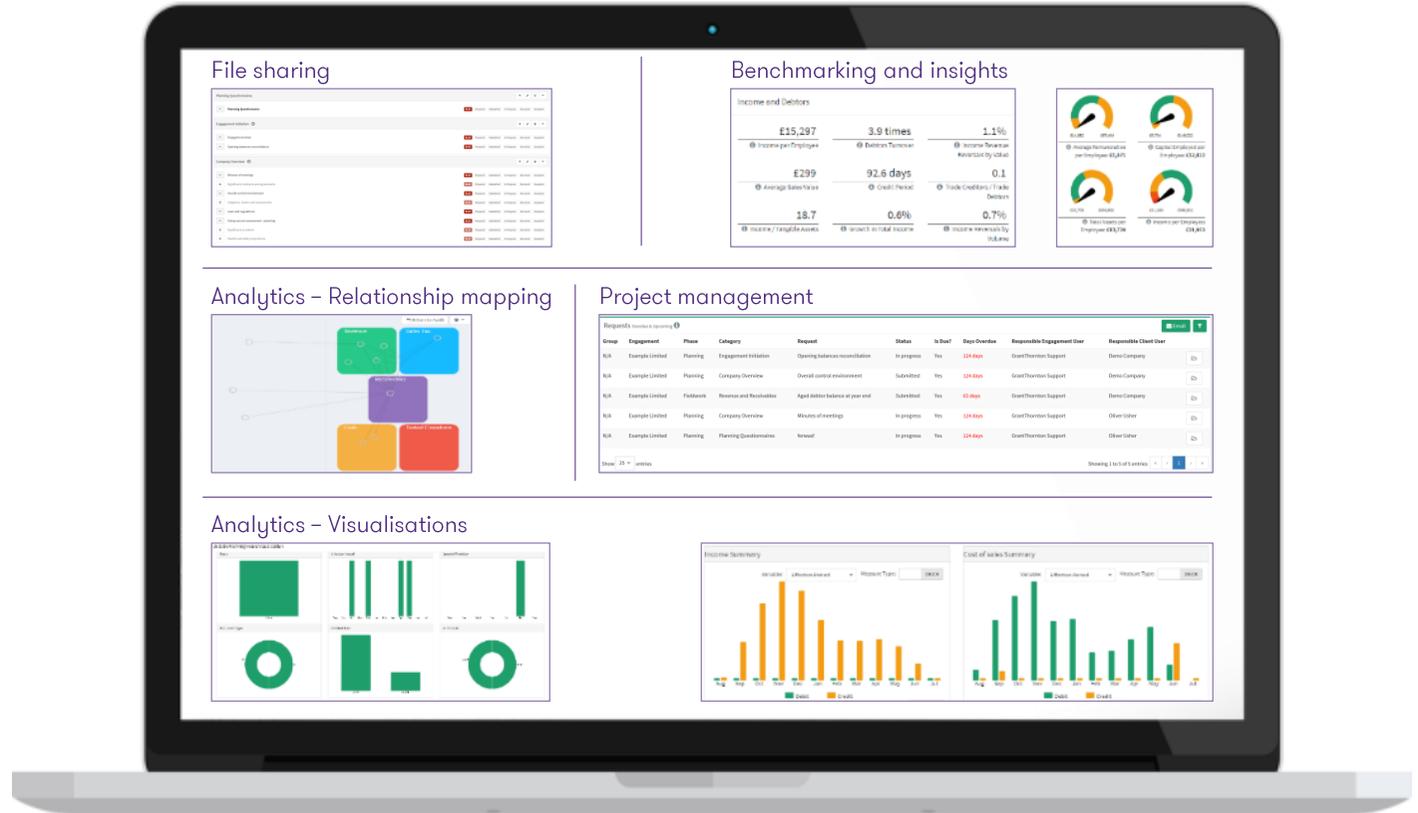
None of the services provided are subject to contingent fees.

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

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the Council's financial statements, which resulted in eight recommendations being reported in our 2020/21 Audit Findings Report. We have followed up on the implementation of our recommendations and progress in ongoing for all recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Page 108	<p>MRP</p> <p>The Council is required to make a Minimum Revenue Provision (MRP) against borrowing. MRP represents 3% of the Council's overall Capital Financing Requirement of £262.6m when including the charge for the Merseyside Residual Debt Fund. For £170m of this balance the Council has made a reduced MRP provision of £7,000 in 2020/21 which takes into account an overpayment of the provision in previous years totalling £26m which has been reprofiled over a 10 - year period, effectively reducing the provision by £2.6m per year. We also note that the MRP has been calculated using the annuity method of 2% on the historical supported borrowing. This will result in a significant increase in MRP payments in future years. The policy has been approved by members. It should also be noted that the Council is forecasting a rise in its Capital Financing Requirement during 2021/22 of £75m, which will result in an additional £2.821m MRP charge for 2022/23. It is important that future capital plans take account of the impact on revenue of the related increases in MRP. Whilst the Council's policy on MPR complies with the statutory guidance we consider that the Council should reconsider whether its MRP policy is prudent.</p> <p>The council should review is MRP policy to take account of the issues raised and should ensure that future revenue plans take account of the uplifts in MRP and the impact on MRP of the capital programme.</p>	<p>Management response</p> <p>The Council has a transparent MRP policy which is approved by Members annually, any changes have been brought to members attention, including past and future profiling.</p>

Appendix 1: Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p>●</p> <p>High – Significant effect on financial statements</p>	<p>Commercial guarantees</p> <p>The Council is entering into a number of commercial activities where it is issuing guarantees or entering into complex transactions such as PUT/Call options. These activities have significant potential liabilities for the Council. We also note that investments of this kind may also require minimum revenue provision payments. When we requested information on the liabilities and accounting implications of these transactions we identified that the Council did not readily have this information available or in the case of the accounting treatments had not prepared papers. We have requested accounting papers from the Council and disclosure of these matters in the financial statements.</p> <p>The Council should review the guarantees that it has issued and ensure that it has appropriate contingency plans should the capital schemes not be successful.</p> <p>Future use of guarantees should only be made with the approval of Cabinet. The decision should be supported by appropriate due diligence and accounting papers. Account should be taken of the relatively weak financial position of the Council.</p>	<p>Management response</p> <p>All commercial schemes that the council considers entering into either have been, for schemes already approved, or will be subject to detailed business cases which will require approval through the internal officer governance route and final approval by Committee. Any current schemes will have been approved either through Cabinet previously or Committee. The Financial and Commercial cases of the Business Case will address the risks, liabilities and accounting implications such schemes present to the council as well as the opportunities for income generation through particular transactions. All new schemes will be subject to the preparation of accounting treatment before approval and for existing ones this is currently being compiled</p>

Appendix 1: Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p>●</p> <p>High – Significant effect on financial statements</p>	<p>Business Rate Appeals</p> <p>As a result in the change of the business rate appeals process, the number of cases reaching the appeals stage has dramatically reduced. However, at present the Council has only set aside a provision against future appeals (which indicates that the Council does not anticipate any successful appeals for the period 2018/19, 2019/20, and 2020/21). This is a different approach to most councils.</p> <p>We asked the Council to revisit the provision and Analyse Local was used to provide external advice on this area.</p>	<p>Management response</p> <p>The provision has been revisited using information from Analyse Local and we will work with the auditors to ascertain the appropriate level of provision</p>
<p>●</p> <p>High – Significant effect on financial statements</p>	<p>Oracle system configuration access grant to an excessive number of users, including non-IT staff / end users.</p> <p>During our audit we observed that 53 users have the necessary access rights to change system configurations such as the number of concurrent managers, cross validation rules, profile options (including password parameters), profile system values and key flex fields.</p> <p>The risk is that assigning excessive privileged access roles to more users than required increases the risk that system-enforced internal control mechanisms could be by-passed resulting in users being able to:</p> <ul style="list-style-type: none"> • Make unauthorised change to system configuration parameters. • Create unauthorised accounts. • Make unauthorised updates to use account privileges. <p>It is recommended that management restrict the use of the application developer role on a need-to-use basis. Permission should be assigned for a pre-agreed window to implement a change into production and then revoked again. Activity during the implementation window should be monitored closely.</p>	<p>Management response</p> <p>The role of Application Developer has been removed from the two accounts identified in this year's review.</p>

Appendix 1: Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p> High – Significant effect on financial statements</p>	<p>Inappropriate segregation of duties as developers have access to the production environment within Oracle</p> <p>We have noted that 2 out of 12 users with system administrator rights had also been granted the application developer role in both the development and production environments; which has created a segregation of duties issue. It is appreciated that with a small IT team, it is difficult to prevent having a segregation of duties issue.</p> <p>The risk that inappropriate or unauthorised changes could be implemented, adversely impacting the integrity and security of the underlying data or functionality of Oracle.</p> <p>It is recommended that management:</p> <ul style="list-style-type: none"> • Perform a review of all users and their access rights in Oracle and confirm if these align with their designated roles and responsibilities. • For those users identified as no longer needing access rights to change system configurations, then these access rights should be revoked with immediate effect. • Always assign access to any application on the principle of least privileges. 	<p>Management response</p> <p>The majority of uses identified in this section are either IT staff or senior application users who require privileged access to be able to undertake their roles and responsibilities.</p> <p>We will carry out a review of the users identified and determine if they require the access they currently have to be able to carry out their work.</p> <p>Responsibilities which no longer required by users will be end dated.</p>
<p> Medium – Limited Effect on financial statements</p>	<p>Debtors Balance</p> <p>There are a number of historical balances included within the debtor’s year end balance on the balance sheet. The risk is that the Council is overstating its assets where there is a low expectation of receiving the income due to the Council.</p> <p>A review of the debtor’s balances should be carried out and old debts where the likelihood of receiving the income is low should be written off.</p>	<p>Management response</p> <p>The Council will review the debtors and determine if any need to be written off or provide for them through an expected credit loss.</p>

Appendix 1: Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<p>●</p> <p>Medium – Limited Effect on financial statements</p>	<p>Ledger Balances</p> <p>The Council’s financial system contains transaction data and relating information that is no longer considered appropriate.</p> <p>The Council should review the balances held on its balance sheet codes within the general ledger to ensure that they are carrying forward the correct balances. This will be especially important giving the fact that the Council is moving to a new finance system from 1 April 2022.</p>	<p>Management response</p> <p>The balances will be reviewed for debtors and creditors (excluding Accounts Receivable and Accounts Payable) and appropriate action taken based on value and risk.</p>
<p>●</p> <p>Medium – Limited Effect on financial statements</p>	<p>Reconciliation of the Fixed Asset Register to the General Ledger</p> <p>Differences have been identified between the fixed asset register and the general ledger due to way in which the fixed asset register recognises valuation movements, in particular for downward valuations which it records as impairments.</p> <p>A review of the controls and processes within the fixed asset register should be carried out to ensure all revaluation movements are accounted for correctly without the need for additional manual adjustments in order to reconcile to the General Ledger at the year end.</p>	<p>Management response</p> <p>The third party software can only treat downward valuation in one way and therefore a manual adjustment is required in the General Ledger to reflect the correct accounting treatment. A reconciliation of the movements and correlation to the software system will be looked at. The new ERP system operates in the same way and we are working with the implementation parties to identify a solution.</p>



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AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 27 June 2022

REPORT TITLE:	EXTERNAL AUDIT PLAN MERSEYSIDE PENSION FUND 2021-22
REPORT OF:	DIRECTOR OF RESOURCES

REPORT SUMMARY

The purpose of this report is to inform Committee Members of the plan for the external audit of the Fund’s Statutory financial statements for 2021/22.

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

The purpose of the Audit Plan is to direct and communicate the audit approach to those charged with governance. The Audit Plan considers the risks to the audit in forming the Audit Opinion and details the approach to addressing the key areas of the Fund’s financial statements.

The Council’s external auditors have produced the Audit Plan for their statutory audit of Merseyside Pension Fund 2021-22.

The External Audit Plan can be found as an appendix to this report.

