

# AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 24 November 2015

Present:

Councillor	J Crabtree (Chair)	
Councillors	RL Abbey	D Elderton
	C Blakeley	P Gilchrist
	A Davies	J Hale
	P Doughty	M Patrick

## 30 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 A Davies expressed a personal interest in Agenda Item 3, para 2.3a (Care Act 2014) by virtue of her role as Elected Member Carers Champion.

## 31 MINUTES

**Resolved: That the minutes of the meetings held on 22 September and 28 September 2015, be approved.**

## 32 INTERNAL AUDIT UPDATE

The Chief Internal Auditor introduced his report that identified and evaluated the performance of the Internal Audit Section and included items of note arising from the actual work undertaken during the period 1 September to 31 October 2015. The report focused upon:

- any items of note arising from audit work conducted;
- any issues arising that require actions to be taken by Members;
- performance information relating to the Internal Audit Service; and
- developments being undertaken to improve the effectiveness of the Internal Audit Service.

Members' attention was drawn specifically to a number of items of note that had been identified, which included:

- Care Act 2014
- Sport and Recreation(Leisure Centres)
- Foster Care Services

The Chief Internal Auditor reported that an audit had been undertaken of the implementation of the Care Act 2014. He informed that the Act replaces or repeals a number of pieces of legislation and guidance with most of the changes taking effect from this year. His report acknowledged the considerable amount of work that had been undertaken to date and identified a number of areas for further work to be undertaken by the department. The overall opinion was that risks identified during the review presented a 'moderate' risk to the organisation.

The Chief Internal Auditor informed that, at the request of Sports and Recreation senior management, an audit was undertaken to evaluate the efficiency and effectiveness of income procedures and controls in operation at the Council's Leisure Centres. He reported that actions were currently being implemented by management and that follow up audit work was scheduled for the next quarter to evaluate progress and the effectiveness of the actions taken and that the findings will be reported to Members.

The Committee heard that an audit had been conducted to determine whether controls in operation within key risk areas of the Fostering service are robust, providing reasonable assurance that the associated financial transactions were valid, focussing on:

- Payments to approved Foster Carers
- Sharing information between relevant parties

The Chief Internal Auditor reported that the audit identified a significant number of actions to improve operations and strengthen internal controls, mainly in relation to information sharing and systems access that were currently being implemented by senior management.

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

*Having earlier expressed a personal interest in this item para 2.3a (Care Act 2014), by virtue of her role as Elected Member Carers Champion, Councillor A Davies remained in the room whilst the audit review on the subject and associated risks were reported to the Committee.*

### 33 **INTERNAL AUDIT COUNTER FRAUD UPDATE**

The Chief Internal Auditor introduced his report that updated Members on the activities of the Counter Fraud Team within Internal Audit. The report covered the financial year 2014/15 and current year to date.

The Chief Internal Auditor informed that the remit of the team is to:

- Prepare relevant best practice policy and procedure;
- Facilitate cultural changes by raising awareness of fraud risks;
- Proactively manage risks by undertaking targeted work in key areas; and

- Investigate serious financial frauds committed against the Council.

The Audit and Risk Management Committee noted the various activities undertaken by the Counter Fraud Team during the year to combat fraud locally and details of a major counter fraud publicity campaign co-ordinated by Wirral across the Mersey region, to coincide with the International Fraud Awareness week.

The Chief Internal Auditor appraised Members on a recent media report concerning the sophisticated methods employed by fraudsters to obtain funds from an NHS Trust and Councils.

In response to a Member's question on the subject of money laundering the Chief Internal Auditor informed the Committee on the mandatory online training available to the Council's workforce. He reported that recent figures indicate that between 60-70% of staff have now undertaken the training, with arrangements currently under review for those have restricted access to the training module.

Councillor R Abbey, Vice-Chair commended the team on their work, noting that Wirral was held in high esteem for its efforts in the protection of the public purse.

The Chair echoed Councillor Abbey's comments, thanking the Officer for his report.

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

## 34 CORPORATE RISK REGISTER

The Risk and Insurance Officer presented the report of the Chief Executive, which advised that under the terms of the Council's Constitution, one of the functions of the Audit and Risk Management Committee was to provide independent assurance that the Council's Risk Management Framework was effective.

The report informed that a key output from the framework was the Corporate Risk Register and to support this Committee's work in considering the effectiveness of the framework, a report was now presented on a regular basis detailing the key risks facing the authority and how they were being managed.

The Risk and Insurance Officer highlighted a number of key areas covered in the report, namely:

- The potential impact of the National Living Wage, first discussed at the quarter 1 review. It was noted that given that the Council is a living wage employer this was not an issue in relation to the Council's own staff, however the Strategic Leadership Team (SLT) recognised that it could be a significant matter for contracted services. It was further

noted that at a corporate level it was viewed as a further pressure for the existing budget risk and not significant enough to be added to the corporate risk register as a topic in its own right.

