

**DRAFT**

**Audit and Risk Management Committee**

**Annual Report 2017/18**

**Councillor A Jones, Chair  
July 2018**

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## 1. Foreword

By the Chairman of the Audit & Risk Management Committee  
Councillor Adrian Jones

*I am pleased to present the Audit and Risk Management Committee's Annual Report for 2017/18. 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 the enormous contribution that the Audit and Risk Management Committee has made to the improvement and development of operational standards and protocols across a wide range of governance areas during what has clearly been a very challenging year.*

*Looking forward, the Council is facing yet another period of unprecedented change and transformation in local government with financial budgets being squeezed more than ever before and the enormous impact of this on services delivered being highly evident. Change such as this presents enormous challenges to the Council not least in the nature of the risks that are presented but also the corresponding need for more effective governance has never been more in evidence.*

*Finally, I would like to acknowledge the sterling work of the Members of the Audit and Risk Management Committee and the supporting officers, during the past year.*

## **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 based on the following seven core principles which underpin and define the meaning of good 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 Cabinet/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 arrangements, the work of internal audit, and the Council's response to external audit and other external inspections.

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

### **2.4. How do Officers Support the Committee ?**

The Audit and Risk Management Committee is supported by:

- The Monitoring Officer who is required by law to ensure that the Council acts within its legal powers at all times; and,
- The Director of Finance and Investments, 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. 2017/18 Financial Year**

This Annual Report for 2017/18 produced by the Audit and Risk Management Committee has been prepared in accordance with the CIPFA best practice publication '*A Toolkit for Local Authority Audit Committees*'. 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 2017/18 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 2017/18 the Audit and Risk Management Committee had the following 9 Members:

Councillor Adrian Jones – Chair  
Councillor John Hale - Spokesperson  
Councillor David M Elderton  
Councillor Ron Abbey  
Councillor Christine Muspratt

Councillor Angela Davies  
Councillor Phil Gilchrist - Spokesperson  
Councillor Jeff Green  
Councillor Paul Doughty

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

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

Best Practice	Expectation	Met	Comment
Independence	Independent from the executive and scrutiny	√	The Committee reports to the Council
Number of Members	Minimum of 3 to 5 members	√	The Committee has 9 Members
Number of meetings	Aligned to business needs	√	The frequency of meetings, 5 times a year complies with best practice.
Co-option	To be considered relative to skills	√	Training is currently provided to increase Members' skills.
Terms of Reference	Accord with suggested best practice	√	The Committee has adopted the CIPFA recommended model.
Skills and training	Members have sufficient skills for the job	√	General and specific training is provided to increase Members' skills.

## 4.3. Meetings and Attendance

The Audit Committee normally meets 5 times per year in January, March, June, September and November.

Attendance by Members and approved deputies was over 90%.

## 5. Core Activity During 2017/18

### 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,
- Approved and endorsed the Internal Audit Charter and Strategy,
- Received updates on the new Audit and Accountability Act 2013 and considered the implications for the Council,
- Considered reports on audit investigations conducted,
- Considered and approved revisions to Chief Internal Auditors Audit Plan.
- Considered the outcome of the Internal Audit Quality Assurance Improvement Programme assessment.
- Reviewed the Council's progress on all internal audit recommendations on a regular basis and asked managers to explain progress where appropriate, thereby holding them to account,

- Received progress updates from relevant Senior Managers regarding audit recommendations implementation (ICT/HR),

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 considered management's response to them, ensuring robust and thorough responses,
- Reviewed the external audit Committee Update reports and took appropriate actions in response to issues presented,
- Reviewed the Council's progress on all external audit and inspection recommendations on a regular basis and asked 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,
- Considered update report on the Local Audit Accountability Act and the appointment of external auditors.

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,
- Considered reports on the proposed development of corporate Risk Management arrangements,
- Promoted Risk Management across the Council,

- Considered reports on Corporate Risk and Insurance Management,
- Considered reports on the Corporate Risk Management Policy and the management of risk.

