

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 9 March 2021

Present:

Councillor	K Hodson (Chair)	
Councillors	S Whittingham	AER Jones
	J Bird	T Cox
	K Cannon	I Lewis
	K Greaney	S Kelly
	D Burgess-Joyce	

23 WELCOME AND INTRODUCTION

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

24 APOLOGIES

No apologies had been received for this meeting.

25 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

Councillor Karl Greaney declared a personal interest in relation to item 5 by virtue of his position as a school governor.

Councillor Jo Bird declared a personal interest in relation to item 5 by virtue of her partners as a school governor.

Councillor S Whittingham declared a personal interest in relation to item 5 by virtue of his position as a school governor.

Councillor A Jones declared a personal interest in relation to item 5 by virtue of his position as a school governor.

26 MINUTES

Resolved – That the minutes of the meeting held on 25 January 2021 be approved.

SCHOOL BUDGETS & SERVICE LEVEL AGREEMENTS

Shaer Halewood, Director of Resources introduced the report which outlined the factors which led to Woodchurch Road Primary School reporting a deficit of £442,901 by the end of the 2018/19 financial year and what was in place to prevent a similar situation occurring in other schools. The report also considered the arrangements in place within the Council to manage school budgets including licensed deficits in its schools and to manage Service Level Agreements (SLAs) with schools.

Members were advised that as of 31 December 2018, the projected budget deficit for the school for the year – ending 31 March 2019, as reported to the school's Finance Committee on 6 March 2019, was £32,754. Members then heard how the actual budget deficit at year end was £442, 901.

The report outlined to Members that the primary reason for the sudden change in reported deficit was that, to the Council's knowledge since 2014/15, debtor and payment in advance accruals at the year end had been inflated. A result of this had been a falsely reported increase in the level of income and reducing the level of expenditure in the current year, thus concealing the true financial position in school financial reports. Members heard how this practice, and therefore the true financial position became evident in March 2019.

Members were assured how, as a result of issues arising at Woodchurch Road Primary, additional control measures had been put in place that will mitigate the future risk of the primary issue that led to the budget deficit occurring again. Members heard how the school had acted quickly to strengthen controls once the true deficit became apparent in March 2019. Actions taken included:

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

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

Members had been advised at the previous meeting of the Audit and Risk Management Committee that a report had been suggested to be put to the

Children, Young People and Education Committee. Members then heard that upon agenda setting with lead officers and the Chair and Spokespersons for the Committee, it was advised that a workshop would be best placed to inform Members and would be arranged in due course.

In response to a question by a Member, the Committee heard how Finance Officers are continuing to be proactive with schools and that there is a programme in place to assist schools with their governance arrangements.

In response to a further question, Members were advised that the standard Service Level Agreement that Woodchurch Road Primary School had purchased from the Council had been basic and the Council's Local Management for Schools service (LMS) had not been obliged to check transactions under the terms of the SLA. Members heard that additional controls have now been put in place in order to mitigate risk of a similar occurrence as reported earlier.

In response to a question by a Member the Committee heard that whilst other concerns had been raised surrounding additional school, but the matters are not of the same nature.

Members were assured that a full review of the school would take place in the future to ensure that a similar situation does not occur.

On a motion by Councillor S Whittingham and seconded by Councillor S Kelly it was

“Wirral Council continue to work with the school in a constructive way to minimise job losses and the effect on children.

The motion was put and unanimously agreed

Resolved – That

- 1. the report be noted and;**
- 2. Wirral Council continue to work with the school in a constructive way to minimise job losses and the effect on children.**

28 **INTERNAL AUDIT UPDATE**

Mark Niblock, Chief Internal Auditor, introduced the report that summarised the work of the Internal Audit Service for the period 1 January to 28 February 2021. The report identified the significant impact of the Covid-19 pandemic on scheduled audit work and included an analysis of planned work for the remainder of 2020/21.

The report identified to Members some of the impacts of the pandemic on the normal work of the team including the increased demands outside of the norm to address additional risks presented and the impact of this on routine planned work. The report focused on the following:

- The ongoing impact of Covid19 on the Internal Audit Plan 20/21
- Internal Audit Activity for the Jan – Feb 21 reporting period
- Planned Internal Audit work for the remainder of the year
- Any item of note arising from audit work undertaken the require action.

Members were advised of the significant impact of the Pandemic with many services across the Council unable to continue to deliver normally ad many activities suspended. Members then heard how consequently, and as reported previously many internal audits have had to be suspended with the team deliberately refocussing its activity towards supporting the corporate response to the pandemic, utilising its considerable expertise in governance, controls and risk.