RECOMMENDATIONS

The Audit & Risk Committee is asked to note the external audit plan for 2021/22 as prepared by Grant Thornton.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

- 1.1 The Audit Plan sets out the work the Pension Fund Auditors, Grant Thornton will be carrying out in their statutory audit on the Pension Funds financial statements and arrangements. The review of the Audit Plan supports Committee in fulfilling its responsibilities in relation to the financial reporting process and forms part of the governance arrangements.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not relevant for this report.

3.0 BACKGROUND INFORMATION

- 3.1 Merseyside Pension Fund is required to subject its financial statements to external scrutiny before a final version is published to ensure compliance with statutory requirements.
- 3.2 Grant Thornton have been appointed as the Council's independent external auditors. Their annual work programme is set in accordance with the Code of Audit Practice issued by the Audit Commission and includes nationally prescribed and locally determined work.
- 3.3 The purpose of the Audit Plan is to direct and communicate the audit approach to those charged with governance. The Audit Plan considers the risks to the audit in forming the Audit Opinion and details the approach to addressing the key areas of the Fund's financial statements.
- 3.4 The results of this audit, including the opinion on the Funds Annual Statement of Accounts and Annual Report will be reported back to the Committee.

4.0 FINANCIAL IMPLICATIONS

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

5.0 LEGAL IMPLICATIONS

- 5.1 The Council has a statutory duty to produce annual accounts, this report provides Members with an understanding of management processes and the Fund's oversight in particular areas that could have a significant impact upon the financial statements.

6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS

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

7.0 RELEVANT RISKS

- 7.1 Grant Thornton will complete a risk-based audit whereby they will focus audit effort on those areas where they have identified a risk of material misstatement in the accounts.
- 7.2 If any concerns identified by Grant Thornton are not addressed by the Pension Fund and the Council, then there is a risk that the Council will not be able to meet its statutory requirements in respect to the Statement of Accounts.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

9.0 EQUALITY IMPLICATIONS

- 9.1 The content and/or recommendation contained within this report have no direct implications for equality. The PDF file attached may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact Donna Smith if you would like this document in an accessible format.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 There are no environmental or climate implications arising from this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

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

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APPENDICES

Grant Thornton External Audit Plan 2021/22.

The information contained within the appendices below may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact josephdhenin@wirral.gov.uk if you would like this document in an accessible format.

BACKGROUND PAPERS

External Audit Plan 2021/22

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
------------------------	-------------

Audit and Risk Management Committee	28 June 2021
Pension Committee	22 June 2022
	22 June 2021
	23 November 2020
	25 March 2019

Merseyside Pension Fund External Audit Plan

Year ending 31 March 2022

1 June 2022

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

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Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the 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.

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

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

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, 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.

Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

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 an 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.

Key matters

Factors

Pension Fund developments

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

At the time of producing this Plan, Merseyside Pension Fund's latest available fund asset valuation shows a continuing increase on the overall valuation of assets. At 31 March 2021, the Fund reported net assets of £10.080bn. By 31 January 2022, the valuation of the Fund's assets had increased to £10.722bn.

Since this date, there has been uncertainty caused in markets as a result of the Russia/Ukraine conflict.

Whilst Merseyside Pension Fund's direct exposure to investments in Russia is immaterial, the volatility caused by the conflict in markets may cause the year-end valuation of investments to be less than originally forecast.

Changes in IT systems

We are aware that there will be changes to the Pension Funds financial systems during 2022-23. The Pension Fund is expected to upgrade its General Ledger system to Oracle Fusion in October 2022. Whilst this is not expected to have any impact on the audit of the 2021/22 annual accounts, we have begun engaging with our internal IT specialist auditors to ensure that appropriate work is performed to provide us with the necessary assurance over the completeness and accuracy of any data migrated to new systems and the controls adopted for future audit purposes.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, sets out the proposed fee for this year's audit, recognising that there are further cost pressures in 2021/22.
- We will continue to provide you with sector updates via our Audit Committee updates.
- There is a rebuttable presumed risk that revenue may be misstated due to improper recognition of revenue. We have rebutted this risk for all types of revenue. We have also considered the risk of material misstatement due to fraud related to expenditure and concluded that this is not a significant risk for the Pension Fund.
- There is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. We have therefore identified a significant risk in regard to management override of controls for the audit of the Pension Fund – see page 7 for more information.

Introduction and headlines

Purpose

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

Respective responsibilities

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

Scope of our audit

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

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

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

Significant risks

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

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

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

Materiality

We have determined planning materiality to be £96.496m (PY £87.735m) for the Pension Fund, which equates to 0.9% of your net assets as at 31 January 2022. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £4.825m (PY £4.386m).

Audit logistics

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

Our fee for the audit for 2021-22 is still to be confirmed as the PSAA approval process for 20-21 audit fees has only just been finalised. The fee for 2021-22 will be subject to the Pension Fund delivering a good set of financial statements and working papers. The audit fee for the previous year was £51,249.

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

Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA 240 Fraud in Revenue and Expenditure Recognition	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>We have also rebutted the presumption of fraud in expenditure recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, including Wirral Council mean that all forms of fraud are seen as unacceptable <p>Therefore, we do not consider this to be a significant risk for Merseyside Pension Fund.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• evaluate the design effectiveness of management controls over journals• analyse the journals listing and determine the criteria for selecting high risk unusual journals• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Directly Held Property	<p>The Fund revalues its directly held property on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£463 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2022.</p> <p>We therefore identified valuation of directly held property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write out to them and discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engage our own valuer to assess the instructions to the Fund's valuer, the Fund's valuation report and the assumptions that underpin the valuation • test, on a sample basis, revaluations made to ensure they have been input correctly into the Fund's financial records • where available review investment manager service auditor report on design effectiveness of internal controls.
Valuation of Level 3 Investments	<p>The Fund revalues its investments on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£2,535 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2022.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes for valuing Level 3 investments • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met • independently request year-end confirmations from investment managers • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2022 with reference to known movements in the intervening period and • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert • test revaluations made to see if they had been input correctly into the Pension Fund's financial records • where available review investment manager service auditor report on design effectiveness of internal controls.

Accounting estimates and related disclosures

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

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Introduction

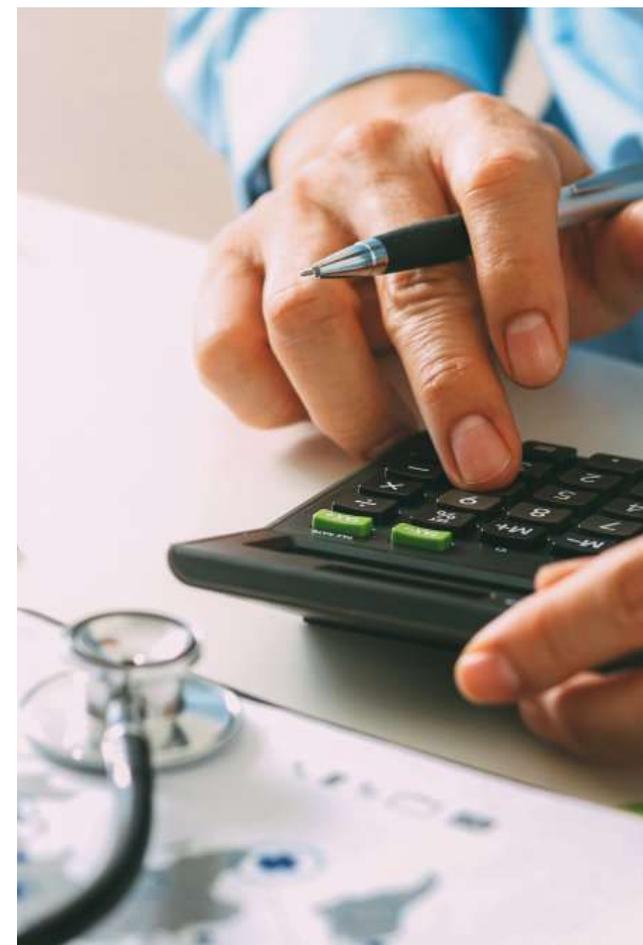
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

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

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

Specifically do committee members:

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



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

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

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

the Pension Fund's Information systems

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

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

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

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

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



Estimation uncertainty

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

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

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

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

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

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

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

Planning enquiries

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

Further information

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

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

Other matters

Other work

The Pension Fund is administered by Wirral Metropolitan Borough Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.

Other material balances and transactions

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

Materiality

The concept of materiality

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

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £96.496m (PY £87.735m), which equates to 0.9% of your net assets as at 31 January 2022.

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

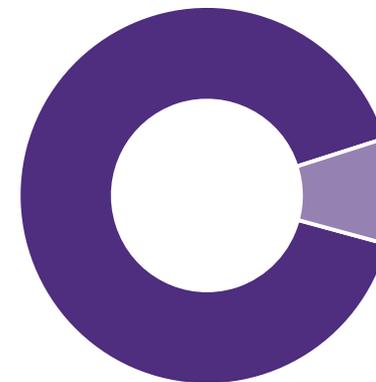
Matters we will report to the Pensions Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Pensions Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £4.825m (PY £4.386m).

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

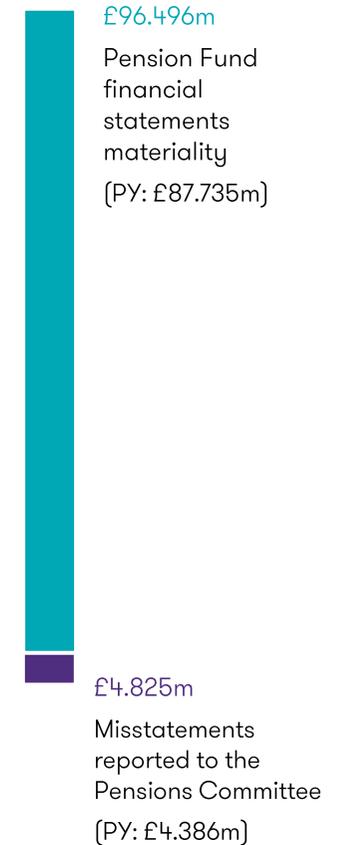
Net assets at 31 January 2022

£10,722m Pension Fund
(PY: £9,748m)



■ Net assets ■ Materiality

Materiality



IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs).

Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Oracle E-Business Suite	Financial reporting	<ul style="list-style-type: none"> Roll-forward procedures linked to prior year detailed ITGC assessment (design and operating effectiveness)
Altair	Contributions & Benefits payable	<ul style="list-style-type: none"> Streamlined ITGC design assessment

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Audit logistics and team

Planning and risk assessment

Interim audit
March – April
2022

Pensions
Committee
22 June 2022

Audit Plan

Year end audit
July – September
2022

Pensions
Committee
28 September
2022

Audit Findings
Report

Audit & Risk
Management
Committee
TBC

Audit Findings
Report

Statutory
Deadline
30 November
2022

Audit
Opinion

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Sarah Ironmonger, Key Audit Partner

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



Stuart Basnett, Engagement Manager

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



Curtis Wallace, Engagement Incharge

Curtis assists in planning, managing and delivering the audit fieldwork, ensuring that the audit is delivered effectively and efficiently. He supervises and co-ordinates the day to day running of the audit.

Audited body responsibilities

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

Our requirements

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

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

Audit fees

In 2018, PSAA awarded a contract of audit for Merseyside Pension Fund to begin with effect from 2018/19. The fee agreed in the contract was £28,399. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 9 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for directly –held investment property valuations, which has been included in our proposed audit fee. Our proposed work and fee for 2021/22, as set out below, is detailed overleaf and has been agreed with management.

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	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
Merseyside Pension Fund Audit	£44,356	£51,249	£TBC
IAS 19 Assurance Letters	£12,250	£13,125	£13,125
Total audit fees (excluding VAT)	£56,606	£64,374	£TBC

Assumptions

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

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

Relevant professional standards

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

Independence and non-audit services

Auditor independence

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

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

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

Other services

The following other services provided by Grant Thornton were identified.

