AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 27 January 2020

Present:	Councillor	JE Green (Chair)	
	Councillors	T Anderson	AER Jones
		K Cannon	S Whittingham
		P Gilchrist	G Wood
		K Hodson	
Deputies:	Councillors	J Robinson (In place of K Greaney)	
		I Lewis (In place of A Gardner)	

ONE MINUTE'S SILENCE

The Audit and Risk Management Committee stood in silence for one minute as a mark of respect for Councillor Chris Blakeley who had sadly passed away on 15 January 2020.

36 **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 Jeff Green declared a personal interest in Minute 50 as Chair of Wirral Golf Club Ltd.

37 **MINUTES**

Resolved – That, subject to paragraph 7 of Minute 25 being amended to read "A Member requested that a full summary of costs be presented to the March meeting of the Audit and Risk Management Committee."
the minutes of the meeting held on 18 November 2019 be approved.

38 **TRANSFORMATION PORTFOLIO UPDATE**

Tim Games, Head of Business Change and Programme Management, introduced the report of the Director of Change & Organisational Design that had been prepared in response to a request from the Chair of the Audit and Risk Management Committee to provide an update on the Council's Transformation Portfolio initiated in March 2016. The report provided an overview of the organisational context for this work; Portfolio design and set up; governance and funding arrangements; as well as the main projects and

benefits delivered. The report further set out current arrangements for the management of the Council's on-going Strategic Change Portfolio.

The report informed how the Transformation Portfolio had been initiated in March 2016 by the then Chief Executive. The Portfolio was developed in response to increasing financial pressures resulting from central government austerity measures and a reduction in the Council's Revenue Support Grant in conjunction with increasing demand for a number of critical Council Services. The Portfolio was aligned to the 2016 Medium Term Financial Strategy (MTFS) which set out savings assumptions against the following themes: Managing Demand; Delivering Differently; Service Change; Income and Growth; Resource Management and Commissioning Differently. The Transformation Portfolio became the vehicle for the Delivering Differently theme, supporting an agenda to explore new ways to provide services through alternative delivery models. Under this theme, a number of service change proposals were developed.

Members were apprised of the new governance and programme management arrangements that had been developed, namely:

- Investment and Change Board
- Corporate and Technical Design Authority
- Capital and Assets Group
- Strategic Programmes

Members queried the list of projects in the report and requested additional detail on budgeting for transparency and oversight.

Resolved – That the report be noted.

39 **ENTERPRISE ARCHITECTURE MAP**

Peter Moulton, Head of ICT & Digital, introduced the report of the Director of Change & Organisational Design that provided an opportunity to review the Council's Enterprise Architecture. The report focused on the integration of applications and data and detailed the governance in place to ensure ongoing integration and the strategy to further improve the integration in respect of technology, applications, data and business.

Members appreciated the report and questioned savings which could be made by rationalisation.

Resolved – That the report be noted.

40 ENTERPRISE RESOURCE PLANNING (ERP) - SMART BUSINESS

Tim Games, Head of Business Change and Programme Management; Peter Moulton, Head of ICT & Digital; and Andy Dixon, Project Officer introduced the report of the Director of Change & Organisational Design that had been prepared in response to Audit and Risk Management Committee requesting more information on the SmartBusiness Project. The report set out the context for initiating the project, the overall scope, timeline and progress to date.

The report informed that the SmartBusiness Project aimed to implement a suite of core financial systems to replace the obsolete Oracle 1 Business Platform with a full system Enterprise Resource Planning (ERP) which would integrate key business processes across finance, human resources, procurement and other areas. The SmartBusiness approach would standardise and streamline procedures and approaches to the administration of several key business activities. The Council's current ERP system, (Oracle - 1 Business) had been in operation since April 2006 and more recently was only supported by a small number of suppliers.

Members were apprised that it was proposed that regular reporting on progress would continue as the project developed.

Members requested additional information about the awarding of the contract for support for the ERP system, and how useful the 'live dashboard' facility would be on the proposed system, although it could not access historical information unless that were manually input.

Further updates would be provided as the system progresses, although they would be provided to a new Committee once the new decision-making structure was established.

Resolved – That the report be noted.

41 MINIMUM REVENUE PROVISION RE-PROFILING

Peter Molyneux, Senior Finance Manager, introduced his report that informed how proactive Treasury Management activity, working in conjunction with external advisors, had recently resulted in an approved change to the way that the Council calculated its Minimum Revenue Provision (MRP).

The report, approved by Cabinet on 25 November 2019 (minute No.63 refers), outlined the background to this change and had been provided to the Audit & Risk Management Committee in response to a request for clarification of the nature of the change. The Cabinet report also clarified the adjustments to accounting entries made in the first draft of the 2018/19 Statement of Accounts.

Resolved – That the change to the calculation of the Council's Minimum Revenue Provision, as approved by Cabinet (25 November 2019), and the explanation of its impact on the Council's Statement of Accounts be noted.

42 INTERNAL AUDIT UPDATE

Mark Niblock, Chief Internal Auditor, introduced his report that identified and evaluated the performance of the Internal Audit Section and included four items of note arising from the actual work undertaken during the period 1 November to 31 December 2019. The items of note were:

- VAT System
- Northern Local Government Pension Scheme Collective Asset Pool – Governance
- Enterprise Resource Planning - Follow Up
- Digital – Follow Up Work

Details of audit work undertaken in these areas and actions arising were provided to the committee.

The Internal Audit Manager provided a brief update on internal audit activity over the reporting period as attached at Appendix 1 to the report that detailed the audits completed, identifying opinions provided and a current BRAG rating indicating the current status of the report and progress being made by officers to address identified issues.