- The new Council web-site had been successfully launched on 6 October 2015 and as a result SLT had decided that the existing corporate risk relating to the security and effectiveness of the web-site (DA3) should be removed from the register.
- A refresh of the corporate risk register was to be undertaken to take account of the Council Plan and Delivery Plan. A refreshed list of corporate risks was expected to be agreed by the end of January 2016.

Members raised concerns regarding the use of consultants which was linked to the 'red' risk whereby the scale and pace of change could exceed organisational capacity (PE1). The Head of Financial Services and Section 151 Officer informed that key senior interims had been engaged on a temporary basis to support the Wirral Plan, develop the transformational framework and provide the capacity. He advised that this approach enabled this short-term resource to start immediately being paid at the market rates determined by the recruitment agency.

A Member raised concerns regarding flood-risk in the borough, West Kirby in particular. The Risk and Insurance Officer highlighted the risk (EN2) as contained in the status of additional controls as appended to the report detailing the additional actions being taken to mitigate the risk, and progress to date. The Committee noted that an update on the subject would be reported to Members in the future.

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

## 35 **MANAGEMENT OF INSURANCE AND CORPORATE RISK**

The Risk and Insurance Officer introduced the report of the Acting S.151 Officer that set out the key actions to be taken in relation to corporate risk and insurance management during 2015/16.

The Risk and Insurance Officer summarised the report, detailing key actions that focussed on two significant areas of activity, namely:

- the provision of advice and support to Members and officers in developing the corporate risk management framework and processes; and
- risk financing which incorporates insurance procurement, management of the Council's Insurance Fund and claims management.

The Risk and Insurance Officer informed the Committee that, on the matter of 'Risk Appetite', the mechanism to consider and express the Council's appetite for the risks presented by the Wirral Plan and Delivery Plan had been

approved by the Strategic Leadership Team and that an initial data gathering exercise was currently underway, the outcome of which would be reported in January.

The Committee was informed that the Risk & Insurance function continually looked for opportunities to generate income by undertaking work for other organisations. Examples included the services provided to Academy schools in the area and a peer review for Sefton MBC. Members noted that Warrington Borough Council had recently invited expressions of interest from other authorities for a partnership arrangement for the delivery of their insurance services. The Risk and Insurance Officer informed that following discussions with Warrington this would not be pursued as both their strategic and operational approach could adversely impact on the delivery of Wirral's own services.

The Risk and Insurance Officer informed that the Council had participated in a national CIPFA/Alarm risk management benchmarking exercise. Whilst the Council had achieved scores which are higher than the exercise conducted last year there remained areas for improvement. He reported that actions aimed at addressing these areas will be incorporated into the review of the Council's Risk Management Policy which will be presented to the Committee in March 2016.

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

## 36 **PROPOSED REVISED CONTRACT PROCEDURE RULES**

The Head of Financial Services and Section 151 Officer introduced the report of the Head of Procurement that set out proposed revised Contract Procedure Rules. Members were told that the existing Contract Procedure Rules (CPRs) had been approved by Audit and Risk Management Committee on the 25 November 2013 and implemented on the 1 December 2013 and were subject to review every 2 years.

The Head of Financial Services and Section 151 Officer informed that the Head of Procurement had been unable to present his report, having recently suffered a heart attack whilst on business for the Council. Members expressed their best wishes for a speedy recovery.

The Head of Financial Services and Section 151 Officer reported that proposals to revise the CPRs had been based on the following principles:

- it had been two years since the CPRs were revised and adopted. During that time changes in legislation have included the new Public Procurement Regulations 2015, adoption of the Transparency Code 2014 for payment of invoices and a requirement to publish all contract activity over £5000;
- the CPRs implemented in December 2013 were primarily an adoption of Cheshire West and Chester CPR, on the basis that both authorities were

at that time progressing towards a shared service. Significant changes in legislation and Council structures had made it necessary for both Councils to revise their CPRs;

- the need to take account of current and potential future developments, for example, the Wirral Plan: Vision 2020, joint commissioning with other authorities and organisations, shared services within the Liverpool City Region and other councils, and the Council's role as commissioner of services with a variety of private, voluntary, community and faith organisations; and
- the need to integrate existing functions with new functions and responsibilities.

Committee were advised that the draft proposals had regard to legislative changes, changes within the Council and reflected examples of best practice from other authorities. The draft proposal took account of comments made from senior officers of the Council who were directly involved in the process of delivering contracts.

Members questioned the Officer on a number of points including particular contracts where the rules may not apply, best value, and actions / procedures for dealing with abnormally low quotes and/or tenders.

The Head of Financial Services and Section 151 Officer referred Members to an addendum to the report, requesting that the Committee agree to the inclusion of the wording that "The Chief Executive or the Section 151 Officer may authorise other Council officers to discharge the functions to be performed by officers named in these Rules / Regulations if the named officer is not available (for whatever reason) or the post they occupy is no longer on the Council's establishment."

**Resolved: That the revised Contract Procedure Rules (as amended) be agreed.**

### 37 **USE OF OFFICER DECISION NOTICES PERMITTED UNDER THE COUNCIL CONTRACT PROCEDURE RULES**

The Head of Financial Services and Section 151 Officer introduced the report of the Head of Procurement that informed the Committee of the range and number of contracts awarded which had been subject to Contracts Procedure Rules (CPRs) E111 - Extension/Variation, or Waiver and Rules E117 to E123 – Waiving the Rules, as required under the CPR.