The Chief Internal Auditor reminded Members that the revised Internal Audit Plan was endorsed by the Audit and Risk Management Committee in November 2020 and included targeted audit work aimed at evaluating the effectiveness of controls in operation. Members heard how each audit would culminate in a detailed report for senior management and would identify any areas requiring attention/action and outcomes including progress updates be reported to this Committee.

Of particular interest, Members heard how a piece of work had been undertaken to appraise controls over the operation of payment to the Wirral Growth Company and findings are currently being collated. Members were advised that this audit report is currently being drafted and contains a number of actions to improve systems in operation in the following areas: evidence trails for approvals; access to payment records and reconciliation of balance of partner costs.

Members then heard how there had also been some work undertaken with Merseyside Pension Fund in order to analyse and identify the impact of covid in relation to risk management, VAT compliance and Benefits. Members then heard how work on cyber security is now coming to a conclusion with the overall conclusion that there are some good controls in place but arrangements would be regularly reviewed particularly with reference to the new working landscape.

Members of the Committee were informed that there are currently no outstanding items of note/ action that require escalation by this Committee

In response to a question by a Member the Committee heard how there were seven recommendations that had come from an extended follow up audit of the Treasury Management system. The review identified that of the original seven recommendations, four had been fully implemented and three were still outstanding which had resulted in moderate organisational risk. Members heard how progress with implementing the outstanding recommendations had been delayed due to the impact of Covid 19 on the Treasury Management function but assurances had been obtained that action will be taken and a new target date has been agreed. Members were advised that a follow – up audit will be scheduled within the Audit Plan 2021/22.

In response to a further question, the Chief Internal Auditor advised that in relation to the Audit work that had recently been completed to evaluate and appraise controls in operation over the Wirral Growth Company Payment systems, Members would be informed of progress at the meeting for the Audit and Risk Management Committee in June 2021.

Resolved – That the report be noted.

29 **CORPORATE RISK MANAGEMENT UPDATE**

A Report by the Director of Resources provided an update on the Council's risk management arrangements and areas of risk management focus over the coming year.

Members were advised that given the short reporting period between this meeting and the last update to the Committee there had been limited change in the position as previously presented. Members heard how work is progressing in many areas, however, the third national lockdown and preparations for the relaxing of measures had led to some interruptions and distractions with some developments and activity being delayed.

It was reported that a meeting of the Member Risk Sub-Group was held on 9 February with the Chair and Spokespersons of the Committee. Members heard how the meeting had consisted of a short training and development session on the basics of risk management and the framework used across the Council, followed by a discussion on the list of Corporate Risks and other areas of concern and interests. Members were advised that further meetings would be arranged for the new municipal year and that suggested subjects for discussion are the consideration of the risk appetite for the organisation, the balance of high impact/ low likelihood risks as well as options for a “ deep dive” into specific risks to gain an understanding and assurance of the processes and practices in place.

Members were advised that discussions had been ongoing in February to agree the Council priorities and key activities for the year ahead. The Committee then heard how consideration is also being given to the reporting lines for escalation of issues and risks and they were advised that the Organisational Performance Group will act as a conduit for directorates to share information and escalate issues/risks as well as areas for collaboration to the Senior Leadership Team.

A list of corporate risks was appended to the report and members were advised that a number of corporate risks need to be considered following significant activity over recent months including. Members heard how an updated list of corporate risks with scores and planned actions will be presented to the next committee.

Resolved – That the report be noted.

30 INTERNAL AUDIT COUNTER FRAUD REPORT

A report by the Chief Internal Auditor updated the Audit and Risk Management Committee on the activities of the Counter- Fraud Team within Internal Audit and provided details of the outcome of a recent review of the Council's overall Counter Fraud and Corruption arrangements.

Detailed within the report were the main areas of fraud within the public sector and Members were advised that Local Authorities face a significant fraud challenge and fraud costs local government an estimated £2.1bn a year. The report informed the Committee that the current COVID-19 pandemic has increased risks to the local authority. In particular, Members heard how remote working reduces the level of management oversight; more money had been spent to maintain services and support those in need; unscrupulous fraudsters have targeted local authorities and service users.

Members were advised that the team oversees and co-ordinates the Council's involvement in the National Fraud Initiative (NFI) which the Council is required by law to participate in. The report advised that this is a national exercise using data matching audit techniques and that council- wide data sets are uploaded to the Cabinet Office website, which are then matched with data within and between participating bodies to identify potential frauds, overpayment, and errors.

