

APPENDIX A

Audit and Risk Management Committee

Annual Report 2018/19

Councillor Jeff Green
Oct 2019

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1. Foreword

I am pleased to present the Audit and Risk Management Committee's Annual Report for 2018/19. 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 six 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 immense 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.

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.

By the Chairman of the Audit & Risk Management Committee during 2018/19
Councillor Adrian Jones

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 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. 2018/19 Financial Year

This Annual Report for 2018/19 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 2018/19 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 2018/19 the Audit and Risk Management Committee had the following 9 Members:

Councillor Adrian Jones – Chair
Councillor Jeff Green - Spokesperson
Councillor David M Elderton
Councillor Liz Grey
Councillor Tom Anderson

Councillor Angela Davies
Councillor Phil Gilchrist - Spokesperson
Councillor Ron Abbey
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, July, September and November.

Attendance by Members and approved deputies was over 90%.

5. Core Activity During 2018/19

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,
- 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.

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 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,
- Received and considered the Council's Medium-Term Financial Strategy,
- 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.

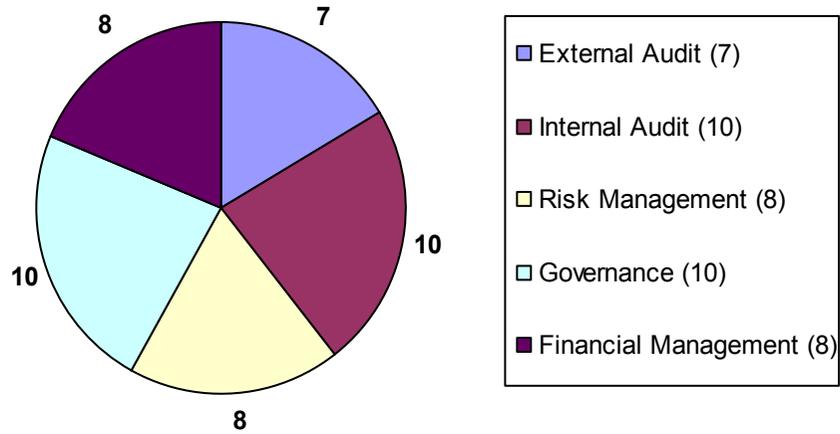
Specific Issues

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,
- Officer Progress Updates (HR, Digital, Highways, OFSTED, Procurement)

To give a flavour of our business during the year, the following shows the types and numbers of reports considered between April 2018 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 17/18;
- ii) Devoting significant resource to addressing governance issues arising including the development of improved risk management arrangements;
- iii) Referring matters to other bodies 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 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 the further development of the system for routinely reporting actions taken by officers in relation to items identified as being significant governance issues in the Annual Governance Statement;
- 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 including the introduction of Members workshops.
- Encouraged a strengthening of the Council's governance arrangements in operation over the appointment of agency workers and related tax arrangements through the oversight of a number of targeted reviews and investigations during the year;
- Ongoing contribution to the development of improved governance in operation over the Council's procurement arrangements through oversight and challenge regarding a number of targeted reports and reviews in this area during the year;

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 2019/20

During 2018/19 the Audit and Risk Management Committee has consolidated the progress that has been made in recent years and has performed well providing challenge and support to the organisation in equal measure. Going forward we will look to develop our role further 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 change to the Committee designed to increase its effectiveness that will include revising the existing terms of reference for the Committee, pulling on the latest best practice in this area that will see the introduction of a number of initiatives including more targeted training and workshops for Members across a range of key disciplines. The Committee will in future work more closely with officers to obtain appropriate assurances regarding the operation and control over key systems, helping to address any identified issues in what promises again to be a very challenging environment. Our priorities for 2019/20 are to implement all of 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 2019/20 we will:

- Oversee the development of the Wirral Council Audit and Risk Management Committee;
- Develop working relations with officers to improve understanding of our respective roles;
- Provide challenge to the Council to ensure that standards are continuously met, and the demanding requirements of the external inspection and assessment regime are achieved;
- Oversee reviews of the Council's governance arrangements in operation, obtaining appropriate assurances that 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 such as whistleblowing and legislative compliance seeking assurances that operations are robust and effective;
- Support the work of Internal and External Audit and ensure that any recommendations identified by them are actioned in a timely fashion;
- Contribute to the development of key corporate operations including Risk Management and Business Continuity;

- Ensure that all aspects of the Public Sector Internal Auditing Standards are complied with;
- Help the Council to manage the risk of fraud and corruption by supporting the work of Internal Audit and colleagues in this area;
- Develop the Wirral Council Audit and Risk Management Committee to review risk and partnerships' 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;
- Equip existing and any new Members to fulfil our responsibilities by providing more detailed and effective training on all key areas of responsibility including financial arrangements and risk management, governance and internal audit operations.

Councillor Jeff Green

Wirral Council Audit and Risk 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.