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

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

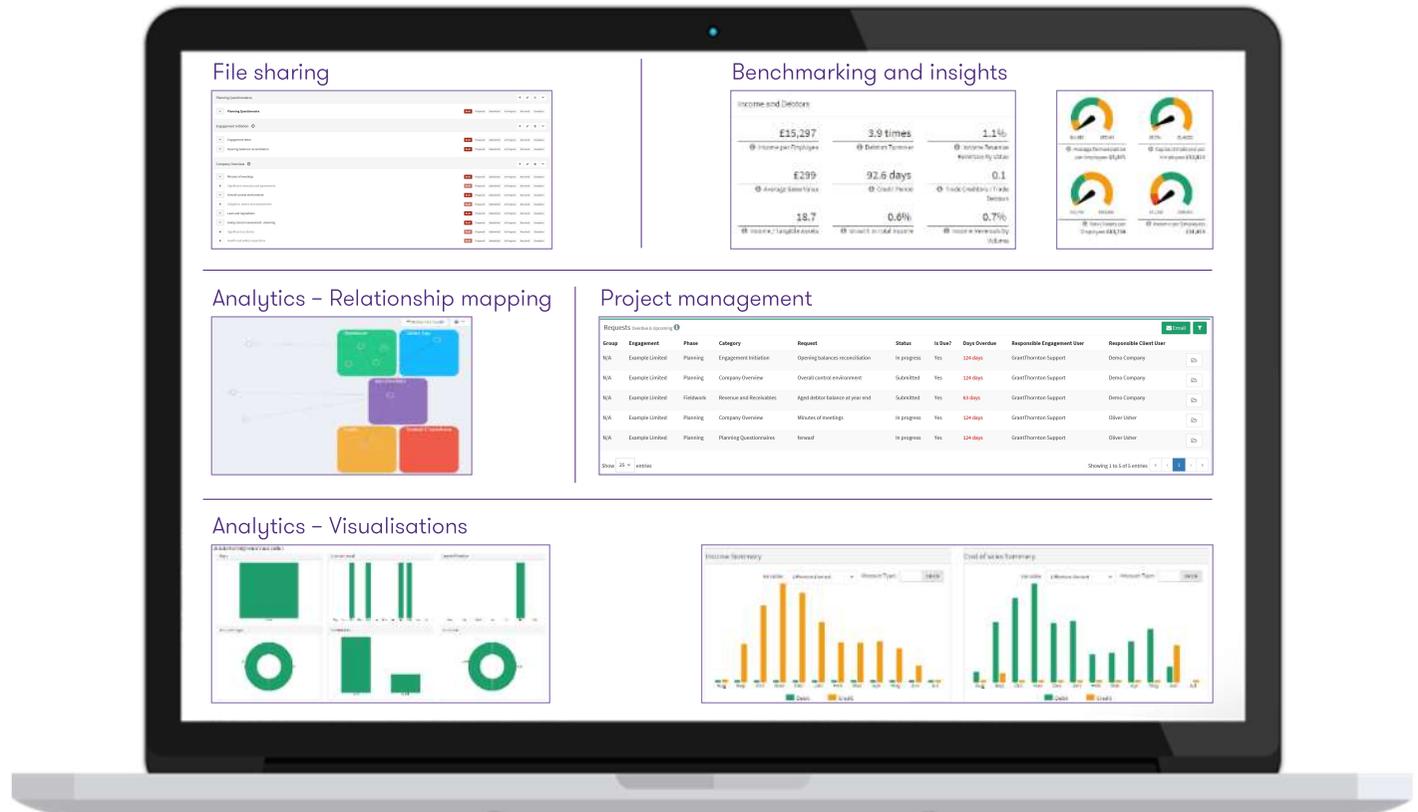
None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
IAS19 Assurance procedures/ letters for Admitted Bodies	£13,125 (15 bodies requiring assurance procedures)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £13,125 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
None			

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the Pension Fund's financial statements, which resulted in One recommendations being reported in our 2020/21 Audit Findings Report. Work in relation to the implementation of the recommendation remains ongoing. A further update will be provided in our Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In Progress	<p>During our audit of level 3 investments, it was identified that service auditor control reports are not obtained and reviewed by management for all investment managers used. Management assert that initial Due Diligence and ongoing discussions between Merseyside Pension Fund and the Investment Managers takes place which covers the controls in operation. As part of quarterly valuation processes, management also review internal controls for any outlier investment manager valuations on a sample basis. Management also obtain reports from investment managers on an exception basis where there has been a failure with internal controls.</p> <p>There is a risk that controls in place at investment fund managers may have changed since the point in time which the initial Due Diligence was undertaken and that it is best practice to ensure that there is documented evidence confirming that investment fund managers are maintaining effective controls over the valuation of Merseyside Pension Fund's assets. There are compensating controls in place which reduce this risk; however, they do not cover all investment managers. Therefore, gaps in assurance remain.</p>	<p>It is recommended that Management obtain and review a service auditor controls report for each investment manager as part of the financial statements closedown procedures. Where investment managers do not have a service auditor control report covering the audited period, Management should obtain sufficient alternative evidence to satisfy themselves that appropriate controls were in operation for the period.</p> <p>Management response</p> <p>Management recognise there is a potential gap in assurance. We will discuss with the external auditors on how best to address the issue due to the number of investment fund managers which are used by the Fund and the potential impact on the Pension Fund's resources. A further update on progress made will be included on future External Audit reports presented to the Pensions Committee.</p>



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AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 27 June 2022

REPORT TITLE:	REVIEW OF CONTRACT PROCEDURE RULES
REPORT OF:	DIRECTOR OF LAW AND GOVERNANCE

REPORT SUMMARY

This report comprises the biennial review of the Council's Contract Procedure Rules (CPR) which regulate the way in which the Council's contracts are procured. The last review took place in September 2020.

The CPR underpin the fulfilment of the Wirral Plan 2021-2026, in particular the aim of achieving a prosperous inclusive economy where businesses can thrive and create jobs and opportunities for all at a sustainable financial cost to the Council.

The report has no ward implications

RECOMMENDATION/S

The Audit and Risk Management Committee is requested to approve the changes to the Contract Procedure Rules that are highlighted in the appendix to this report and recommend to the Constitutional and Standards Committee their adoption by the full Council as part of the Council's Constitution.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATIONS

- 1.1 The Committee is required to review the CPR every 2 years.
- 1.2 Since the last review in September 2020 the UK has withdrawn from the European Union (Brexit). The CPR need to reflect that event.
- 1.3 An opportunity has been taken to simplify procedures for low value procurements below £25,000 so that procurement officers have more time to concentrate on higher value procurements.
- 1.4 It is also proposed that the Head of Procurement is given more discretion to delegate to his senior officers the duty to decide whether approval should be given to requests for exceptions to the CPR and to approve contract extensions where the value is under £100,000. This will provide additional business continuity and resilience to the procurement service by reducing reliance on the availability of a single person to provide approvals.
- 1.5 Some changes rationalise the terminology used in the CPR.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Minimal changes to the CPR to reflect Brexit and necessary changes to terminology, were considered.
- 2.2 On balance this option was rejected because it was considered that an opportunity should be taken to make minor changes to enable procurement officers to make a more efficient use of their time with regard to lower value procurements.

3.0 BACKGROUND INFORMATION

- 3.1 The Contract Procedure Rules regulate the way in which the Council procures its contracts. Their contents are constrained by statute which includes in particular compliance with the Public Contract Regulations 2015 (PCR).
- 3.2 Until 1st January 2021 the PCR had to conform to the procurement rules prescribed by the European Union for the free trade area known as the Single Market. Since Brexit the UK is no longer part of the Single Market and such strict compliance is no longer necessary. The Government is consulting upon possible changes to the PCR which are, however, unlikely to be enacted in the immediate future.
- 3.3 The changes proposed in the CPR are identified in the Appendix. They constitute the following categories.
- 3.4 MINOR SUBSTANTIVE CHANGES

- 3.4.1 A report in July 2021 to the Council from CIPFA on procurement recommended that Council officers should be empowered to accept single quotations under £25,000 in value without competition in order to speed up procurement process for small value low risk contracts. Paragraphs 7.1,7.5.4 to 7.5.5 ,7.5.9,8.1,9.1.1,18.5 to 18.6 and 19.2 have therefore been amended so as to remove the requirement to invite competitive quotations on the electronic tendering portal in respect of contracts between £2,000 and £25,000. Only one quotation would be required if approved by a senior commissioning officer who considered it value for money. There would be a prohibition on awarding a further contract to the same supplier within the same financial year unless it were the outcome of a competitive procurement. These safeguards are in paragraph 7.5.5. These proposed changes would enable procurement officers to make better use of their time by concentrating on higher value procurements which are increasing in volume not least because of the demands of the Council's regeneration programme. There would still be a requirement to comply with the "No Purchase Order No Pay" rule.
- 3.4.2 Paragraphs 12.2 and 13.2 have been amended to allow the Head of Procurement to delegate to his procurement officers decisions on whether to approve exceptions to the CPR and contract extensions in respect of contracts under £100,000 in value. This would allow the Head of Procurement to focus on higher value procurements where such decisions are required. The Head of Procurement is satisfied that his officers have the required skills and experience to make the necessary decisions on lower value procurements without causing any additional risk to the Council.
- 3.4.3 Paragraph 11.5.2 has been amended so as to alter guidance on minimum insurance requirements for contractors to include £10m for Public Liability in place of £5m.
- 3.4.4 Paragraphs 9.3.,10.6.3, and 10.5.2 have been changed so as to enable tenders and quotations to be amended after receipt to resolve not only arithmetical errors but also ambiguities. This should reduce the potential for disputes after the contract has been awarded.

3.5 BREXIT RELATED CHANGES.

- 3.5.1 Examples are paragraphs 3.1,7.5.4, and 10.1.1. They reflect the new UK procurement processes that have replaced those which applied when the UK was a member of the European Union.

3.6 MINOR PROCEDURAL CHANGES

- 3.6.1 An example is paragraph 10.4 which has been amended to allow procurement officers to open tenders below £500,000 in value. Tenders above this figure will continue to be opened by an officer who is independent of the procurement activity.

3.6.2 Another example is 3.2.3 which now requires the Head of Internal Audit to report breaches of the Rules to Audit and Risk Management Committee if the breach relates to a procurement of £50,000 or more in value if he considers it to be necessary for the Committee to be aware of the breach.

3.7 CHANGES IN TERMINOLOGY.

3.7.1 Examples include the references to Procurement Smart Forms and the Tendering Portal which replace less apt terminology.

4.0 FINANCIAL IMPLICATIONS

4.1 The CPR are intended to achieve value for money in the procurement of the Council's contracts

5.0 LEGAL IMPLICATIONS

5.1 As explained above, the CPR must conform to the U.K's legal framework for the procurement of public contracts.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 As explained above, the proposed amendments to the CPPR are intended to make the most efficient use of limited staffing resources in the Procurement Section at a time when the volume of contracts to be procured is increasing.

7.0 RELEVANT RISKS

7.1 The CPR are an essential means of mitigating the risk that the Council's contracts are awarded not on merit or on value for money but as a result of corruption or favouritism. The proposed changes mitigate that risk.

8.0 ENGAGEMENT/CONSULTATION

8.1 The Legal, Procurement and Internal Audit officers have worked closely together in preparing this report.

9.0 EQUALITY IMPLICATIONS

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

9.2 The CPR are intended to ensure that contracts are awarded on merit and not as a result of unlawful discrimination against potential suppliers or their employers.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The CPR have a Social Value criterion which can be used to procure contracts which improve the environment and mitigate the adverse consequences of climate change.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The CPR have a Social Value criterion which can be used to award contracts which take into account economic benefits e.g. the training of apprentices as long as they are relevant to the subject matter of the contract.