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,
- Implemented a mechanism for escalating any items of note to Cabinet,
- Supported the ongoing development of a Mersey region Counter Fraud Group,
- Engaged with and supported the annual Counter Fraud Awareness Week initiative,
- Supported work undertaken as part of the Cabinet Offices' National Fraud Initiative,
- Considered and supported amendments to the Council's counter fraud arrangements,
- Approved the Code of Corporate Governance,
- Approved the updated Audit and Risk Management Committee self-assessment checklist,
- Considered reports on Contract Procedure Rules compliance,
- Approved updates to the Council's Contract Procedure Rules,

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

### ***Accounts***

The Audit and Risk Management Committee:

- Agreed the Council's accounting policies,

- Agreed the Annual Statement of Accounts,
- Received and considered the external auditor's report on the accounts, and ensured that the Council responded to the auditor's comments,
- Agreed the annual Merseyside Pension Funds accounts,
- Received and considered the external auditor's report on the MPF accounts and responded to comments,
- Received and reviewed reports on the Insurance Fund Budget and Annual Report.

The Audit and Risk Management Committee received regular reports on the Council's Treasury Management arrangements in the context of the economic downturn.

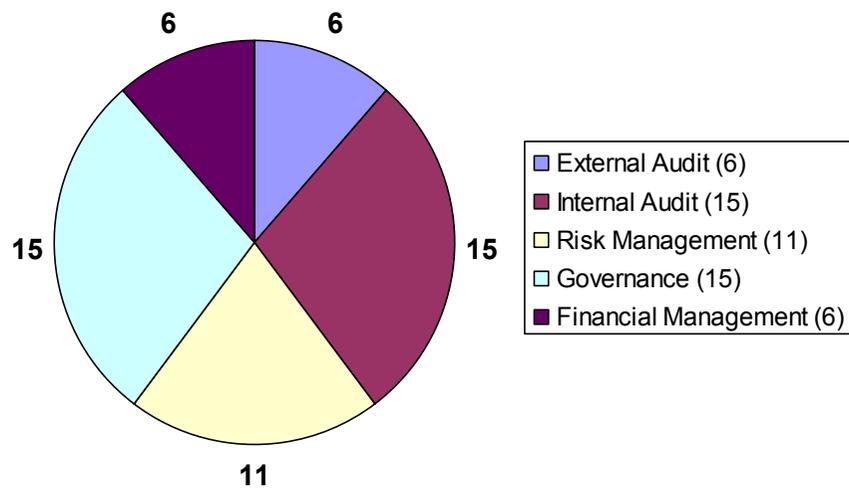
### ***Specific Issues***

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,
- Insurance arrangements and performance,
- Information Governance Update including a presentation on GDPR compliance progress by the responsible officer,
- Officer Progress Updates (HR, Digital, Highways, OFSTED)

To give a flavour of our business during the year, the following shows the types and numbers of reports considered between April 2017 and March 2018:

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



## 6. Other Activities

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

- i) Overseeing the implementation of actions to address significant governance issues identified in the Annual Governance Statement 16/17;
- ii) Devoting significant resource to addressing governance issues arising including the development of improved risk management arrangements;
- iii) Referring matters to Cabinet for attention as appropriate;
- iv) Asking Chief Officers to attend as appropriate and present reports on issues identified which affected governance.

