

AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 10 March 2020

<u>Present:</u>	Councillor	JE Green (Chair)	
	Councillors	T Anderson A Gardner P Gilchrist K Greaney	K Hodson AER Jones S Whittingham

51 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Kate Cannon and Gillian Wood.

52 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.

No declarations were made.

53 MINUTES

Resolved – That the minutes of the meeting held on 27 January 2020 be approved.

54 PFI CONTRACTS

David Armstrong, Assistant Chief Executive introduced his report that provided a summary background to Wirral Council's current education based PFI contracts detailing the current status of each of the PFI Schools, a breakdown of the financial aspects of the scheme and the financial liability following the closure of one of the PFI sites – Kingsway Academy.

The report informed how nine schools were affected by Wirral Schools PFI project agreement developed in the 1990's, signed by the Council, school governing bodies, and the PFI contractor in 2001 in respect of the rebuild / refurbishment and facilities management of the sites.

The report also informed how, at the time of developing the scheme, the PFI procurement route was the only mechanism available nationally for large scale capital investment. The scheme replaced a very significant quantity of poor accommodation, including the removal of 120 classroom spaces in

“temporary” mobile units, provided additional specialist accommodation, e.g. Sports halls, ICT and laboratories and general refurbishment and backlog maintenance. Two schools were completely rebuilt, as detailed below.

- Leasowe Primary – Community School - 238 pupils on roll (new build)
- Bebington High – (Co-op) Academy School – 1108 pupils on roll
- Birkenhead Park School – Academy School – 667 pupils on roll
- South Wirral High – Community School – 869 pupils on roll
- Weatherhead High – Academy School – 1593 pupils on roll (new build)
- Hilbre High – Academy School – 1124 pupils on roll
- Prenton High – Academy School – 775 pupils on roll
- Kingsway Academy – Former Academy (Currently closed)
- Wirral Grammar Girls – Academy – 1184 pupils on roll

The Assistant Chief Executive apprised the Audit and Risk Management Committee (ARMC) that the existing contract had over eleven years to run, and PFI numbers on roll from October 2019 Census (including sixth forms) as a percentage of total secondary schools in Wirral was currently 34%.

The Assistant Chief Executive further apprised the ARMC on details relating to the funding costs, grant receipts from central government and net Council contribution in support of the PFI contract (£1m per annum). Members questioned the Assistant Chief Executive further on matters relating to the following:

- Contract sub arrangements – maintenance, minibuses, etc.
- School contributions (£7.9m).
- Alternative costs of borrowing.
- Kingsway school - decision to close (challenged by the Council).
- Initial 8 options and the legal advice taken at the time.
- Education funding agency and additional transition funding agreed for 2019 and 2020.

Members expressed concerns over how the contract would be managed over the period left to run and sought assurances that regular monitoring and challenge (when appropriate) would continue, utilising existing quarterly contract management meetings. The primary concern of the ARMC remained that, given the complexity of the contract, the risks associated with PFI were mitigated and any financial burden on the Council and Schools was kept to a sustainable level.

Resolved – That the report be noted.

55 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 January 2020 to 21 February 2020. The items of note were:

- National Fraud Initiative (NFI)
- Wirral Health and Care Commissioning
- Procurement Rules (also subject of a separate report on the meeting agenda)
- Wirral Growth Company

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.

At the conclusion of the Chief Internal Audit's report, the Chair expressed thanks to the Officer and the internal audit team for their work over the past municipal year.

Resolved - That the report be noted.

56 INTERNAL AUDIT ANNUAL PLAN - 2020/21

Mark Niblock, Chief Internal Auditor, introduced his report that identified the Internal Audit Plan of work for 2020/21.

The report informed that work scheduled for completion had been included to reflect the findings of the extensive planning exercise recently undertaken to ensure the ongoing relevance of risks previously identified, as well as the inclusion of any risks to the organisation that had emerged since the original exercise, or were likely to emerge in the near future.

The report further informed that the updated plan had been presented to Members of the Strategic Leadership Team and approved for implementation.

The Chief Internal Auditor informed that the Internal Audit Plan (the Audit Plan), was prepared annually in accordance with the requirements of the Public Sector Internal Audit Standards, and set out details of the:

- Responsibilities and scope of internal audit
- Resourcing and delivery of the Council's internal audit service;
- Arrangements for reporting internal audit work; and
- Proposed programme of work for 2020/21 (the Audit Plan).