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APPENDICES

Appendix 1 Contract Procedure Rules showing the proposed amendments

BACKGROUND PAPERS

CIPFA recommendations on public procurement.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Standards and Constitutional Oversight Committee	10 September 2020
Full Council	28 September 2020

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CONSTITUTION OF THE COUNCIL

Part 4 Section 6

CONTRACT PROCEDURE RULES

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1. Introduction

- 1.1 These Contracts Procedure Rules are standing orders made pursuant to Section 135 of the Local Government Act 1972, **effective as of April 2016 and amended September 2020**. Compliance with the Rules and observance of domestic law from which they emanate (in particular the principles relating to non-discrimination, equal treatment and transparency) is mandatory for all Officers and Members. The Rules ensure that procurement activity is undertaken in a legally compliant, transparent, fair and competitive manner.
- 1.2 Decisions relating to procurement are among the most important decisions that can be made by the Council, its Members and Officers because the money involved is public money and the Council is concerned to ensure that high quality Goods, Services and the execution of Works are procured. Efficient use of resources in order to achieve Best Value is therefore imperative.
- 1.3 These Rules shall apply to all procurement activity where the Council is to procure any Goods, Services or the execution of Works, or enters into a concessions Contract as either a contracting authority or commissioner of such, regardless of the origin of funding (such as external grants, partnership funding, pooled or joint budgets for example).
- 1.4 For the avoidance of doubt, these Rules shall apply to Framework Agreements.
- 1.5 Where relevant, the Council shall have regard to the Public Services (Social Value) Act 2012 (“the Act”). This requires commissioners and procurers at the pre-procurement stage to consider how / what is to be procured may improve social, environmental and economic well-being of Wirral, how it might secure any such improvement and to consider the need to consult. The Council and Officers should refer to the Procurement Toolkit for further guidance.
- 1.6 The Audit and Risk Management Committee shall monitor compliance with the Rules and undertake a review of the Rules every two years. Any failure to comply with any of the provisions of these Rules must be reported immediately to the Director of Law and Governance (Monitoring Officer). Failure by any Officer or Member to comply with the provisions of these Rules may lead to disciplinary action being taken against them.
- 1.7 The Director of Law and Governance (Monitoring Officer) will keep these rules under review and have authority to make minor amendments as required, after consultation with the Head of Commercial Procurement. Any changes will be notified by the Director of Law and Governance (Monitoring Officer) to Strategic Directors for dissemination to officers involved in procurement. Any significant changes require the consent of the Audit and Risk Management Committee.
- 1.8 The Director of Law and Governance (Monitoring Officer), in consultation with the Head of Commercial Procurement, will fully review these rules every two years and report this review to the Audit and Risk Management Committee for approval.

1.9 These Rules should be read in conjunction with the Council's Constitution and in particular the Financial Regulations, the Procurement Toolkit, any relevant guidance documents endorsed by the Council.

2. **Interpretations and Definitions**

2.1 In the event of any conflict between these Rules and Council Policy, the requirements of English law shall prevail over Council Policy.

2.2 Any reference to legislation, primary or secondary, shall include any amendments / replacements made from time to time.

2.3 All figures specified in these Rules are exclusive of VAT.

2.4 In the event of any doubt as to the interpretation of these Rules, or as to proper procedure to be followed, advice should be sought from Corporate Procurement in the first instance and reference should be made to the guidance contained in the Procurement Took Kit which should be read in conjunction with these Rules.

2.5 In these Rules the words and phrases below have the following meanings:

AO	Authorised Officer and is any Officer, who has delegated authority from the SRO, to carryout commissioning functions.
Best Value	has the same meaning as that defined in the Local Government Act 1999 as amended from time to time.
Bidder	any Economic Operator that submits a Quotation or Tender.
Call-off	an order made/call-off Contract entered into under a Framework Agreement and are subject to the application of Rule 5.1.
Category Manager	the Category Manager is a procurement specialist who has responsibility for all stages of a procurement process for a defined group of products, services or works
Concessions	the granting of a right (exclusive or otherwise) to an economic operator to exploit works or services provided for their own gain with or without payment.
Contract	a legally binding agreement between the Council and the Contractor for the procurement by the Council of all Goods, Services, the execution of Works and

	Concessions Contracts and which incorporates the terms and conditions under which the Goods, Services, execution of works and Concessions will be provided.
Contractor	the Bidder or Tenderer who the Council enters into a Contract with following the submission of a Quotation or Tender and who is appointed by the Council to provide the Goods, Services, execution of Works or Concessions Contract. They may also be referred to as 'suppliers', 'providers' or 'service providers'.
Contracts Finder or Find a Tender	the web-based portal provided for the purposes of Part 4 of the regulations by or on behalf of the Cabinet Office.
Corporate Procurement	Provide advice and support at all stages of the procurement process regardless of value. They will conduct procurement activity <u>for contract of £25,000 or over in value. £5,000 or over in value.</u>
Director of Resources (S151)	the Senior Responsible Officer for Finance and is the most Senior Officer delegated in the Council's Scheme of Delegation for Finance Services, the Officer appointed by the Council pursuant to S151 of the Local Government Act 1972.
Economic Operator	any natural or legal person or public entity or group of such persons and/or entities, including any temporary association of undertakings, which offers the execution of Works and/or a work, the supply of Goods or the provision of Services on the market.
EIR	the Environmental Information Regulations 2004.
Electronic Purchasing System (EPS)	purchases made online.
Equality Duties	The Council's responsibilities as defined within the Equality Act 2010.
Public Contract Regulations-	Relevant Directives in force.

Exemption/Exception	the release of the obligation to comply with some or all of these Rules.
Financial Regulations	the written code of procedures forming part of the Council's Constitution which provide a framework for proper financial management and which set out the rules on accounting, audit, administrative procedures and budgeting systems.
FOIA	the Freedom of Information Act 2000
Framework Agreement	an agreement between one or more authorities and one or more economic operators, the purpose of which is to establish the terms governing Call-off Contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged.
Goods	an inherently useful tangible item required by the Council, from time to time.
Head of Commercial Procurement	the Senior Responsible Officer for all Council procurement activity.
Director of Law and Governance (Deputy Monitoring Officer)	the Senior Responsible Officer for Legal and is the most Senior Officer delegated in the Council's Scheme of Delegation for Legal Services.
Invitation to Tender	an invitation issued by the Council to Tenderers to submit a Tender or a quote for the provision of Goods, Services, the execution of Works or a Concessions contract in accordance with the Specification or request for those Goods, Services, execution of works or Concessions Contract.
Key Decision	Key decisions are those as set out in Article 13 of the Council's Constitution.
Law and Governance	The Contract Team within Law and Governance Services can provide legal advice on high-value or complex procurements. Officers are responsible for ensuring that Law and Governance Services are involved in all above threshold contracts and any contracts involving legal

issues for example TUPE or State Aid. The Contract Team within Law and Governance Services can provide legal advice on specialist IT, social care, education and housing related contracts.

Modification

any variation to a Contract, including an extension or overspend

Officer

any employee of the Council which shall include any person engaged by the Council to act as an agent or consultant on its behalf.

Procurement Smartform

Post Tender Report

a summary of the outcomes delivered by the procurement activity.

SQ

Qualification questionnaire and is the document used by the Council to screen potential Tenderers in accordance with the Regulations.

Procurement Smartform

a document providing details of the procurement activity and the authority to commence it as required in accordance with Rule 7.1.or for the approval or notification of Exceptions to CPR's; Extensions to Contracts ; Variations to Contracts Contract Award; Breach Notice.

Procurement Toolkit

the documents which detail the processes, procedure and regulations to follow when carrying out a procurement activity.

Purchasing Cards

transaction cards which work in a similar way to charge cards and can be used by an AO to purchase Goods and/or Services.

Quotation

a formal offer submitted by a Bidder to supply goods, Services, execute Works or operate a Concessions Contract at a defined price.

Regulations

the Public Contracts Regulations 2015, and The Concessions Regulations 2016, as amended or replaced from time to time, which implement the public procurement directives.

Regulations Threshold	the financial threshold identified by the UK Procurement <u>Regulations Directives</u> , as amended from time to time, and where applicable, requires the procurement activity to be subject to the Regulations.
Rules	these Contract Procedure Rules
Scheme of Delegation	the scheme identified within the Council's Constitution which delegates powers and duties of the Council to Officers under Section 101 of the Local Government Act 1972 and all other powers enabling such delegation necessary for the discharge of the Council's functions.
SCM	the Senior Category Manager or similar role with equivalent experience and seniority within Corporate Procurement
Services	the time, effort and expertise required by the Council, from time to time, and supplied by a Contractor.
Specification	the outputs, outcomes and the scope and nature of Goods, services, execution of Works or concessions Contract required by the Council from a procurement activity.
Social Value	a requirement upon the contractor to improve the economic, social, and environmental wellbeing of the Borough of Wirral which is relevant and proportionate to the primary purpose of the procurement.
SRO	Senior Responsible Officer and is the Officer delegated in the Council's Scheme of Delegation for the relevant service with the responsibility for the award of the Contract.
Tender	a formal offer submitted by a Tenderer to the Council at a stated price in response to a Specification to supply Goods, Services, execute Works or operate a Concessions Contract.
Tenderer	any Economic Operator that submits a Tender.

[The Chest Tendering Portal](#)

[the North West e-Sourcing portal. Wirral tendering and sourcing portal.](#)

TUPE

the Transfer of Undertakings (Protection of Employment) regulations 2006 as amended from time to time.

Value for Money

the optimum combination of whole-life costs, price, quality and benefits to meet the Council's requirement. Such a term equates to the UK procurement requirement of most economically advantageous offer, as well as the duty of Best Value as defined by the Local Government Act 1999 as amended from time to time.

Works

the provision of physical activity which is directed toward the production or accomplishment of something by the Contractor, from time to time.

Writing

the requirement that any document should be in writing is satisfied where (apart from the usual meaning of that expression) the text of it is created and transmitted by electronic means, in legible form, and capable of being used for subsequent reference.

3. **Principles and Responsibilities**

3.1 **Principles**

3.1.1 All procurement activity must comply with [the obligation under the UK-EU Trade and Cooperation Agreement and where applicable the Public Contracts Regulations 2015 and the Concession Contracts Regulations 2016 as amended, and any relevant retained EU legislation. all of the following principles of European Union \(EU\) Law:](#)

- ~~a.~~ ~~free movement of Goods and Services;~~
- ~~a~~b. non-discrimination;
- ~~b~~e. openness/transparency;
- ~~c~~d. equal treatment for all; and
- ~~d~~e. proportionality

3.1.2 All procurement activity must be compliant with the latest ~~EU laws,~~ national legislation, and the Council Constitution and have regard to:

- a. **The need to achieve accountability** through effective mechanisms which enable Officers and Members of the Council to maintain the highest standards

- of integrity and honesty and to enable them to discharge their responsibility on issues of procurement risk and expenditure of public money;
- b. **The need to provide consistent procurement policy to suppliers and achieve competitive supply;**
 - c. **The need to meet commercial, regulatory and Corporate Priorities of the Council;**
 - d. **The need to achieve efficiencies** by administering procurement processes which are cost effective.
 - e. **The need to ensure Value for Money**
 - f. **The need to ensure fair-dealing** by ensuring that suppliers are treated fairly and without unfair discrimination, including protection of commercial confidentiality where compatible with the Council's obligations under FOIA and EIR;
 - g. **The need to maintain integrity** by excluding corruption or collusion with suppliers or others from procurement processes;
 - h. **The need to ensure informed decision-making** based on accurate information;
 - i. **The need to ensure legality** in the administration of procurement processes and award of contracts;
 - j. **The need to promote responsiveness** by endeavouring to meet the aspirations, expectations and needs of the community served by the procurement processes;
 - k. **The need to provide transparency** by ensuring that there is openness and clarity on the Council's procurement policy and its delivery.
 - l. **The need to create and retain an audit trail in relation to each procurement activity**
 - m. The consideration of **Risk**

3.2 The Responsibilities of Officers and Members

3.2.1 Officers and Members involved in procurement activity must comply with these Rules, the Council's Financial Regulations, and the Council's Employees Code of conduct/Members Code of Conduct. They must also have due regard to any guidance provided by Corporate Procurement.