Members heard how the Chief Internal Auditor was pleased to report that there had been a high degree of compliance with the CIPFA " Code of Practice on Managing the Risk of Fraud and Corruption"

In response to a question by a Member the Chief Internal Auditor advised the Committee that Councillors can assist the Audit Department by raising

awareness and alerting members of the public to threats and risks and to provide advice about where to go and obtain advice and guidance and how to report it.

In response to a further question, Members heard how the Covid Act and procurement processes being relaxed has had an ability to undertake planned audit work, however, the Team had managed to integrate themselves into governance processes and were proactive in helping officers to build systems that had controls built into them.

Resolved – That the report be noted.

31 INFORMATION GOVERNANCE UPDATE

A report by the Director of Law and Governance provided an update on the work being done to sustain and deliver effective information management relating to information governance across the Council, reducing the risk of reputational damage and monetary penalties.

It was reported that the Council's information governance arrangements were reviewed in advance of the General Protection Regulation (GDPR) which came fully into force in May 2018. Members were reminded that GDPR was the first real change to data protection legislation in the past 20 years and this also led to the Data Protection Act 2018 being enacted.

Members were advised that following the review of Information Governance and Data Protection arrangements it was established that two key risks warranted inclusion on the Corporate Risk Register as follows:

- CRR23 – Cyber Security, the risk description states that “ IT security is insufficient to deter, detect and prevent unauthorised access to IT systems, resulting in loss of data and disruption to Council Services”.
- CRR24 – Information Management which states that “Failure of the Council to comply with relevant data and information management legislation which may lead to loss or breach of personal data creating security or reputational damage”.

Members were informed that in light of COVID 19 there had been a push to work more with NHS and public health England to move data legally. There had been many data sharing agreements drawn up and advice given.

The Chair identified that during 2020 there was a drop in the number of Freedom of Information (FOI) requests and heard that the Department had been proactively published information of interest to the public by reviewing patterns of the nature of FOI requests.

In response to a question by a Member, the Information Governance Manager informed the Committee that in the future figures could be presented within the report in relation to cases that had been referred to the regulator, the Information Commissioners Office (ICO) and what the ICO had found so that lessons learnt can be identified. Furthermore, figures pertaining to time limits of FOI request completion would also be included in the report in the future.

In response to a further question by a Member, the Committee heard how in relation to the ongoing global pandemic the rate of response to FOI's has not been affected, with the exception of the short period over the Christmas Shutdown when response rate dipped slightly. Members were advised that the ICO are satisfied with the Council's response rate.

Members were then advised that there have been steps to mitigate risks of home working such as online training for staff, guidance on use of Teams, advice on how to adapt working environment.

Resolved – That the report be noted.

32 **ARMC INDEPENDENT MEMBER**

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

In response to a question from a Member, the Chief Internal Auditor advised that the position would be unpaid and that he had worked closely with colleagues in HR and Democratic Services in place with reference to obligations under the Equalities Act. In addition, conversations are being had regarding a form of payment in terms of a reasonable expense to the ARMC Independent Member.

in HR and DS get a job spec in place, taking from equalities advice

MN – In line with other

Talking to colleagues about form of payment – we are looking into that and can provide with further updates

Resolved – That the report be noted.

EXTERNAL AUDITORS ANNUAL AUDIT LETTER 2019-20

A Report by the Director of Resourced advised Members that the Council's external auditors (Grant Thornton) completed the Council's main audit 2019-20 Accounts in January 2021 and that the findings were reported to the Committee in the form of the Audit Findings Report in January.

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

Mark Stocks, External Auditor addressed the Committee to inform that Grant Thornton had now produced its Annual Audit Letter that was appended to the report. The letter contained a summary of the relevant findings in a form which is more readily accessible to members of the public. Members heard how the letter would be made available alongside the Accounts on the Council's website.

Members were advised by the External Auditor that the Council is in a difficult financial position, however progress is being made. Most notably with reference to the council's reserves, the position has improved. Members heard how a Capitalisation Grant had been approved so that the Council is in a balanced position by the end of the financial year.

In response to a question by a Member, the Committee heard how there is an onerous contract in relation to PFI liability as a result of the closure of the former Kingsway Academy School, the Council still has a contractual obligation to make the PFI unitary payments to the PFI Partner, Wirral Schools' Services Ltd. In relation to this matter, the External Auditor advised that he was not aware of any other Wirral Schools in this position.

In response to a further question, Members heard how other Councils and Bodies throughout Northern regions of England had experienced similar difficulties in relation to COVID-19, however, many other Councils in the area have not been in the position to need to apply for a Capitalisation Grant

Resolved – That the Audit and Risk Management Committee approve the Annual Audit Letter and approves onward publication on the Council website