

# AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 28 January 2025

Present: Councillor H Cameron (Chair)

Councillors	GJ Davies	J Johnson
	S Kelly	T Laing
	N Graham	M Skillicorn

## 25 WELCOME AND INTRODUCTION

The Chair opened the meeting and reminded everyone that the meeting was being webcast and a copy was retained on the Council's website.

## 26 APOLOGIES FOR ABSENCE

An apology for absence was noted from independent member Joanne Byrne.

## 27 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 Naomi Graham declared a personal non-prejudicial interest in relation to agenda items 7 and 11.

## 28 MINUTES

**Resolved – That the minutes of the meeting held on 22 October, be approved.**

## 29 PUBLIC AND MEMBER QUESTIONS

### 29.1 Public Questions

The Chair reported that 2 questions were received in advance of the meeting. In accordance with legal advice, the Chair had rejected both questions in accordance with standing order 10.5 on the basis they were improper.

### 29.2 Statements and petitions

The Chair indicated that one member of the public had registered to make a statement in advance of the meeting.

Mr Featherstone made a statement in relation to agenda item 6 'Internal Audit Update, raising concerns about the outcomes of the Birkenhead Market internal audit investigation. Mr Featherstone reported that the investigation raised several significant issues of incidences of wrongdoing in relation to market campaigners and decision-making around the market and that the Council should refer the matter to the police, Crown Prosecution Service, and the external auditors.

### 29.3 Questions by Members

No member questions were received.

## 30 INTERNAL AUDIT UPDATE REPORT

The Chief Internal Auditor presented his report which identified and evaluated the performance of the internal audit service and included details of any issues arising from the actual work and items of note undertaken during the period 1 August to 30 September 2024. Notable work included outcomes of the Birkenhead Market Internal Audit Investigation, an audit review of processes involved in the decision-making and communications within and outside the Council regarding the tree removal works at Grange Road, and a summary of counter fraud activity undertaken.

Members of the committee discussed the counter fraud investigation. In response to queries, the Chief Internal Auditor confirmed that the costs of investigating fraud were minimal, ensuring a net benefit in recuperating costs, whilst also detailing campaigns undertaken to raise awareness for staff and the wider public of scams and fraudulent activity.

Members also discussed issues relating to transparency and communication from the outcomes of the Birkenhead Market and Tree Felling Internal Audit investigations. The Chief Internal Auditor reported that investigations were conducted in a comprehensive and open manner, and implementation of identified actions were underway. Updates on the progress of actions in respect of both investigations would be provided at future meetings.

**Resolved – That the report be noted.**

## 31 2023-24 STATEMENT OF ACCOUNTS FOR WIRRAL COUNCIL & MERSEYSIDE PENSION FUND

The Senior Finance Manager introduced the report of the Director of Finance which presented the final Statement of Accounts for 2023/24 and the Audit findings reports of Wirral Council and Merseyside Pension Fund. The draft accounts had been presented to the Committee on 31 July 2024, with a revised version presentation on 22 October 2024. Following the completion of

the Audit Findings Report for Wirral Council, the Committee were asked to approve the final 2023/24 Accounts (Council and Merseyside Pension Fund),

### **Resolved – That**

- 1. the changes to the draft 2023/24 Accounts, and the External Audit Findings Reports for Wirral Council and Merseyside Pension Fund, be noted.**
- 2. the final 2023/24 Accounts (Council and Merseyside Pension Fund) be approved as presenting a true and fair view of the Council's and Merseyside Pension Fund's income and expenditure for the year and their overall financial position.**
- 3. the Letters of Representation for Wirral Council and Merseyside Pension Fund be approved.**

## **32 2023/24 EXTERNAL ANNUAL AUDIT REPORT**

Representatives from the Council's external auditors Grant Thornton, introduced the report which identified key issues and findings relating to their audit of the Council's 2023/24 Value for Money arrangements for consideration by a wider audience across the Council, Pension Fund, and its key stakeholders. The Annual Audit Report made one statutory recommendation, two key recommendations and 12 improvement recommendations for the Council to implement. The Council's Management's response to those recommendations was also included in the report. The report related to the 2023/24 financial year, and as much time had passed, progress had already been made in addressing several of those recommendations.

Committee discussed the recommendations made within the report and management's responses. Members sought assurance that:

- The direct costs faced by the Council resulting from the increase in employer National Insurance contributions had been assessed, and that further work would be undertaken to assess the impact of indirect costs.
- Notwithstanding the national issue facing local authorities relating to the time limit on the statutory override for the Dedicated Schools Grant (DSG) deficit, that challenges and risks in the management and mitigation of the Council's DSG deficit were taking place.
- The actions taking place to mitigate increased placement costs for looked after children.
- Members would be provided with timely reporting of financial monitoring reports alongside oversight of the Council's change programme
- Committee would receive oversight of HR performance processes.

- Management of financial risks associated with decreased commercial property valuations were in place.

Members noted the importance of ensuring that processes were implemented for the Committee to receive oversight of work to address the recommendations going forward.

**Resolved – That the Annual Audit Report be approved for onward referral for approval to the Policy and Resources Committee and Full Council, and publication on the Council website.**

### 33 **TREASURY MANAGEMENT STRATEGY 2025/26**

The Senior Finance Manager introduced the report of the Director of Finance which presented the Treasury Management Strategy for 2025/2026. The strategy outlined the process for the management of the Council's cash flows, borrowing and investments, and risks associated with those activities. It was reported that Council had substantial sums of money both borrowed and invested and was therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. It was explained that the successful identification, monitoring and control of financial risk was therefore central to the Council's prudent financial management.