3.2.2 Failure to comply with any of these rules may be considered a **breach of the Officers Code of Conduct and may result in disciplinary action.**

3.2.3 Where it becomes apparent that a Service has failed to comply with the CPRs a Breach Notice, as set out in the Procurement Smartform should be completed and submitted to the Head of Commercial Procurement and Internal Audit. Internal Audit will, if the breach exceeds £50,000 in value, submit a report to the Head of Commercial Procurement and the Director of Law and Governance (with appropriate recommendations) before reporting to Audit and Risk Management Committee and/or the Corporate Governance Group. Breaches up to £50,000 will be reported to the Corporate Governance Group by Corporate Procurement in consultation with Internal Audit. Where a breach exceeds £50,000 in value and the circumstances are considered to be within the control of the SRO, internal audit shall review and where necessary report to the Corporate Governance Group and the relevant SLT members with appropriate recommendations. Breaches will, if necessary be included

[in the internal audit update report and submitted to Audit Risk Management Committee \(ARMC\).](#)

4. **Contracts to which these Rules do not apply**

4.1 These rules **do not** apply to the following:

- a. employment contracts for Officers engaged on a PAYE basis;
- b. Contracts relating solely to the disposal or acquisition of securities and investments; - Treasury Management Strategy
- c. Contracts for the acquisition of an interest in land and property;
- d. Contracts for the appointment of Counsel or the appointment of experts for the purpose of legal or potential legal proceedings by the Director of Law and Governance (Monitoring Officer).

5. **Contracts which do not require full competition**

The Senior Responsible Officer (SRO)/Authorised Officer (AO) must complete a [Procedure Rules Approval Document \(PRAD\)- Procurement Smartform](#) in accordance with Rule 12 where any of the circumstances outlined below are applicable and the procurement may be excepted from the requirement of Rule 9 (Quotations) and Rule 10 (Tenders).

5.1 **Call-Off contracts**

5.1.1 Call-off Contracts where a suitable Framework Agreement has been identified in accordance with Rule 6.3.

5.2 **No competitive market**

5.2.1 Where any of the following circumstances apply and subject to Rule 5.2.2:

- a. Proprietary or patented goods or services are proposed to be purchased which, in the opinion of the AO, are only obtainable from one person, and it can be demonstrated that no reasonably satisfactory alternative to those proprietary or patented goods is available; or
- b. The AO can demonstrate that no genuine competition can be obtained in respect of the purchase of particular Goods, Services or execution of works; or
- c. The AO is satisfied that the Services or execution of Works are of such a specialist nature that they can only be carried out by one person (e.g. statutory undertakers); or
- d. Goods are proposed to be purchased by or on behalf of the Council at a public auction; or

- e. Goods or Services are proposed to be purchased which are of a specialist or unique nature (such as antiquities for museums or a particular performance artist)

Further guidance can be provided by Corporate Procurement and an AO must seek advice where there is any doubt and comply with Rule 10.

- 5.2.2 The AO, in conjunction with the Director of Law and Governance (Monitoring Officer) and, the Head of Commercial Procurement, shall ensure that the Contract terms and conditions are appropriate taking into account all relevant factors (such as benefit and risk to the Council) and ensure that the Contract complies with Rule 11.

5.3 Exemptions as prescribed by legislation

- 5.3.1 Certain other arrangements contained in domestic legislation may permit an exemption from the requirement for competition. Contact Corporate Procurement for advice.

6 Corporate Contracts

6.1 Use of Corporate Contract

- 6.1.1 If a Council contract exists which covers the subject matter of the proposed procurement (a Corporate Contract) it must be used unless one of the following conditions applies:

- The corporate contractor has confirmed that the goods or services are not available within the required timescale.
- The corporate contractor has confirmed that they are unable to fulfil the requirement.
- The corporate contract is subject to an unresolved dispute or an exit plan has been exercised.
- The corporate contractor's financial position has altered and a status of administration or liquidation has been applied.
- The corporate contractor is in breach of contract and a termination notice has been issued.
- The Corporate Contract is no longer value for money and the Council is entitled in law to procure the goods or services elsewhere.

- 6.1.2 Where an officer seeks to no longer use a corporate contract, they will arrange for consent to be obtained in writing from the Head of Commercial Procurement.

7. Pre-Procurement Process

7.1 Authority to carry out procurement activity

- 7.1.1 Any procurement activity carried out on behalf of the Council must be carried out by an SRO with the appropriate delegated authority as set out in the Scheme of

Delegation. For all procurement valued ~~over £5000~~ of £25,000 or greater the SRO must submit a Procurement Smartform to Corporate Procurement, prior to starting the relevant procurement activity. By submitting the Procurement Smartform the SRO confirms that they have the authority and budget to carry out the procurement activity. When a single quote is obtained above £5000 up to the threshold of £25,000, this requires the senior or peer agreement of a DMT member of the relevant department prior to the proposed action. It is the responsibility of the commissioner to obtain this agreement and retain the appropriate evidence should it subsequently be required.

7.1.2 Any proposed procurement for I.T. or Telecomms products or services must be referred to the Head of Digital by the SRO for approval to proceed further. This approval should be recorded by the SRO and Head of Digital. The Procurement Smartform can be completed and submitted when this approval has been granted.

7.2 Appraisal of the procurement activity

7.2.1 The AO, together with Corporate Procurement, must conduct an options appraisal of the route to market and consider the following:

- a. Value for Money;
- b. The need for the expenditure and its priority;
- c. The objectives of the purchase;
- d. Whether it is a Key Decision;
- e. Any risks associated with the purchase and how to manage them;
- f. The market;
- g. TUPE and pensions;
- h. Which procurement method is most likely to achieve the purchasing objectives;
- i. Existing and compliant Framework Agreements or other arrangements; and
- j. The economic, social and environmental wellbeing of the borough and the benefit which the procurement process can bring to the community and have regard to the duty to secure continuous improvement in accordance with Best Value, ***the Council's Social Value Policy, Social Value Guidance and Social Value Framework.***

7.2.2 Where award for a Contract for services may result in **employees** of the Council or its Contractor **transferring to a new employer**, the **advice** of the Director of Resources and the Director of Law and Governance (Monitoring Officer) **must be obtained** before the commencement of the procurement activity to ensure compliance with **TUPE**, and other related legislation, and to assess the implications in respect of pension arrangements.

7.2.3 The AO must ensure that an appropriate Tender Specification or request for a Quotation commensurate to the scope of the Goods, Services, and execution of Works or Concessions Contract required is written prior to the commencement of any procurement activity. Advice from Corporate Procurement must be sought where it is proposed that a Tender Specification or request for a Quotation is not used.

7.2.4 For procurement under the Regulations Thresholds, the use of PQQs is no longer permitted. However, the Regulations do permit the use of suitability assessment questions where they are relevant to the subject matter of the procurement and are proportionate. Advice must be sought from Corporate Procurement where it is proposed that such questions are to be used.

7.2.5 The Authorising Officer, together with Corporate Procurement, in all Supplier / Contractor sectors and areas identified as vulnerable to serious and organised crime include within the **quotation / tender** documentation the following statement:

“Wirral Council has identified that the scope of this procurement falls within a business sector which may be attractive to infiltration by organised crime groups. Wirral Council therefore reserves the right to include enhanced probity checks / requirements at both the selection and award stages of the procurement.” as set out in the invitation to tender.

7.3 Framework Agreements

7.3.1 Where, following an options appraisal as required by Rule 7.2 a suitable Framework Agreement is identified, the AO must ensure that:

- a. Any Call-off Contract is entered into in accordance with the terms of the relevant Framework Agreement; and
- b. Where applicable, a mini- further competition (the tender process required by the Framework Agreement) is held in accordance with rules of the Framework Agreement.
- c. Authority to proceed must be obtained from the Head of Commercial Procurement or his delegated representative.

7.3.2 For the avoidance of doubt, a Framework Agreement is considered suitable where it has either been entered into by:

- a. the Council in compliance with these Rules; or
- b. another local authority, a local authority purchasing consortium or central government where the Framework Agreement has been tendered and awarded in accordance with public procurement legislation, and the Council is identified as a contracting authority.

7.3.3 Where a Framework Agreement has been set up following an UK Tender, there must be full compliance with UK rules when awarding Call-off Contracts under it.

7.4 Pre-Procurement Market Research and Consultation (Soft Market Testing can be referenced within Guide 9 of the Procurement Toolkit) and must be in accordance with Public Contract Regulations

7.4.1 The AO responsible for the procurement activity and Corporate Procurement:

- a. may consult potential Bidders or Tenderers in general terms about the nature, level and standard of the supply, contract packaging and others relevant matters, prior to a request for a Quotation or an Invitation to Tender provided this does not prejudice any potential Bidders or Tenderers; and Before commencing a procurement procedure commissioners may conduct market consultations with a view to preparing the procurement and informing economic operators of their procurement plans and requirements;
- b. must not seek or accept technical advice on the preparation of a request for a Quotation or an Invitation to Tender from anyone who may have a commercial interest in the tender, as this may prejudice the equal treatment of all potential Bidders and Tenderers or distort competition. For this purpose, commissioners may, for example, seek or accept advice from independent experts or authorities or from market participants;
- c. Such advice may be used in the planning and conduct of the procedure, provided that it does not result in a violation of the principles of non-discrimination and transparency;
- d. Appropriate measures must be undertaken to ensure that competition is not distorted by participation of the candidate or tenderer in:
 - i. The communication to the other candidates and tenderers of relevant information exchanged in the context of or resulting from the involvement of the candidate or tenderer in the preparation of the procurement procedure
 - ii. The fixing of adequate time limits for the receipt of tenders
- e. The candidate or tenderer shall only be excluded from the procedure where there are no other means to ensure compliance with the duty to treat economic operators equally.
- f. Prior to any such exclusion, candidates or tenderers will be given the opportunity to prove that their involvement in preparing the procurement procedure is not capable of distorting completion.

Advice and support must be sought from Corporate Procurement in all instances.

7.5 Estimating the Total Value of a Contract or Framework Agreement

7.5.1 The Council must not split Contracts or Framework Agreements to avoid public procurement rules or calculate the value of Contracts in such a way as to deliberately avoid exceeding the Regulation Thresholds or any threshold identified in these Rules. Therefore all Contracts should be dealt with according to their total value and all Officers must calculate the total value (excluding VAT) of any Contract. The value of a Contract should be calculated as follows and applies to the aggregate value of the Contract:

Yearly contract value X Contract Period in years (including any option to extend) = Total value

Where the duration of the contract is indeterminate or is longer than four years, this should be taken to be the estimated value of the contract over a period of four years.