The Committee noted the Report Appendix that detailed the cases subject to the Extension/Variation or Waiver rules for the period 1 April 2015 to 30 September 2015 - that required all contracts meeting the following criteria to be reported to Audit and Risk Management Committee, namely:

- a) a contract awarded where the total value of which exceeds £500,000;

- b) a variation or extension to a contract approved by the Director of Resources (S151 Officer) and by others as per the Appendix;
- c) a waiver or breach of the Contract Procedure Rules in relation to a contract which exceeds £50,000 in value.

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

## 38 FINANCIAL REGULATIONS

The Head of Financial Services and Section 151 Officer introduced his report that set out proposed revised Financial Regulations, in draft form, for consideration and approval by Audit and Risk Management Committee. He informed that the existing Financial Regulations had been approved in 2013 and it was good practice to periodically review, and where necessary update the Regulations.

The Head of Financial Services and Section 151 Officer referred Members to an addendum to the report, requesting that the Committee agree to the inclusion of the wording that “The Chief Executive or the Section 151 Officer may authorise other Council officers to discharge the functions to be performed by officers named in these Rules / Regulations if the named officer is not available (for whatever reason) or the post they occupy is no longer on the Council’s establishment.”

The Committee was informed that in addition to the Contract Procedure Rules (Minute 36 above), the Financial Regulations agreed two years ago also required further changes. Terminology had been updated to reflect the current structure of the council, legislative changes and latest best practice. References to the separate document Guidelines for Financial Systems had been removed as the regulations in operation since 2013 were now more comprehensive and had removed the need for separate guidelines outside of the Regulations. The Head of Financial Services reported on the most significant changes, namely:

- (i) Revenue and Capital Carry Forwards: The Regulations had been updated to limit the carrying forward of revenue budgets to circumstances where there was a specific requirement that would require initial approval from the Director of Resources (and/or section 151 Officer) and ratification by Members. Capital carry forwards would only be allowed where justification due to re-profiling of expenditure or other valid reasons had been clearly demonstrated. These changes reflect the environment of financial constraint the authority is and will be operating in to ensure resource allocation is maximised against priorities.
- (ii) Virements: the regulations had been updated to provide a clearer definition of what constitutes a virement. The regulations had also been updated and streamlined to outline the circumstances where officers can

approve virements without member authority and here member approval was required.

- (iii) Reserves: the regulations had been updated to formalise the existing practice of reserves being reviewed at least annually for appropriateness. This also reflected the environment of financial constraint the authority is and will be operating in to ensure resource allocation is maximised against priorities.
- (iv) Internal Audit. The Regulations had been updated to reflect the Public Sector Internal Auditing Standards and the Local Audit Accountability Act 2014. This included updating to the guidance on the Prevention of Fraud and Corruption.

**Resolved: That the Financial Regulations as detailed at the report appendix be agreed.**

## 39 EXTERNAL AUDIT - AUDIT COMMITTEE UPDATE

Mr Chris Whittingham of Grant Thornton UK LLP, the Council's external auditors, presented a report on progress in the delivering their responsibilities as the Council's external auditors. The report also included a summary of emerging national issues and developments of relevance to the Committee.

The Committee were informed that the external auditors were required to issue a detailed accounts audit plan to the Council setting out their proposed approach in order to give an opinion on the Council's 2015/16 financial statements.

Mr Whittingham reported on the potential requirements in the future relating to the value for money conclusion. This would be clarified following the consultation exercise by the National Audit Office who were now responsible for the Audit Code.

Mr Whittingham provided a brief update on a number of subjects which formed part of the his report, that included:

- Making devolution work: a practical guide for leaders
- Inward Investment: the business location index
- Audit Committee effectiveness reviews
- Supporting Members in Governance
- George Osborne's plans for local government to gain new powers and retain local taxes
- Delivery of local plans for new homes 2017
- Improving the efficiency of council tax collection

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



**EXTERNAL AUDIT - ANNUAL LETTER**

Mr Chris Whittingham of Grant Thornton UK LLP, the Council's external auditors, then presented the Annual Audit Letter for Wirral Council, which summarised the key findings arising from the work undertaken for the year ended 31 March 2015. This included:

- Financial statements audit - in which no significant issues were identified.
- An unqualified Value for Money conclusion for 2014/15 had been issued on 29 September, 2015.
- Review of the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. The external auditor reported that the Council's pack was consistent with the audited financial statements.
- Certification of housing benefit grant claim – the external auditor's work on the certification of the grant claim within the scope of the Audit Commission regime is ongoing. The detailed findings of the auditor's work will be reported to the Audit and Risk Management Committee upon its completion.

Members noted the fee for 2014/15 was £213,150, excluding VAT which was in line with the external auditor's planned fee for the year – having been set by the Audit Commission prior to its disbandment.

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