The report provided further update on the Internal Audit Performance Indicators and actions to provide continuous improvement to the overall efficiency and effectiveness of the Internal Audit Service, namely the Improvement and Development Plan that incorporated new and developing areas of best practice from across the profession – to ensure that the service continued to constantly challenge how efficient and effective it was at delivering its service to all of its stakeholders, making any relevant changes and improvements as required.

Resolved - That the report be noted.

43 CORPORATE RISK MANAGEMENT UPDATE

Helen Turner, Risk Continuity and Compliance Manager, introduced the report of the Director of Finance and Investment (S151) that provided the Audit and Risk Management Committee with an update on current risk management arrangements and the work currently underway to further embed the arrangements for managing risk across the Council. The latest version of the Corporate Risk Register was attached as an appendix to the report.

The report informed how 'Risk Owners' were asked to consider 6 key steps when reviewing their risks to ensure the risk register remains relevant and up to date, namely:

Review the Risk Description – was the risk worded accurately to reflect the current concerns? The description should articulate the possible cause and consequence of a potential threat or opportunity which could affect the achievement of the Council's objectives and priorities within the Council Plan.
Update Existing Mitigation / Controls – were they still in place and having an effect on the risk? Any additional measures that have been implemented? Perhaps planned actions been completed and need to be transferred over?
Review the "Current" score – was it appropriate in light of the controls in place? Could the score drop because actions had been completed or perhaps it needed to increase due to external pressures or changes in circumstances?
Set a Target Score – was enough being done? Was the Current score acceptable or is it too high? What actions are to be taken to reduce the score and what score was being aimed for? If the current level was acceptable then the Target and Current could be the same.
Add any new actions – review of the planned additional mitigation and addition of any new actions or, if circumstances had changed, amend those already recorded.
Provide a Risk Update / Commentary – if scores were changed, or the target date and progress on actions had slipped use the additional field to add some context and commentary to explain what was happening. This was particularly important where actions had a timescale of "ongoing 19-20".

Members queried the lack of target figures for risk scores and asked for an explanation to be provided.

Resolved - That the report be noted.

44 SPEND FREEZE PROGRAMME NO PO NO PAY COMPLIANCE

Keith Patterson, Head of Commercial Procurement, introduced his, and the Director of Finance & Investment's, joint report that provided information to the Audit & Risk Management Committee in relation to the active work programme focussed on reviewing compliance with the Council's Spend Freeze Programme and No PO No Pay Policy.

The report informed that the Council faced the risk of a significant in-year overspend. Should this not be mitigated the Councils' general balances could be depleted to an extent that took them below the agreed minimum level, which was not financially sustainable.

The imposition of a 'spending freeze' in 2019-20 had been introduced to rectify this untenable financial position. It was considered prudent to act

early rather than leave corrective action to the last minute. All staff had been informed of this through the intranet and staff briefings. This exercise was not designed to get in the way of business-critical expenditure. It was not about creating a huge unwieldy bureaucracy, but meant that all expenditure had been frozen unless it was on an 'exception list' or it had agreement from an officer group which included the Chief Executive and the Director of Finance and Investment. Members were apprised that the Spending freeze would continue for as long as was necessary to control the overspend. Weekly random sampling was being undertaken and any unauthorised spend was being reported to the Senior Leadership Team (SLT).

Members noted that of the 607 cases reviewed, 465 had replied with reasoning, and 75% appeared to be essential. It had become clear that there was a culture in some services of completing Purchase Orders retrospectively or not at all and this was being tackled with specific training. It was recognised that having the system run as planned would generate extra work for finance officers.

Resolved - That the report be noted.

45 **REGULATION OF INVESTIGATORY POWERS ACT 2000(RIPA)**

Colin Hughes, Consultant Lawyer, introduced this report which recorded the use by Council of covert surveillance and invited the Committee to review the Council's Policy and Procedure Document on the Regulation of Investigatory Powers Act 2000(RIPA). Annual training had been undertaken and at the training in November 2019 the trainer had suggesting adding more detail in the Policy Document on record keeping where officers used social media for their work. Any investigation would still require approval by an authorising officer and/or a magistrate and a record kept for future reference

Resolved – That the report be noted and the revisions and additions to the Council's Policy and Procedure Document approved.

46 **EXTERNAL AUDIT - WIRRAL MBC ANNUAL AUDIT LETTER**

External Auditor from Grant Thornton Naomi Povey presented this letter which focussed on the key messages coming out of the audit. The unqualified opinion had been given on 29 November 2019.

Members asked for further information about the complaints relating to the Wirral Growth Company which were mentioned in the report.

Resolved – That the report be noted.

47 **EXCLUSION OF THE PRESS AND PUBLIC**

Resolved - That, under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following item of business on the grounds that it involves the likely disclosure of exempt information as defined by paragraph 3 of Part I of Schedule 12A (as amended) to that Act. The Public Interest test had been applied and favours exclusion.

48 **ENTERPRISE ARCHITECTURE MAP (EXEMPT APPENDIX)**

See minute 39.

49 **ENTERPRISE RESOURCE PLANNING (ERP) SMART BUSINESS (EXEMPT APPENDIX)**

See minute 40.

50 **CELTIC MANOR RESORT (EXEMPT REPORT)**

The Audit and Risk Management Committee considered a report and appendices containing exempt commercially sensitive information, under Paragraph 3, Schedule 12A of the Local Government Act 1972. Legal advice was given to the Committee on the Council's legal obligations under the development agreement.

The report provided an update on the progress with Celtic Manor Resort to date and provided assurance to the Committee that the Council had and continued to fulfil its obligations within the Development agreement, ensuring that the Council was not exposed to any financial risk.

Resolved – That the report be noted.