- 7.5.2 The value of a Framework Agreement means the estimated amount payable by the users of the Framework Agreement for the Goods, Services or execution of Works (excluding VAT) under Call-off Contracts entered into over the entire possible duration of the Framework Agreement.
- 7.5.3 Framework Agreements must not be for more than four years (including options to extend) unless otherwise authorised by the Director of Law and Governance (Monitoring Officer) and the Head of Commercial Procurement.
- 7.5.4 The value of the Contract or Framework Agreement will determine which procurement activity to follow in accordance with Table 1 below subject to Rules 7.5.6 and 7.5.7:

Table 1

Goods, Services and Concessions

Value	Procurement Activity	Quotation /Tender process Managed by:
£0-£1,999.99	No requirement for a quotation	Departmental responsibility
£2,000 - £4,999.99 <u>£25,000</u>	Minimum one Quotation in accordance with Rule 8 - Quotations	
£5,000 - £49,999.99 <u>£25,000 – PCR Thresholds</u>	Minimum three Quotations in accordance with Rule 9 – Quotations Minimum of five quotations in accordance with Rule 9	Corporate Procurement through <u>The Chest the Tendering Portal</u> (and <u>Contracts Finder over £25k / Find a Tender</u>)
£100,000 and up to the Regulation Thresholds	In accordance with Rule 10 Tenders	Corporate Procurement through <u>The Chest and Contracts Finder</u>
Above the Regulation Thresholds	<u>In accordance with Rule 10 – Tenders and the</u> Most appropriate procedure permitted by the Regulations	Corporate Procurement through the <u>Chest Tendering Portal</u> , UK Notice and Contracts Finder / Find a Tender

***WHERE ANY OPPORTUNITY OVER £25k IS OPENLY ADVERTISED, IT MUST BE PLACED ON CONTRACTS FINDER BY CORPORATE PROCUREMENT**

7.5.5 ~~Where the value of the Contract is above the Regulation Thresholds, the AO and the Corporate Procurement will determine which procurement activity to follow in accordance with the Regulations. For procurements above £1,999, and below £25,000 the Director responsible for the procurement must make adequate arrangements to ensure that the chosen supplier is selected by reference to objective criteria such as technical ability and value for money and that the chosen supplier is not selected for any other contract within the same financial year without undergoing a competitive procurement. A written record of the decision making process must be kept and open to inspection by financial, legal and procurement officers.~~

7.5.6 Irrespective of the value in Rule 7.5.4 Contracts and Framework Agreements that are subject to grant funding requirements shall be advertised in accordance with published guidance.

7.5.7 The AO and Corporate Procurement shall ensure that, where proposed Contracts or Framework Agreements, irrespective of their value, might be of interest to potential Economic Operators located in other states, a sufficiently accessible advertisement is published.

7.5.8 Quotations for construction works, below regulation thresholds, shall only be invited from contractors who are members of Constructionline and the Safety Scheme in Procurement (SSIP)– or any other comparable pre-selection model. If quotations are invited on a restricted basis, at least six contractors shall be invited to quote to be selected in accordance with the Council's policy on the procurement of such contracts (available on the Procurement website).

7.5.9 Where the value of the Contract is below £25,000, its procurement must comply with the general principles contained in Rule 3.1.2 and a Quotation sought if the procurement would otherwise not be so compliant.

7.6 Standards and Award Criteria

7.6.1 Before inviting Quotations or Tenders, the AO, with support from the Corporate Procurement, must ascertain any relevant British, international standards which apply to the subject matter of the Contract. The AO must include those standards or equivalent where they are necessary to describe the required quality.

7.6.2 The AO must define award criteria that is appropriate to the procurement activity and designed to secure an outcome giving Value for Money for the Council. The basic award criteria shall include one of the following:

- a. Most economically advantageous tender ("MEAT") – where considerations other than price also apply;
- b. Lowest price – where payment is to be made by the Council;
- c. Highest price – if payment is to be received by the Council;

If MEAT is the chosen award criteria, advice must be obtained from Corporate Procurement to ensure that it is compatible with the UK Directives and the Regulations.

7.6.3 The AO must seek advice from Corporate Procurement to ensure any award criteria are compliant with relevant legislation and best practice.

8 The Chest Tendering Portal

8.1 The ~~Chest is the~~ Council's ~~e-sourcing~~ Tendering portal, ~~which is shall be~~ used for procurement activities ~~of~~ £25,000 and ~~over~~ above.

- a. The web based portal facilitates online tendering to ensure access to a wide spectrum of suppliers, process efficiency, standardisation and compliance.
- b. Officers must use this system for all procurement with a value of £25,000 and over above unless the Head of Commercial Procurement, Legal Services and Internal Audit ~~have~~s provided written consent for an Exception.
- c. The elements of the procurement process carried out using ~~The Chest~~ the Tendering Portal are highlighted below and within the Procurement Toolkit.

9. Quotations

9.1 **Requests for Quotations**

9.1.1 All Quotations, including those in ~~mini~~further competitions under Framework Agreements, must be confirmed in writing before a decision to award can be made and all Quotations, £25000 and above ~~over~~, must be stored on the Tendering Portal ~~The Chest~~.

9.1.2 When requesting a Quotation, an appropriate description of the Goods, Services, execution of Works or Concessions (commensurate with the value of the Contract) setting out the Council's requirements in sufficient detail must be provided to prospective Bidders to enable the submission of competitive Quotations.

9.1.3 The request for a Quotation shall also make reference to or include the following as a minimum:

- a. the terms and conditions of Contract that will apply; and
- b. notification that Quotations are submitted to the Council on the basis that they are compiled at the Bidder's expense; and
- c. a description of the award criteria as appropriate and in accordance with Rule 7.6; and
- d. the date and time by which a Quotation is to be submitted by; and
- e. that the Council is not bound to accept any Quotations submitted.

9.1.4 The proposed form of Contract must comply with Rule 11 and where possible the Council's standard terms and conditions of Contract must be used. Advice must be sought from ~~Legal~~ Law and Governance Services and approval given by the Director of Law and Governance (Monitoring Officer) where alternative terms and conditions are used.

9.1.5 Where requests for a Quotation are sought from more than one prospective Bidder, where possible, the request must be sent to each Bidder at the same time and contain the same conditions. Any supplementary information must be given on the same basis.

9.2 Submission and Receipt of Quotations

- 9.2.1 Unless agreed by Corporate Procurement, bidders must be given a minimum of two weeks in which to prepare and submit a Quotation, timescales should be consistent with the complexity of the Contract requirement and provide bidders with a reasonable opportunity to prepare and submit a Quotation.
- 9.2.2 In the event that an abnormally low Quote is received, the AO must take advice from Corporate Procurement on how to proceed.
- 9.2.3 Any Quotation (including all associated documents) submitted after the specified date and time for submission of Quotations shall only be accepted or considered by the Council with agreement from the Director of Law and Governance (Monitoring Officer) and the Head of Commercial Procurement.
- 9.2.4 If fewer than the minimum number of Quotations is received as stipulated in Table 1 in Rule 7.5, then advice must be sought for a decision from the Head of Commercial Procurement as to whether to proceed. Any decision must be recorded in writing and stored on [the Tendering Portal](#). ~~The Chest~~.

9.3 Amendments to Quotations

- 9.3.1 The Council may accept amendments to Quotations, including those in ~~mini~~-[further](#) competitions under Framework Agreements, providing they are received prior to the closing date for submissions. In such circumstances, any alterations must be made by resubmitting a new Quote and clearly highlighting which Quotation (and associated documents) is correct and which should be considered as part of the procurement activity.
- 9.3.2 A Quotation may be amended after the closing date for submission if the amendment is made only in order to correct arithmetical [errors](#) or ~~other obvious errors~~. [ambiguities](#) Such amendments may only be made with the prior approval of the Head of Commercial Procurement and Senior Manager Internal Audit.

9.4 Evaluation of Quotations

- 9.4.1 All compliant Quotations, including those in ~~mini~~-[further](#) competitions under Framework Agreements, must be checked by the AO and validated to ensure they are arithmetically correct. The AO must seek advice from Corporate Procurement if there is any doubt. If arithmetical or other obvious errors are found they should be notified to the Bidder, who should be requested to confirm, or withdraw or seek permission to amend their Quotation. If the rates in the Quotation prevail over the overall price, an amended Quotation may be requested to accord with the rates given by the Tenderer. All amendments to correct any error may only be allowed at the discretion of the Head of Commercial Procurement who may seek advice from the Director of Law and Governance (Monitoring Officer). Any decision to allow an amendment must have regard to the general principles contained in Rule 3.1.2.
- 9.4.2 Where ~~MEAT~~-[the Most Economically Advantageous Tender](#) is used as the award criteria, all evaluations including an explanation of the reasons for the scores should

be recorded [by the AO](#), and where appropriate (£25,000 and above) recorded on ~~the Tendering Portal~~ [The Chest](#). The AO must then confirm to Corporate Procurement that the Contract can be awarded in accordance with Rule 9.5 by [submission of a Procurement Smartform](#). ~~updating the PIA~~.

9.4.3 Officers must ensure transparency and fairness during the evaluation process.

9.5 **Contract Award – through a Quotation Process**

9.5.1 The Contract will be awarded in accordance with the award criteria used.

9.5.2 Where the Quotation is not within the relevant approved budget but additional budgetary provision is available, the relevant AO, with the approval of the Director of Resources (S151 Officer), may accept the Quotation ensuring compliance with the Financial Procedure Rules/Regulations.

9.5.3 The approval to award the Contract must be given in accordance with the Council's Scheme of Delegation.

9.5.4 All award decisions must be recorded and a Procurement Smartform signed and dated by the SRO or delegated representative for the relevant service and, ***where necessary*** signed by the Director of Law and Governance (Monitoring Officer) and the Head of Commercial Procurement e.g. if Rules 5 or 12 apply.

9.5.5 Once the decision has been made and the approval given to award the Contract, the AO, through Corporate Procurement, must send a Contract award [notice letter](#) to the winning Bidder(s) and inform unsuccessful bidders of the outcome.

9.5.6 Prior to commencement of the Contract, the Contract must be completed in accordance with Rule 11.2 unless Rule 11.2.5 applies.

9.5.7 Law and Governance Services will, where necessary, advise on the formalities for completion of the contract by parties other than the Council and how to ensure that the Contract is legally binding.

10. **Tenders**

10.1 **Invitations to Tender**

10.1.1 All Tender opportunities must be placed on ~~the Tendering Portal~~ [The Chest](#) and, where appropriate, Contracts Finder/[Find a Tender](#) in accordance with Table 1 at Rule 7.5.

10.1.2 The Invitation to Tender shall include the following where appropriate:

- a. A form upon which the Tenderer can provide details of its bid ("Form of Tender");
- b. A reference to the Council's ability to award in whole, in part or not at all;
- c. A Specification that describes the Council's requirements in sufficient detail to enable the submission of competitive offers;
- d. the terms and conditions of Contract that will apply;

- e. A requirement for Tenderers to declare that the Tender content, price or any other figure or particulars concerning the Tender have not been disclosed by the Tenderer to any other party (except where such a disclosure is made in confidence for a necessary purpose);
- f. A requirement for Tenderers to fully complete and sign all Tender documents including the Form of Tender and certificates relating to canvassing and non-collusion;
- g. Notification that Tenders are submitted to the Council on the basis that they are compiled at the Tenderer's expense;
- h. A description of the award procedure and the evaluation criteria to be used to assess Tenders including any weighting as considered appropriate and in accordance with Rule 6.6. The evaluation criteria must be clear, concise and unambiguous and must be approved by the AO in consultation with Corporate Procurement. The evaluation criteria cannot be amended once published in the Invitation to Tender;
- i. The method by which any arithmetical errors discovered in the submitted Tenders are to be dealt with and in particular, whether the overall price prevails over the rates in the Tender or vice versa;
- j. Whether the Council is of the view that TUPE will be applicable in relation to the procurement activities;
- k. Whether additional arrangements will be required in relation to pension provision;
- l. Provisions relating to the Council's termination rights in the event that corruption is discovered;
- m. The relevance and application of any parent company guarantees and/or bonds;
- n. That the Council is not bound to accept Tenders.

10.1.3 The proposed form of Contract must comply with Rule 10 and where possible the Council's standard terms and conditions of Contract must be used. Advice must be sought from [Legal Law and Governance](#) Services and approval given by the Director of Law and Governance (Monitoring Officer) where alternative terms and conditions are used.

10.1.4 All Tenderers invited to Tender must be issued with the same information at the same time and contain the same conditions. Any supplementary information must be given on the same basis.

10.1.5 All communications relating to Tenders must be recorded on [the Tendering Portal](#).
~~The Chest~~.

10.2 Pre and Post Tender Clarification Procedures

10.2.1 Providing pre-Tender clarification to potential or actual Tenderers, or seeking clarification of a Tender, is permitted subject to Rule 9.2.3.

10.2.2 Post-tender clarification may be undertaken with Tenderers only where it is essential in order to be completely clear about any fundamental aspect of the Tender submission before the completion of the Tender evaluation process and subject to Rule 10.2.3.