## 7. Outcomes

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

- Oversaw work on the Statement of Accounts;
- Encouraged and presided over a strengthening of the control environment, specifically by overseeing various targeted reviews and the production of the Annual Governance Statement;
- Presided over significant changes in the structure of the organisation including officers with statutory responsibilities to ensure the proper administration of financial affairs and systems of internal control;

- Encouraged and presided over significant developments and improvements to strengthen the delivery of the Internal Audit service, including further development of the Quality Assurance Improvement Plan and other initiatives designed to ensure compliance with the Public Sector Internal Audit Standards;
- Implemented an enhanced system for escalating any items considered to be of note by ARMC to Cabinet for their attention;
- Presided over the introduction of an improved system for routinely reporting actions taken by officers in relation to items identified as being significant governance issues in the Annual Governance Statement;
- Received regular update reports/presentations from officers which demonstrated how improvements had been planned, and delivered, to ensure compliance with the General Data Protection Guidelines;
- Endorsed the strengthening of the governance arrangements through further consideration and approval of the Code of Corporate Governance;
- 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 radical improvements in this area.

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

## **8. Plans for 2018/19**

During 2017/18 the Audit and Risk Management Committee has consolidated the progress that has been made in previous years, and going forward will look to develop further and cement our role as the recognised champion of good governance for the Council, helping to address any identified issues in what promises to be again a very challenging and difficult environment. Our priorities for 2018/19 are to continue to meet our duties as specified in the Constitution by developing and building on our current status as well as responding to and implementing any new requirements as they arise.

For 2018/19 we will:

- Continue to develop the Wirral Council Audit and Risk Management Committee to review all governance issues identified,
- Continue to develop our working relations with officers to improve our understanding of the respective roles and improvement opportunities available,
- Continue to drive up standards and meet the demanding requirements of the external inspection and assessment regime,
- Continue to review all governance arrangements to ensure the Council adopts the very latest best practice,
- Continue to support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations,
- 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 oversee and help facilitate improvements in the corporate Risk Management framework,
- Continue to develop the Wirral Council Audit and Risk Management Committee to review risk and partnerships' issues and safeguard public sector interests,
- Continue to 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,
- Equip existing and any new Members to fulfil our responsibilities by providing detailed and effective training on all key areas of responsibility including financial arrangements and risk management, governance and internal audit operations.

**Councillor Adrian Jones (Chair)**  
**Wirral Council Audit and Risk Management Committee**

## **9. Appendix 1**

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

1. 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.
2. The Committee has the following duties, powers and authorities:
  - 2.1. approval of the Council's statement of accounts;
  - 2.2. the responsibilities of the Council under section 151 of the Local Government Act 1972 to make proper provision for its financial affairs;
  - 2.3. to consider and make recommendations to Council or Cabinet as appropriate on;
    - 2.3.1. the annual Audit Report and the Management Letter of the external auditor;
    - 2.3.2. any other statutory report of the external auditor;
    - 2.3.3. any internal audit report that may be referred to the committee by the Chief Executive, the Director of Finance, the Chief Internal Auditor or the Head of Legal and Member Services (as Monitoring Officer);
    - 2.3.4. summaries of specific internal audit reports as requested;

- 2.3.5. the effectiveness and adequacy of the response by the Council, the Cabinet, any committee or sub-committee of the Council or of any officer to any internal or external audit report or management letter;
- 2.3.6. the systems of control and the arrangements for the prevention of fraud and corruption within the Council;
- 2.3.7. any other matter relevant to the audit of the Council's accounts and financial records or its systems for the control and safeguarding of all the Council's assets;
- 2.3.8. a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale; and
- 2.3.9. the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and The level of assurance it can give over the Council's corporate governance arrangements;
- 2.4. to approve (but not direct) the strategy, plan and performance of the Council's internal audit service;
- 2.5. to oversee the production of the Authority's Annual Governance Statement and subsumed Statement on Internal Control and recommend its adoption;
- 2.6. to maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and to make recommendations to Council or Cabinet, as appropriate;
- 2.7. to monitor the Council's policies on "Raising Concerns at Work", to the anti-fraud and corruption strategy and the complaints procedure;
- 2.8. to liaise with the Audit Commission over the appointment of the Council's external auditors.
3. The Chair of the Audit and Risk Management Committee shall act as the Council's Risk Management Champion.
4. Executive Members will not normally be members of the Audit and Risk Management Committee.