



## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**Wednesday, 26 July 2022**

<b>REPORT TITLE:</b>	<b>EXTERNAL AUDIT ANNUAL AUDIT REPORT 2020-21, AUDITORS REPORT COMPANY GOVERNANCE 2020-21 AND MERSEYSIDE WASTE VALUE FOR MONEY REPORT 2020-21</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF RESOURCES</b>

### **REPORT SUMMARY**

The Council's external auditors (Grant Thornton) completed the Council's main audit 2020-21 Accounts in January 2022 with the exception of the Whole of Government Accounts which are due to be audited in July 2022, following a delay from HM Treasury in issuing access to the portal for completion and submission. The audit findings for the Statement of Accounts were reported to the Committee in the form of the Audit Findings Report in January 2022.

The auditors are also under a duty to provide an Annual Audit Report of the key issues/findings from their audit for consideration by a wider audience across the Council, Pension Fund, and its key stakeholders.

That report, the Annual Audit Report, is attached to this paper as Appendix 1, including two further reports, Value for Money review Governance of Company and Other Investments as Appendix 2 and Merseyside Waste Value for Money report on Merseyside Councils as Appendix 3. Once approved by this Committee, these reports will be taken to Policy and Resources Committee for approval and then onto Full Council from where they will be placed on the Council's website.

The Annual Audit Report and the Value for Money review of Governance of Company and other Investments contain a set of recommendations for the Council to Implement. These recommendations are included as Appendix 4 which provides the action the Council is taking or will take to implement those recommendations and when.

As the two reports highlighted above relate to the financial year 2020/21, much time has passed, and significant progress has already been made in addressing these recommendations. Indeed, some of the recommendations link to the External Assurance Review reports published by Department of Levelling Up, Housing and Communities for which the actions are almost completed.

## **RECOMMENDATION/S**

The Audit and Risk Management Committee is recommended to consider and comment on the reports and appendices and approve them for onward approval to Policy and Resources Committee, Full Council and then publication on the Council website.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION/S**

- 1.1 The Audit and Risk Management Committee has responsibility for approving the Statement of Accounts and the Annual Governance Statement (AGS) on behalf of the Council, which is a requirement under The Accounts and Audit Regulations 2015 and The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.
- 1.2 The Annual Audit Report and associated reports are an essential element of the independent external audit process. These reports are to be presented to a Committee of the Council for their consideration.

### **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 undertook their annual audit of the Council's financial reporting and activities. These reviews are intended to give assurance to both Members, residents and external stakeholders that the Council's financial activities have been appropriately reported in its Accounts.
- 3.2 The detailed findings from this audit were reported to the Audit Risk and Management Committee on 24 January 2022 in the form of the Audit Findings Report. This confirmed that the Council's and Pension Fund Accounts for 2020-21 were unqualified and fairly stated the Council's finances and as a result the Committee approved their publication.

### **Annual Audit Report and Value For Money Reports**

- 3.3 Grant Thornton has now produced its Annual Audit Report and two value for money reports, as appended to this paper, which contains a summary of the relevant findings from their work and any key issues which arose. This document reports their findings in a form which is more readily accessible to members of the public. These reports will be made available alongside the Accounts on the Council's website.
- 3.4 The Annual Audit Report reconfirms the audit findings previously reported to this Committee:
  - The Accounts presented a true and fair view and were unqualified.

- Their concerns as to the Council's financial resilience, planning and sustainability with respect to the value for money work undertaken.
- There is evidence of financial planning to address ongoing funding and budget concerns of the Council.

3.5 In January 2022, the value for money work was still on-going and is now concluded as set out in the two appendices to this report. The auditors assess our arrangements under three headings within the Annual Audit Report.

1. Financial Sustainability, how the Council plans and manages its resources to ensure it can continue to deliver its services
2. Governance, how the Council ensures that it makes informed decisions and properly manages its risks; and
3. Improving economy, efficiency, and effectiveness, how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

3.6 The report has made ten recommendations and rated financial sustainability and governance as having significant weaknesses, and improving economy, efficiency and effectiveness as having no significant weaknesses. As this report is looking at the financial year 2020-21 a number of the recommendations have already been introduced during 2021-22 following the reports from CIPFA and Department of Levelling-up Housing and Communities. The Council has agreed with the report's findings, but also recognises the progress the Council has made during 2021-22 and to date implementing improvements. The full list of recommendations can be found in Appendix 4 along with the actions the Council is taking and has already taken to implement them

### **Value for Money Review Governance of Company and other Investments**

3.7 Grant Thornton as part of auditing economy, efficiency, and effectiveness reviewed the governance of the Council companies and investments. This includes group companies, joint ventures and partnerships, including any significant investments. Grant Thornton findings of this audit are set out in appendix 2 of this report and the recommendations including the actions the Council is taking and has already taken to implement them is included within Appendix 4.

### **Value for Money Report - Merseyside Waste Management with Merseyside Councils**

3.8 A further report was also undertaken looking at the arrangements the Council has in place for Wirral Waste Management Services and this has provided twelve recommendations for the Waste Management operation to take forward. See appendix 3 of this report.

### **Council responses to the external audit reports**

3.9 Included within the Annual Audit Report are three main themes for the Council to consider its monitoring and reporting to Members to raise awareness of the liability for risk associated with these areas. These are:

- Minimum Revenue Provision (MRP) and the risk associated with taking the Annuity method of repayment
- Public Sector Impact Investment Fund lock in and the potential for the anticipated high return from investment not to materialise
- Regeneration schemes where the Council has provided a guarantee for future payment which, if not mitigated could present a significant liability for the Council in future years. These being:
  - Wirral Waters
  - Birkenhead Commercial District
  - The Hythe

To ensure that Members of the Committee are sighted on the risks and mitigations associated within these three areas. It is proposed that individual reports are presented to the Committee to provide further detail on these, and that an update on the risks are provided to the Committee on an annual basis. This will be built into the Committee work programme with the first report being presented at its next meeting in October

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 The cost of the report is part of the audit fee and variations to that fee for additional work are notified to the Council. The contracted audit fee was previously approved by the Audit and Risk Management Committee.
- 4.2 The audit fees for the year 2020/21 have increased from the contracted fees under the contract with Public Sector Audit Appointments Ltd (PSAA) of £123,095 to £234,515. The increase is due to the additional audit work now required to be undertaken by the external auditors since the contract was awarded which includes Value for Money Audits and additional testing for specific elements of the accounts as set out in the Audit Findings Report brought to the Committee in January 2022. The increase in the fee has been approved by the PSAA and discussed with the Director of Resources.

#### **LEGAL IMPLICATIONS**

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

#### **5.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

- 6.1 None arising directly from this report.

#### **6.0 RELEVANT RISKS**

- 7.1 The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices. Failure to do so could result in qualification of the accounts, which may lead to further audit costs.

- 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.

## **7.0 ENGAGEMENT/CONSULTATION**

- 7.1 None arising directly from this report.

## **8.0 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 files 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 – Wirral Council - External Auditors Annual Audit Report 2020-21  
Appendix 2 – Wirral Council – Value for Money Review Governance of Company and other Investments 2020-21  
Appendix 3 – Waste Value for Money Report on Merseyside Councils 2020-21  
Appendix 4 – Council report on the value for money findings by Grant Thornton 2020-21

## **BACKGROUND PAPERS**

- External Audit Findings Report 2020-21  
Statement of Accounts 2020-21  
External Audit Plan 2020-21

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
External Auditors Annual Audit report 2019/20	09/03/21
External Auditors Annual Audit report 2018/19	27/01/20
External Auditors Annual Audit report 2017/18	11/03/19