10.2.3 All pre- and post- tender communication must be conducted either in writing or in a meeting recorded by Corporate Procurement. All correspondence or meetings must be documented and retained on [the Tendering Portal](#) ~~The Chest~~. **Where a meeting is required, there must always be more than one Officer present.**

10.2.4 At all times during the clarification process, the Council shall consider and implement the principles of non-discrimination, equal treatment and transparency.

10.2.5 Unless otherwise permitted by the Regulations, in no circumstances are post-award negotiations permitted that would materially change the contract.

10.3 Submission and Receipt of Tenders

10.3.1 Tenderers must be given a reasonable period in which to prepare and submit a proper Tender, consistent with the complexity of the Contract requirement and in accordance with the Regulations.

10.3.2 Any tender (including all associated documents) submitted after the specified date and time for submission of Tenders shall only be accepted or considered with agreement from the Director of Law and Governance (Monitoring Officer) and Head of Commercial Procurement.

10.3.3 All Tenders received, including those in [mini- further](#) competitions under Framework Agreements, must remain unopened until the specified closing date and time has passed.

10.3.4 If less than the minimum number of Tenders is received as stipulated in Table 1 in Rule 7.5, then advice must be sought for a decision from the Head of Commercial Procurement on how to proceed. Any decision must be recorded in writing and stored on [the Tendering Portal](#) ~~The Chest~~.

10.4 Verifying and Opening Tenders

10.4.1 Tenders for contracts valued at ~~£500,000~~[100k](#) and or above must be opened and verified by an Officer who is independent of the procurement activity to which the Tender relates.

10.4.2 Tenders below ~~£500,000~~[£100k](#) must be opened and verified by Corporate Procurement.

10.4.3 All tenders must be submitted through the [Tendering Portal](#) ~~Chest~~, unless an exception in writing has been obtained from the Head of Commercial Procurement.

10.4.3 A record of all tenders received will be kept and will include;

- service name
- contractor's names
- tender value
- date
- reason for any disqualifications
- name of those who were invited but did not submit a tender

10.4.4 Any request for an extension to a tender period by an AO must be made no later than 3 working days before the tender closing date and agreed by the Head of Commercial Procurement. If an extended date is permitted all tenderers must be advised.

10.5 Amendments to Tender

10.5.1 The Council may accept amendments to Tender submissions, including those in ~~mini-~~ further competitions under Framework Agreements, providing they are received prior to the closing date for submissions.

10.5.2 A Tender may be amended after the closing date for submission if the amendment is made only in order to correct arithmetical ~~errors or or ambiguities other obvious errors~~. Such amendments may only be made with the prior approval of the Head of Commercial Procurement and Internal Audit informed.

10.6 Evaluation of Tenders

~~10.6.1 If a PQQ or an expression of interest prior to PQQ was used, all those Tenderers must be given feedback at the relevant stage.~~

10.6.~~1~~² In the event that an abnormally low Tender is received, the AO must take advice from Corporate Procurement on how to proceed.

10.6.~~2~~³ All compliant Tenders, including those in ~~mini-~~ further competitions under Framework Agreements, must be checked by the AO and validated to ensure they are arithmetically correct. The AO must seek advice from Corporate Procurement if there is any doubt. If arithmetical ~~errors~~ or other ~~ambiguities obvious errors~~ are found they should be notified to the Bidder, who should be requested to confirm, or withdraw or seek permission to amend their Tender. If the rates in the Tender prevail over the overall price, an amended Tender may be requested to accord with the rates given by the Tenderer. All amendments to correct any error may only be allowed at the discretion of the Head of Commercial Procurement who may seek advice from the Director of Law and Governance (Monitoring Officer). Any decision to allow an amendment must have regard to the general principles contained in Rule 3.1.2.

10.6.~~3~~³ Where the Most Economically Advantageous Tender MEAT is used as the award criteria, all evaluations including an explanation of the reasons for the scores should be recorded on the Tendering Portal The Chest.~~The AO must then confirm to Corporate Procurement that the Contract can be awarded by updating the~~ SmartformPIA.

10.6.~~4~~⁴ During the evaluation process, the evaluation of quality should be separate from that of price to ensure so that one cannot influence the other before the final scoring of bids is completed. Unless agreed with Corporate the Head of Procurement all evaluation criteria should be based on the standard scoring model. For contracts valued at £100k or above, Social Value must be applied to the evaluation and will be a minimum of 5% and a maximum of 20% of the scoring model.

Standard Scoring Model		
	Contracts up to £100k	Contracts of £100k and more
Price	70%	65%
Quality	30%	20%
Social Value	Discretionary	15%

Officers must ensure transparency and fairness during the evaluation process.

10.7 Financial Evaluations

10.7.1 Corporate Procurement shall obtain financial profile reports of bidders for all appropriate procurements of £1005k and above.

10.7.2 Financial profile reports for procurements ~~of up to £100k and above~~, shall be considered jointly by the commissioning service and Corporate Procurement for the purposes of deciding to include the bid in the evaluation stage. Financial profile reports for procurements equal in value to the appropriate of Regulation PCR Threshold threshold £100k and above shall be submitted to the Director of Resources (S151) for the approval or rejection of the bidder to proceed to the evaluation stage in accordance with the following principles.

10.7.3 No tender shall be rejected on the grounds of lack of financial standing unless the criteria for rejection are clearly stated in the published pre-tender documentation and the tender can be rejected in accordance with those criteria.

10.7.4 The financial standing criteria must comply with Regulation 58 of the Public Contracts Regulations 2015 as being related to and proportionate to the subject matter of the contract and compliant with the requirements on minimum yearly turnovers and ratios between assets and liabilities set out in the Regulation.

10.7.5 Where the Director of Resources (S151) considers it to be necessary, annual accounts shall be obtained from bidders for appraisal.

~~10.7.6 The appraisal of financial profile reports for procurements of £100k and above shall be supported by the completion of an approval request by Corporate Procurement and issued to the Director of Resources (S151) for approval or rejection in accordance with the above requirements~~

10.8 Contract Award – through a Tender process

10.8.1 The winning Tenderer shall be awarded the Contract in accordance with the award criteria used.

10.8.2 Where the Tender is not within the relevant approved budget but additional budgetary provision is available, the relevant SRO, can only accept the tender by having prior approval of the Director of Resources (S151 Officer), and complying with the Financial Regulations.

- 10.8.3 The approval to award the Contract must be given in accordance with the Council's Scheme of Delegation.
- 10.8.4 All award decisions must be recorded and a Procurement Smartform signed and dated by the SRO for the relevant service and where necessary signed by the Director of Law and Governance (Monitoring Officer) and the Head of Commercial Procurement e.g. if Rules 5 or 12 apply.
- 10.8.5 A contract which has a contract value above the Regulation thresholds can only be awarded after a notice of the proposed award has been given to all unsuccessful Tenderers and the 10 day standstill period has elapsed from the date the notice was given. If the 10 days expire on a non-working day, then the notice period will be deemed to have lapsed on the next working day.
- 10.8.6 Once the decision to award a Contract is made, each Tenderer must be notified by the AO and Corporate Procurement in writing of the outcome. All Tenderers must be notified simultaneously and as soon as possible of the intention to award the Contract to the successful Tenderer(s) and this should be done via [the Tendering Portal The Chest](#). The letters must include a description of the relative advantages of the successful Tenderer.
- 10.8.8 All challenges by Tenderers must be dealt with immediately by the SRO/AO, in consultation with Law and Governance Services and Corporate Procurement, before the award process proceeds.
- 10.8.9 Prior to commencement of the Contract, the Contract must be completed in accordance with Rule 11.2 unless Rule 11.2.5 applies.
- 10.8.10 Law and Governance Services will, where necessary, advise on the formalities for completion of the contract by parties other than the Council and how to ensure that the Contract is legally binding.
- 10.8.11 The AO and Corporate Procurement must publish a contract award notice in accordance with Public Procurement Regulations and on the Council's eSourcing Portal no later than 48 days after the date of award of the Contract where a Contract value exceeds the Regulation threshold and has been tendered pursuant to the Regulations or is subject to the relevant provision of the Regulations relating to Contract award.
- 10.8.12 Contract award letters, feedback to Tenderers and the contract Terms and Conditions, including any incidental documentation must be approved by Corporate Procurement prior to sending, where the value of the Contract is over the Regulation Thresholds.
- 10.8.13 Contract award letters and notices must be issued through the [Tendering Portal Chest](#) unless otherwise authorised by the Head of Commercial Procurement

10.9 Enquiries about the Tender process

- 10.9.1 The confidentiality of Tenders and the identity of Tenderers must be preserved at all times insofar as this is compatible with the Councils' obligations under FOIA and EIR.
- 10.9.2 If the Council receives a request for information under the FOIA as a result of the de-briefing process, the request must be referred to both the Head of Commercial Procurement and the relevant Officer of the Council who deals with such requests. The Council will be responsible for responding to the request.
- 10.9.3 Any challenges, complaints or requests for feedback, clarification or further information must be referred to the Head of Commercial Procurement who will advise on how to respond and notify the Director of Law and Governance (Monitoring Officer).

11. **Contract Provisions and Contract Formalities**

11.1 **Contract Provisions**

- 11.1.1 All contracts must be in writing and must set out the parties' obligations, rights and risk allocations. Advice must be sought from Corporate Procurement as to the appropriate form of Contract to be used and where possible, be on the Council's standard terms and conditions.
- 11.1.2 All contracts, irrespective of value, shall, where appropriate, clearly specify as a minimum:
- a. What is to be supplied (i.e. the Works, materials, services, matters or things to be furnished, had or done)
 - b. The provisions for payment (i.e. the price to be paid and when)
 - c. The time, or times, within which the contract is to be performed
 - d. The provisions for the Council to terminate the Contract and break clauses.
 - e. The provision for collateral warranties from sub-contractors.
 - f. The provision of Bond of Surety where applicable, Legal and Procurement to advise.
 - f. Dispute resolution process.

- 11.1.3 [Law and Governance](#) ~~egal~~ Services can provide advice on Contract specific terms and conditions.

11.2 **Contract Formalities**

- 11.2.1 Once a decision to award has been made in accordance with Rule 9.5.3 or 10.7.3, the contract must be either be signed by the Officer authorised to award the Contract under Council's Scheme of Delegation or by Seal and in accordance with Rule 11.3.2.
- 11.2.2 Where the Contract is to be in writing, the AO must arrange with [Law and Governance](#) ~~egal~~ Services for the Contract including all schedules and appendices to be signed by all parties. This can be done in two ways:

- a. Sending bound hard copies of the Contract to the winning Bidder(s) or Tenderer(s) for signing; or
 - b. Sending electronic copies of the Contract to the winning Bidder(s) or Tenderer(s) for printing, binding and signing.
- 11.2.3 Before arranging for the Contract to be signed or sealed on behalf of the Council, the Law and Governance ~~Legal~~ Services must check that the returned signed Contract has not been amended or altered by the winning Bidder(s) or Tenderer(s) without prior written agreement by the Council.
- 11.2.4 All Contracts which are to be formally completed in writing must be completed before the Goods are supplied, or the Service, execution of Works or Concessions Contract begins, except in exceptional circumstances, and then only with the prior approval from the Director of Law and Governance (Monitoring Officer).
- 11.2.5 All contracts must include clear provisions as to the amounts and timing of payments due under the contract. Payments should be paid in arrears upon the production of satisfactory evidence of performance. Where the total amount payable under the contract cannot be ascertained the contract must include a clear mechanism for calculating the amounts due, for example by reference to a bill of quantities or schedule of rates, and the maximum amount payable must be stated.
- 11.2.6 Approval of the relevant SRO and the Head of Commercial Procurement is required if payment is required in advance or partially in advance as necessary for provision of the service or in line with statutory guidance. Evidence of such approval and the reasons for it must be recorded.
- 11.2.7 A purchase order must be raised in the e-Procurement system for all goods, services and works requirements to be acquired through an EPS and for all Contracts. The purchase order must attach the terms and conditions of Contract between the Council and the Contractor. The exception to this is where payment is to be made by certificate within the contract conditions.
(e.g. New Engineering Contract 3)
- 11.2.8 The AO must ensure that the person signing on behalf of the Contractor has requisite legal authority to bind the Contractor. Where there is any doubt, the AO must seek advice from Legal Services.