Members discussed how a diversification of investment within treasury management mitigated risks associated with market fluctuations.

**Resolved – That**

- 1. the report be noted; and**
- 2. The report be referred to Policy and Resources Committee with an onward recommendation to Council to approve:**
  - (1) The Treasury Management Strategy for 2025/2026, as set out in Appendix A to the report.**
  - (2) The Treasury Management Policy Statement, as set out in Appendix B of the report.**
  - (3) The Treasury Management Prudential Indicators for 2025/2026, as set out in Appendix C to the report.**

### 34 **INVESTMENT STRATEGY 2025/26**

The Senior Finance Manager introduced the report of the Director of Finance which presented the Investment Strategy 2025/2026 which fulfilled the requirement of the Ministry for Housing, Communities and Local Government (MHCLG) for local authorities to produce a separate investment strategy that covered non-treasury activities. It was reported that the particular investments outlined in this strategy were made by departments with a wider service objective or focus rather than for cash flow maintenance.

Members discussed risks associated with commercial property investments listed within the strategy and asked for further detail on the classification of the properties held and associated losses. Officers clarified that whilst the properties were held as investment properties in the Council's asset register, the properties were not acquired specifically for income generation, but rather as part of wider regeneration plans. Once the properties became part of active regeneration schemes, they would be reclassified as property, plant and equipment.

Members also discussed risks associated with loan commitments and financial guarantees to Edsential Community Interest Co (Edsential).

#### **Resolved – That**

- 1. the draft Investment strategy 2025/26 be noted including in relation to the scope of potential investment in the following activity areas:**
  - (a) Commercial Property;**
  - (b) Service Investments: Loans;**
  - (c) Service Investment: Shares; and**
- 2. The Policy and Resources Committee be recommended to endorse the Investment Strategy 2025/26 and refer to Council for approval.**

## **35 REVIEW OF CONTRACT PROCEDURE RULES**

The Director of Law and Corporate Services introduced the report that comprised the biennial review of the Council's Contract Procedure Rules (CPR) which regulate the way in which the Council's contracts were procured. It was reported that the last review took place in June 2022 and since then procurement law had been significantly changed by the Procurement Act 2023 which came into force on 24 February 2025. The review incorporated into the CPR references to the changes that were required when the Act came into force.

Members discussed the standard scoring model for contracts within the CPR, and queried why the social value scoring criteria for contracts valued at £100k

or above had been reduced from 15% to 10%. Officers confirmed that this change was intended to maximise the opportunities of Small and Medium Sized businesses (SMEs) to participate in procurement of Council contract and that a minimum score of 10% would allow those with less resources to be competitive in bidding for contracts. The committee also discussed how the Council could further support SMEs going forward.

### **Resolved – That**

- 1. the changes to the Contract Procedure Rules that are highlighted in Appendix 1 to the report be approved; and**
- 2. recommend to the Constitution and Standards Committee their adoption by the full Council as part of the Council's Constitution when the Procurement Act 2023 comes into force.**

## **36 REVISED CODE OF CORPORATE GOVERNANCE 2025**

The Director of Law and Corporate Services introduced the report which sought the Committee's approval of the Council's revised Code of Corporate Governance. It was reported that the Council's current Code of Corporate Governance was last reviewed in 2022. The Code had been revised to ensure compliance with Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Guidance/Framework for Delivering Good Governance in Local Government and to follow best practice.

The main changes to the Code were:

- The reflection of the new guidance for Statutory Officers; and
- New graphics to set out the interconnected nature of the seven Principles within the Good Governance Framework.

Members of the committee queried why reference to Social Value Policy had been removed in the revised Code. The Director of Law and Corporate Services clarified that reference had been removed from the Code as the policy was dated 2018 and was intended to be reviewed and updated. Members raised concerns with risks associated to removing this reference to social value.

Following a discussion, on a motion proposed by Councillor Tom Laing, Seconded by Councillor Stuart Kelly, it was therefore:

### **Resolved – That**

- 1. the revised Code of Corporate Governance at Appendix 1 to the report be approved, subject to the comments of the Audit and Risk Management Committee regarding the implication of removing the reference to the social value policy; and**
- 2. recommend to the Constitution and Standards Committee that the revised Code of Corporate Governance at Appendix 1 and the framework detailed therein, be included within the Council's Constitution and recommended for approval by full Council, subject to consideration of recommendation 1.**

## 37 **WORK PROGRAMME**

The Chair introduced the report of the Director of Law and Corporate Services which outlined the committee work programme. The work programme included all reports of a statutory and legislative nature and reports which were required to be reported to public sector audit committees during the municipal year for compliance with the Public Sector Internal Audit Standard.

In response to discussions during the meeting relating to value and classification of commercial assets, members requested a workshop on understanding financial risks associated with assets and investments. In addition, members requested a workshop to further discuss and understand the committee role in relation to ascertaining oversight and assurance that processes were in place to manage financial risks across the Council to ensure timely and accurate financial reporting and that there was member oversight of the transformation programme delivery. Furthermore, a committee report detailing assurance of performance management in Human Resources was requested.

**Resolved – That the work programme be updated to include:**

- a workshop on financial risks associated with assets and investments**
- a workshop on oversight of financial risk across the Council**
- a committee paper detailing assurance of staff performance management**