

# AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 19 November 2018

Present: Councillor AER Jones (Chair)

Councillors T Anderson JE Green  
A Davies J McManus  
D Elderton

Deputies: Councillors C Carubia (In place of P Gilchrist)  
S Foulkes (In place of RL Abbey)

## 33 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.

## 34 MINUTES

**Resolved – That the minutes of the meeting held on 24 September 2018, be approved.**

## 35 INTERNAL AUDIT UPDATE

Mark Niblock, Chief Internal Auditor, introduced his report that identified and evaluated the performance of the Internal Audit Service and included seven items of note arising from the actual work undertaken during the period 1 September to 31 October 2018. The items of note were:

- Integrated Commissioning Hub (ICH) - An audit had successfully been completed to examine and evaluate the control environment in operation regarding this key corporate initiative. Details were also provided of further work to be conducted during 2018/19 including a collaborative piece of work with officers from MIAA who provide internal audit services to the NHS.
- Risk Management - Audit work was scheduled in this area for the remainder of the year that included a consultancy assignment aimed at providing best practice guidance and support for officers involved with the implementation of the new arrangements.

- Code of Corporate Governance - Work had been undertaken in conjunction with colleagues from Legal Services to produce the draft Code of Corporate Governance which was a separate item of report on the meeting agenda.
- Windows 10 Project - Following discussion at the previous meeting of the Audit and Risk Management Committee, a targeted piece of audit work had commenced to evaluate the controls in place to manage and monitor the project's capital spend.
- Transaction Management; Personal Finance Unit - An audit had been conducted to review the key risks for the Personal Finance Unit (PFU). The focus of the audit was to assess whether the progress made and impact of actions agreed at a previous audit had effectively reduced risks to the Authority.
- Business Management; Insurance - A routine audit had been undertaken of the Insurance Function within Business Management as part of the Internal Audit Plan.
- Counter Fraud Publicity Campaign - Internal Audit was coordinating a week long Fraud Awareness Campaign aimed at both members of the public and staff members.

The Chief Internal Auditor further apprised the Audit and Risk Management Committee on outstanding audit recommendations, internal audit performance indicators and internal audit developments. He was pleased to report that, at the time of reporting there were no outstanding items and no significant issues arising. The Chief Internal Auditor also provided examples of work underway to improve the overall efficiency and effectiveness of the Internal Audit Service.

A Member questioned the Chief Internal Auditor on the funding pressures and planned risk share arrangements for the ICH project, identified in the report as 'significant'. The Member sought clarity on the matter and whether a resolution had been reached. The Chief Internal Auditor informed that working arrangements continued to be further developed and refined, and that the Committee would receive update reports in due course.

Members further questioned the Chief Internal Auditor on matters relating to the Personal Finance Unit, embedded service level agreement and delivery of the six recommendations agreed with senior management. The Committee was informed that a further follow-up review would take place in February 2019 to assess progress made with the implementation of the recommendations.

A Member questioned whether the fraud awareness e-learning course was mandatory and what completion statistics were available, The Chief Internal Auditor informed that although not compulsory, staff had been encouraged to complete this training, which was mainly targeted at front line staff, and statistics on the take up of training would be provided to Members.

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

## 36 **CODE OF CORPORATE GOVERNANCE**

Colin Hughes, Group Solicitor introduced a report of the Director: Governance and Assurance that sought the Committee's approval of the Council's revised Code of Corporate Governance. The Council's current Code of Corporate Governance was last reviewed in 2016.

The Group Solicitor informed that the Council's Code of Corporate Governance had been reviewed to ensure compliance with the CIPFA / SOLACE Guidance / Framework for the delivery of good governance in Local Government in a more succinct and clear fashion. He further informed that the document identified the collective responsibility of Cabinet Members, Officers and others involved in the Council's decision making process, policy making and procedures to ensure compliance with legislative requirements, governance principles and management processes.

Members noted the revised code that set out the new framework commitments, and listed examples of how these were to be achieved, the relevant policies, and documentation supporting each principle.

**Resolved – That**

- (1) the revised Code of Corporate Governance be approved; and**
- (2) RECOMMENDATION TO COUNCIL – that the Council's Constitution be updated to include the revised Code of Corporate Governance and new governance framework.**

## 37 **DEVELOPMENT OF THE REVISED CORPORATE RISK REGISTER**

The Director of Finance and Investment, S.151 Officer introduced her report that informed of the focus on enhancements to arrangements for managing risk which the Council is working to introduce. The report informed that ensuring that the leadership had a clear, shared, and current understanding of those risks was fundamental to that aim.

The Director of Finance and Investment referred Members to the report appendix that listed corporate risks by category (under headings of internal

and external risks) contained in the supplementary agenda paperwork. She informed that the report provided a progress update in relation to work that had been undertaken by the Strategic Leadership Team as reported to the meeting of the Audit and Risk Management Committee on 24 September 2018 (minute 27 refers).

The Director of Finance and Investment informed that a Risk Management Task and Finish Group had met to identify coverage and review in detail and identify personnel to continue this work. Members noted that a summary of the development work was also detailed in a separate report on the agenda 'Improvements to the Corporate Risk Management Framework'.