11.3 **Contracts under Seal**

- 11.3.1 A Contract must be sealed where:
- a. The Council wishes to extend the liability period under the Contract and enforce its terms for up to 12 years; or
 - b. The price to be paid or received under the Contract is a nominal price and does not reflect the value of the goods or services; or
 - ~~c. There is any doubt about the authority of the person signing for the other contracting party; or~~
 - cd. The Contract value is £100,000 or above.

- 11.3.2 The seal must be affixed in accordance with the provisions of the Council's Constitution.
- 11.3.3 All contracts with a value of £100,000 or over will be sealed ~~as a Deed~~ by Law and Governance ~~egal~~ Services. Contracts between £50,000 and £100,000 in value shall be signed by an authorised signatory from Law and Governance Services.
- 11.3.4 When the steps for finalising the contract are complete the contract can be issued to the supplier for execution as a Deed or for signature (as appropriate).
- 11.3.5 The supplier will seal or sign the contracts in duplicate but leave them undated.
- 11.3.6 Law and Governance Services must notify Corporate Procurement, Finance and the relevant SRO when the contract has been executed.
- 11.3.7 The contract will be dated when the Council's seal is affixed.
- 11.3.8 Electronic signatures may be used in accordance with the Electronic Signatures Regulations 2002, provided the security arrangements have been approved by the relevant SRO.

10.4 Transfer of Contracts

- 11.4.1 No Contract should be transferred from one Contractor to another without first consulting Law and Governance Services. Contracts can only be transferred if approved in accordance with the table below:

Value of Contract/Quote	Decision Maker
All values	Director of Resources (S151 Officer) and the Director of Law and Governance (Monitoring Officer) or their nominees in accordance with the Council's Scheme of Delegation and consultation with the Head of Commercial Procurement

11.5 Insurance

- 11.5.1 The AO is responsible for checking that all chosen contractors provide written evidence of adequate insurance to cover public liability, employers' liability and if necessary professional indemnity for the full duration of the contract.
- 11.5.2 Indemnity levels must reflect the risk to the Council which typically will be for each and every contract;
 - £~~105~~ million for Public liability
 - £~~540~~ million for Employers liability (or statutory minimum)
 - £2 million for Professional indemnity
- 11.5.3 In some cases where the contract is of low risk the levels required may be reduced but only following written consent of the Director of Resources (S151 Officer) or nominee. For major contracts of long duration where contractor's exposure to liability is high, it may be appropriate to require higher limits.

12. Waiving the Rules

12.1 Procedure Rules Approval

- 12.1.1 Where an Officer intends to seek an exemption or exception to these rules as they apply to all procurements they shall arrange for consent to be obtained in writing.
- Such consent shall be evidenced on a Procurement Smartform Document signed by the authorised appropriate Officer/s depending on the value of the procurement as set out in the table below **prior** to the start of the procurement process.
 - The Procurement Smartform must be completed by the SRO/AO quoting which of the Exceptions listed below apply and why. The Procurement Smartform must be checked by [Law and Governance](#) ~~egal~~ Services and Procurement prior to signing by the authorised Officer/s.
 - Consent to waiving the rules will only be approved in exceptional circumstances and only when the [Public Contract EU Procurement R](#) regulations do not apply.

12.2 Summary Table: Officers authorised to approve waiving of the Contract Procedure Rules

Under £510,000	Under £1050,000	Under £100,000	£100,000 and over	Over threshold
Category Manager	Senior Category Manager	Head of Commercial Procurement or Delegated representative	Approval of Head of Commercial Procurement and Director of Law and Governance (Monitoring Officer) or Delegated representatives	Unable to waive unless exempt from the Regulations and the Chief Executive, Director of Law and Governance (Monitoring Officer) and the Head of Commercial Procurement provide prior approval

12.3 Exemptions

- 12.3.1 Contracts which are exempt from the application of the Regulations and these rules include:
- Contracts relating solely to the acquisition or disposal of an interest in land and buildings
 - Transactions conducted by the Director of Resources (S151 Officer) in respect of dealing in the money market or obtaining finance for the Council
 - Employment contracts

12.4 Exceptions

- 12.4.1 Requests to waive these rules for under UK threshold contracts (or where the thresholds do not apply) may be authorised in the following circumstances, supported in all cases by appropriate evidence;
- goods, services or execution of works are obtainable only from one source or contractor and there is no reasonably satisfactory alternative.
 - compatibility issues such that procurement from another source would be uneconomic given the investment in previous infrastructure;

- c. a waiver of the rules would be in the interests of the Council, be lawful, and provide value for money;
- d. Where there is a legal requirement to contract with a particular supplier.
- e. Contracts awarded to sole suppliers because of exclusive rights.

12.5 Records of Waiver

12.5.1 All exemptions or exceptions should be recorded by Corporate Procurement in the Contract Procedure Rules Exceptions Register and be available for inspection as required. All original Procedure Rules Approval Document evidencing waiving of the rules must be available when required, kept in the register.

13. Extension or Variation/Overspend of Contracts

13.1 The relevant SRO must not enter into variations or overspends which are within the scope of the original procurement but would increase the value of the contract singly or cumulatively by an additional 5% for contracts which are valued at £100,000 or more and 10% contracts up to £100,000 beyond the approved budget without the approval of the Director of Resources (Chief Finance Officer). A business case will be required to obtain this approval. Evidence of such approval must be recorded in writing in a Procurement Smartform.

13.2 Contract extensions must be considered for approval by the Director of Resources and the Head of Corporate Procurement (or delegated representatives). Evidence of approval granted or rejected must be recorded in writing in a Procurement Smartform

Summary Table: Procurement Officers authorised to approve contract extensions.

Extensions

Under £540,000	Under £1050,000	£1050,000 and above
Category Manager	Senior Category Manager	Head of Procurement or Delegated representative

13.2 The Head of Commercial Procurement will keep a record of such approvals.

- 13.3 The SRO can extend or vary a contract provided;
- there is provision within the contract to extend (and this has not already been utilised to its full extent)
 - the budget has been confirmed in writing or confirmation there is the budget available

- authority is recorded in writing and
- Legal Services prepare the documentation to record the terms of the extension or variation (if necessary depending upon the provisions of the contract).

13.4 If there is no provision within the contract notice or in the contract terms for extensions, legal advice should be sought.

13.5 Legal advice must be sought on the need to re-procure if changes amount to a significant or material alteration to the contract advertised or there is a proposed change to a named subcontractor.

14. **Sale of Council Goods or Assets**

14.1 When selling Council goods or assets Officers must comply with the aims of these rules (Rule 3) specifically the need to achieve best value, ensure transparency, openness, nondiscrimination, probity and accountability.

14.2 Appropriate authority under the relevant scheme of delegation for the sale must be evidenced before commencing the sale process.

14.3 The table below sets out the minimum measures Officers must take to ensure that sales achieve best value.

Sale with value of under £10,000	Sale with value under £50,000	Sale with value over £50,000
Minimum of 3 offers required wherever possible	Procurement to advise on the need to advertise to achieve an appropriate level of interest	Advertise sale appropriately

14.4 Corporate Procurement can advise officers on compliance regarding sales if required.

15. **Application of the Contract Procedure Rules to Schools**

15.1 The Schools Fair Funding Scheme (FFS) governs the management by each school of its delegated and devolved budget as determined in s.48 of the School's Standards and Framework Act 1998. Schools (other than academies) are encouraged ~~expected~~ to follow these Rules, (unless Governing bodies have taken decisions to change reporting arrangements) but where there is conflict between the Rules and the FFS, the FFS will take precedence.

16. **Declarations of Interest, Anti-Bribery and Corruption**

16.1 The Council's reputation with regards to procurement activity is important and should be safeguarded from any imputation of dishonesty or corruption. All elected Members and Officers are reminded of their responsibilities in relation to gifts, hospitality and any conflicts of interest and should ensure they comply with the

obligations set out in the Council's Members' Code of Conduct and Officers' Code of Conduct respectively and any other relevant policies, guidance or strategies relating to bribery, fraud and corruption issued or endorsed by the Council from time to time.

- 16.2 Any Member or Officer must declare any interest which could influence their judgment in relation to procurement activity in accordance with the Council's Code of Conduct.
- 16.3 No gifts or hospitality should be accepted from Bidders or Tenderers involved in procurement activity except in accordance with the Council's Code of Conduct.
- 16.4 Members and Officers involved in a procurement process must not have contact with Bidders or Tenderers whilst documents are out to tender or whilst bids are being evaluated, except, formally, through the [Tendering Portal Chest](#). Exceptional circumstances, where contact forms part of the process, can only be conducted with the prior written consent of the Director of Law and Governance (Monitoring Officer) and Head of Commercial Procurement.

17. Reporting to Members

- 17.1 The Officer responsible for awarding the Contract shall notify in writing the Head of Commercial Procurement who shall report at half yearly intervals to the Audit and Risk Management Committee, whenever;
- a contract is awarded the total value of which exceeds £500,000 or
 - a variation or extension to a contract [value of £100,000 of greater](#) is approved by the Director of Resources (S151 Officer) or
 - there is a waiver of the Contract Procedure Rules in relation to a contract which exceeds [£1050,000](#) in value.

18. Contract Management

- 18.1 All Contracts must have a Council Contract Owner for the entirety of the Contract. In the event that there is no named Contract Owner the AO will fulfil the role of Contract Owner.
- 18.2 The Contract Owner will be responsible for reviewing monitoring and evaluating the contract to ensure that its provisions and the services within it are being followed and performed as they should be.
- 18.3 During the life of the Contract, the Contract Owner should monitor the Contract in respect to the following:
- a. Performance (against agreed KPIs where relevant);
 - b. Compliance with specification and contract;
 - c. Cost;
 - d. Any Best Value duties;
 - e. Continuous Improvement;
 - f. user satisfaction; and
 - g. Risk Management
 - h. Be responsible, in accordance with the Council's Equality Duties, for ensuring that workforce profiles are submitted annually from all contractors.

- 18.4 Where the Contract is to be re-let, this information should be available early enough to inform the approach to re-letting the next contract.
- 18.5 Corporate Procurement can provide advice and support on good practice in performance management of Contracts £25,000 and over
- 18.6 All Contracts, £25,000 and over, must be included and published on the Contracts Register maintained by Corporate Procurement ~~in line with the Local Government Transparency Code 2014~~. This is a mandatory requirement and it is the responsibility of the SRO for each Service to ensure that they have informed Corporate Procurement of the Contracts they are responsible for and provided them with the information necessary to update the Contracts Register accordingly.

19. **Retaining Relevant Documents**

19.1 All records in relation to the award of Contracts and the associated procurement process, including supporting documentation, shall be stored by Corporate Procurement in an electronic filing system to be available for inspection by the Council’s internal and external auditors, or Officer, immediately upon request. Records will be retained in accordance with relevant regulations applicable to electronic record retention.

19.2 Records of contracts shall be retained as follows: ~~Hard copies of all written contracts shall be retained, by Records Management, as follows:~~

Contracts with a value between £25,000 and £249,999	for six years after the end of the Contract
All sealed Contracts and Contracts with a value of £250,000 and above	For twelve years after the end of the Contract
Contracts that are grant funded regardless of value	Must comply with retention period above or the terms and conditions of the grant, whichever is the longer

- 19.3 If legislation related to any individual Contract stipulates a longer retention period than this, then the legislation requirements takes precedence over the Council’s minimum periods.
- 19.4 Once executed, the Council shall retain one original of the complete Contract documents in line with the timescales in the table above and one copy of the complete Contract documents shall be provided to the Contractor.

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