The Chief Internal Auditor further informed that the Audit Plan contained an explanation of how it had been prepared, a list of proposed review areas for inclusion in the forthcoming year, and how it operated on a 12 monthly cycle in line with professional best practice. He added that this aimed to ensure adequate mitigation of risk, given the dynamic nature and changeable environment the Council was currently working in, with fundamental changes in the way services were being delivered that would undoubtedly mean that the Council would face significant and different kinds of risk to those experienced in the past.

The Chair sought assurance from the Chief Internal Auditor and the External Auditor that key risks faced by Local Government had been identified as part of the Internal Audit Plan. It was confirmed that such matters formed the basis of regular reports provided by the External Auditor, and Internal Audit Team to Councillors.

Resolved – That the Internal Audit Plan for 2020/21 be endorsed, in accordance with the terms of reference for the Audit and Risk Management Committee.

57 RISK MANAGEMENT UPDATE

Helen Turner, Risk, Continuity and Compliance Manager introduced the report of the Director of Finance and Investment that provided an update on the Council's current risk management arrangements, highlighting several key areas of work in the coming year, namely:

- Business Planning and Directorate Risk Registers - With the launch of the Wirral Plan 2025 services were in the process of developing their business plans. The template had been designed so that each Directorate can record their planned activity for the year ahead including actions, key performance indicators, risks and training requirements.
- Programme Management - Work was underway with the Programme Office to improve the risk management arrangements for the Council's main programmes and projects. A standard template had been adopted which will allow risks to be escalated more easily as well as providing a consistent approach which anyone joining a project would

be able to follow. Options for targeted training and awareness sessions for programme and project leads were also being considered.

- Member Risk workshops - A series of member ARMC sub-group workshops had been programmed in through 2020 to look at the different aspects of risk management. Sessions had been booked for the following dates: 5 March, 4 June, 3 September and 2 December 2020.

The Chair requested an update on Wirral Council's risk and continuity plans in respect of the Corona Virus (COVID-19). The Risk, Continuity and Compliance Manager informed Members that a tactical group had been established, led by the Director of Public Health, to establish a plan based on Public Health England advice, working with stakeholders, partners and Officers of the Council at different levels to ensure the most appropriate actions were addressed at each stage.

The Chair asked if sufficient resources were being allocated to support to the work required. The Risk, Continuity and Compliance Manager informed that the tactical group had been tasked to ensure this was the case.

The Chair thanked the Officer for her report and support to the Audit and Risk Management Committee over the past year.

Resolved – That the report be noted.

58 SPEND FREEZE PROGRAMME AND NO PO NO PAY COMPLIANCE

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

The report informed that an initial update report was presented to members at the ARMC meeting on 18 November 2019 by the Director of Finance and Investment, that summarised the progress of the spend freeze that commenced in October 2019. A further progress report was provided to the Committee on 27 January 2020 (ARMC Minutes 31, 34 and 44 refer).

The aim of the spend freeze is to target discretionary expenditure, limit spending to that which is essential for safe and statutorily compliant operations, thus minimising pressure on the Council's budget position for 2019 and 2020.

A No PO No Pay progress report was also presented at the 27 January ARMC meeting by the Head of Procurement (ARMC Minute 44 refers).

The Head of Commercial Procurement provide the ARMC with updates on the Spending Freeze and key actions taken to mitigate non-compliance. In response to Member questions, the Director of Finance and Investment detailed procedures for performance management and plans for disciplinary action for commissioners who did not comply with procedures. She informed that in her role as the senior director responsible, she had written to all individuals in the service areas under her purview, and responses and reasons for non-compliance had been analysed. She added that other directors had indicated that similar actions were being taken in their services.

Members were provided with further detail in respect of retrospective orders, emergency orders and measures put in place to manage or mitigate against such issues – these included planned staff training and workshops.

A Member expressed the view that Officers had been tasked with dealing with non-compliance and that the ARMC should not act as a STAR Chamber but focus on ensuring that the correct controls and procedures were in place.

The Chair re-iterated his concerns regarding the non-compliance against procurement policies and confirmed that the ARMC would continue to monitor the situation and provide support to officers to ensure continued focus on adherence to the Council's controls and procedures.

