

APPENDIX A

Audit and Risk Management Committee

Annual Report 2022-23

Councillor Jenny Johnson, current Chair of ARMC
Councillor Simon Mountney, Chair of ARMC 2022

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1. Foreword

I am pleased to present the Audit and Risk Management Committee's Annual Report for 2022-23. 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 5 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. Some of the corporate developments and improvements that the Committee were directly involved with during the year included greater engagement with the Chairs of service committees and the introduction of risk workshops for these to further enhance their ability to challenge officers on the effectiveness of directorate risk registers and actions being taken to mitigate risks and improve overall decision making.

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 2022-23
Councillor Simon Mountney

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 Finance, 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. 2022-23 Financial Year

This Annual Report for 2022-23 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 the year 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 2022-23 the Audit and Risk Management Committee had the following Members:

Councillor Simon Mountney – Chair
Councillor Stuart Kelly – Vice Chair
Councillor Angie Davies - Spokesperson
Councillor Jason Walsh - Spokesperson
Councillor Tony Cox

Councillor Sue Powell-Wilde
Independent Member – Joanne Byrne
Independent Member – Peter McAlistar

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 8 Members
Number of meetings	Aligned to business needs	√	The Committee meets 4 times a year.
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 annually to increase Members' skills.

4.3. Meetings and Attendance

The Audit Committee normally met on 5 occasions during the year.

Attendance by Members and approved deputies was over 90%.

5. Core Activity During 2022-23

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.
- 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,
- Approved the revised Internal Audit Strategy and Charter,
- 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 of Work for Wirral Council,
- Considered the external auditor's Audit Plan of Work for Merseyside Pension Fund,
- Considered progress against the plans 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 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 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 and oversaw the development of Service Committee Risk Workshops,
- Supported the development and implementation a programme of risk training for officers and Members,

- 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,
- Approved the revised Code of Corporate Governance,
- Considered a report on Regeneration schemes assurance,
- 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 responds to the auditor's comments,
- Considered a report by the Director of Finance on the calculation of Minimum Revenue Provision for financing capital schemes,
- 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 arrangements in the context of the challenges facing the Council.

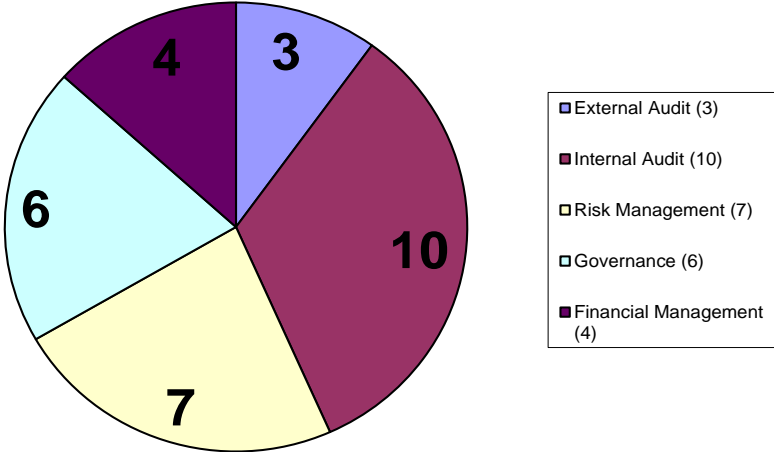
Specific Issues

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,
- ICT Continuity Controls,
- Hoylake Golf Resort,
- Hybrid Working,
- Information Governance.

To give a flavour of our business during the year, the following shows the types and numbers of reports considered between April 2022 and March 2023:

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 2022-23;
- ii. Overseeing developments designed to improve 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;
- 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 across all service Committees.
- 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.

8. Plans for 2023-24

The Committee will continue to work more closely with officers to help to address any identified issues in what promises again to be a very challenging and difficult environment. Our priorities for 2023-24 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 2023-24 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,
- Oversee reviews of the Council's governance arrangements in operation in key risk areas to ensure 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,
- 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 Jenny Johnson
Wirral Council Audit and Risk Committee

9. Appendix 1.

Audit and Risk Management Committee – Terms of Reference

10 AUDIT AND RISK MANAGEMENT COMMITTEE

10.1 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.

10.2 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.