The Director of Finance and Investment advised Members that a progress update report was scheduled for consideration at the next meeting of the Audit and Risk Management Committee in January 2019.

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

38 **IMPROVEMENTS TO THE CORPORATE RISK MANAGEMENT FRAMEWORK**

The Director of Finance and Investment, S.151 Officer introduced her report that informed on how the Council was working to improve its arrangements for managing risk as part of a broader programme of enhancements to corporate governance. The report provided a progress update in relation to those actions and indicated others to be taken in the coming months. An earlier report to the Audit and Risk Management (ARM) Committee on 23 July 2018 (minute 8 refers) set out a number of actions aimed at supporting improvements. The Director of Finance and Investment informed that the report linked closely to earlier reports on the meeting agenda that provided an update on the work surrounding risk management and insurance that sought to support the Risk Management Framework and maintain successful management of the insurance programme.

In response to a question on training for Officers and Audit and Risk Management Committee Members, the Director of Finance and Investment informed of the potential for a training session in January 2019 to update Members on the content of the Corporate Risk Register.

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

39 **MANAGEMENT OF INSURANCE AND CORPORATE RISK**

The Director of Finance and Investment, S.151 Officer introduced her report that informed of progress made in relation to key actions planned for 2018/19 as reported to the Audit and Risk Management Committee at its 24 September 2018 meeting (minute 28 refers).

The report provided a regular update on the work around risk management and insurance in support of the Council's Risk Management Framework. The items of note were:

- Corporate Risk Register (subject of a separate report to the committee).
- Improvements to the Risk Management Framework (subject of a separate report to the committee).
- Traded Services for Schools and Academies. The Council's offer to schools in relation to risk and insurance services in 2019/20 had been developed as part of broader Traded Service arrangements. Procurement of Replacement Claims Management Information System. Research had been undertaken into the functionality of the different systems through site visits to local authorities which use those systems.
- Procurement of Motor Insurance and Engineering Inspection and Insurance Contracts. Work on this exercise had continued with the support of the Council's insurance brokers and the Procurement Team. A timetable has been agreed and the Invitation to Tender document was under development - to be published before the end of November 2018 with a deadline for responses of mid-January 2019.
- Liability Claims Handling. The insourcing of Highways Maintenance operations with effect from 1 October 2018 meant that the Council is now exposed to Public and Employers Liability claims which were previously the responsibility of BAM Nuttall.
- Insurance Fund Budget. Work had continued on the production of the Insurance Fund Budget for 2019/20. Whilst costs for some classes of insurance will be lower than in 2018/19 rises in other premiums may mean an overall increase in the Budget for the forthcoming financial year. The budget including the allocation between schools and the General Fund is to be presented to the meeting of this Committee scheduled for 28 January 2019.

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

#### 40 **EXTERNAL AUDIT PROGRESS REPORT**

Mr Robin Baker of External Auditor, Grant Thornton UK LLP presented the Audit Progress Report and Sector Update that summarised key findings arising from the work that the External Auditor had carried out in the delivery of its responsibilities as Wirral Council's external auditors, as at November 2018.

The External Auditor informed that planning for the 2018/19 audit was underway, and detailed plans were to be presented to the Audit and Risk management Committee at its January 2019 meeting. He added that audits in

respect of Housing Benefit and Teachers Pensions were due to be completed at the end-November 2018 and at present there had been no significant issues identified.

The Director of Finance and Investment apprised Members of work being undertaken with CIPFA on Financial Resilience and aspects of financial modelling and benchmarking.

In response to questions from Members on good practice, and in seeking reassurance on the matter of commercialism, Mr Baker informed that as the Council's auditor Grant Thornton could not advise the Council directly, but can share insights given their access to experts in the field.

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

41 **URGENT BUSINESS APPROVED BY THE CHAIR - CIPFA PRUDENTIAL AND TREASURY MANAGEMENT CODES**

The Chair announced consideration of an item of urgent business in respect of a Statement from Rob Whiteman (CIPFA Chief Executive) and Richard Paver (Chair of the CIPFA Treasury and Capital Management Panel on the outcome of the review of CIPFA's Prudential and Treasury Management Codes – that included modification to the controls and guidance related to increased commercialisation in the investment practices of local authorities.

The Chair informed that the matter had been brought to his attention by Councillor Jeff Green, and invited Councillor Green to present his concerns.

Councillor Green informed Members that he was aware of the guidance from CIPFA, and had requested that the matter be considered due to his specific concerns in relation to commercialism and the use of borrowing to fund commercial activities, risk appetite and risk mitigation – particularly in respect of the Council's Growth Company.

The Chief Internal Auditor informed that the Council was aware of the guidance and worked very closely on partnership matters and best practice matters. He further informed that when the updated code and detailed guidance was published it would be worked into the Council's existing financial management frameworks and monitored to ensure compliance.

The Chief Internal Auditor advised Members that the Council's Asset Strategy was in hand and he would ensure that the aforementioned guidance and code would be brought back to the Audit and Risk Management Committee, together with information on its application.