Resolved – That the report be noted.

59 COUNCIL STATUTORY DUTIES

Further to a request from the Chair of the Audit and Risk Management Committee, Shaer Halewood, Director of Finance and Investment (S151) introduced her report (produced in partnership with the Director of Governance and Assurance) that provided information on the range of statutory duties delivered and duties the Council was required to fulfil. The report also provided information that fulfilling the Council's statutory duties had direct relevance to all Wirral Plan 20/20 pledges and supported the effective delivery of the Plan.

The Director of Finance and Investment (S151) provided a verbal summary on the content of her report and responded to Member questions on specific areas relating to the compliance with statutory duties and other legal duties, as guided by regulations directed at local government. She informed that not all legal duties had performance indicators, and no comprehensive formal reporting requirement existed. During presentation of her report she provided Members with assurance that the majority of the statutory duties overlap with policies, procedures and processes, and other requirements, that the Council also adheres to.

The Director of Finance and Investment (S151) apprised Members of the key areas of her report that included:

- External quarterly performance indicators
- Half yearly Individual performance appraisals and monthly one to one meetings
- Quarterly Directorate Performance meetings
- Compliance Review
- Overview and Scrutiny Meetings
- Annual Governance Statement
- Directors Self-Assessment Governance Assurance Statement (Annual Governance Statement)
- Role of Chief Finance Officer Statement
- Corporate Governance Group
- Specific meetings/boards
- External Published Scrutiny

Other points covered by the Director of Finance and Investment included information relating to:

- Adult Social Care assessment of care walk through
- (Appendix 3 to the report)
- Children & Young People Procedures Manual

The Director concluded her update informing that in the region of 3000 statutory duties existed, and although no complete list existed in respect of compliance many were discussed at Senior Leadership Team meetings (those with outcome measures) and some duties were effectively a 'tick box' e.g. ensuring establishment of a particular officer post (job description, duties and role responsibilities being covered by other procedures). A comprehensive list of statutory duties was attached as an appendix to the report.

The Chair thanked the Officer for her report.

Resolved – That the report be noted.

60 **EXTERNAL AUDIT - COMMITTEE PROGRESS REPORT**

Naomi Povey, Audit Manager – Grant Thornton introduced the External Audit - Committee Progress Report that provided an overview of the planned scope and timing of the statutory audit of Wirral Council for those charged with governance.

The report informed that the National Audit Office had issued a document entitled Code of Audit Practice that summarised the responsibilities of auditors and what was expected of the audit body. The report also set out how the scope of the audit was set out in accordance with the Code and International Standards on Auditing (ISAs) – to form and express an opinion on the Council's financial statements and value for money arrangements.

The report identified significant risks i.e. fraudulent transactions and management over-ride of controls and Valuation of Land and Buildings. In each case the External Audit provided a view (fraudulent transactions – in Wirral's case not identified as a significant risk by the External Auditor) and proposed actions that the External Auditor would be taking to monitor the Council's actions.

Resolved – That the report be noted.

61 EXEMPT ITEM - EXCLUSION OF THE PRESS AND PUBLIC

The Chair introduced an item of urgent business regarding the Coronavirus outbreak and the recent announcement of a global pandemic in respect of COVID-19.

Under section 100 (A) (4) of the Local Government Act 1972, it was moved by the Chair and agreed unanimously, that the press and public be excluded from the meeting during consideration of the item of business on the grounds that they may involve the likely disclosure of exempt information as defined by paragraph 1 of Part I of Schedule 12A (as amended) to that Act.

62 COVID-19 ADVICE FROM PUBLIC HEALTH ENGLAND

Further to Minute 56, Members of the Audit and Risk Management Committee discussed specific actions the Council was taking in respect of the Corona Virus (COVID-19).

The Risk, Continuity and Compliance Manager and Director of Finance and Investment informed the Audit and Risk Management Committee that all service areas had been directed to develop business contingency plans and mitigate risks wherever possible to ensure the most appropriate actions were taken to protect service users and staff. Members questioned the Officers on the current status of the plan and any actions taken to date.

Members were apprised that the Council's actions in this respect were based on the current guidance emanating from Public Health England. See link below:

<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/guidance-for-employers-and-businesses-on-covid-19>