

# Public Document Pack

## AUDIT AND RISK MANAGEMENT COMMITTEE

Monday, 16 November 2020

Present:

Councillor K Hodson (Chair)

Councillors	S Whittingham	AER Jones
	J Bird	T Cox
	K Cannon	I Lewis
	K Greaney	S Kelly
	D Burgess-Joyce	

### 1 WELCOME AND INTRODUCTION

The Chair welcomed Members of the Audit and Risk Management Committee, Officers and viewing members of the public to the online, virtual meeting.

### 2 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 of interest were received.

### 3 MINUTES

**RESOLVED – That the minutes of the meeting held on 10 March 2020, and the special meeting held on 21 September 2020, be approved as a correct record.**

### 4 PUBLIC AND MEMBER QUESTIONS

The Chair informed the Audit and Risk Management Committee that no petitions, public questions, or requests to make a statement had been received.

### 5 INTERNAL AUDIT UPDATE

Mark Niblock, Chief Internal Auditor, introduced his report that summarised the work of the Internal Audit Service for the period 1 April to 31 October 2020, the report identified the significant impact of the Covid19 pandemic on

scheduled audit work and included an analysis of planned work for the remainder of 2020/21. The items of note were:

- The Impact of Covid19 on the Internal Audit Plan 2020/21
- Internal Audit Activity for the year to date
- Planned Internal Audit work for the remainder of the year; and
- Items of note arising from audit work undertaken.

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

The Chief Internal Auditor provided a brief update on internal audit activity over the reporting period, as attached at Appendix 1 to the report, and summarised progress being made by officers to address identified issues.

In response to questions from Members of the Audit and Risk Management Committee the Chief Internal Auditor informed that the Council continued to face significant challenges the forthcoming year and he and his team were discussing with colleagues, external bodies and partners ways to address these. He added that there was increased emphasis on the work involving the Wirral Growth Company – Governance and Financial aspects as a result of aspects of issues such as the loss of value commercial property arising from Covid19

Members further questioned the Chief Internal Auditor on his report, and the Director responded accordingly. Subjects included:

- Work undertaken in respect of the Birkenhead Commercial District to assess financial risk for the project; and
- Concerns expressed by Members re Woodchurch Road Primary School budget overspend. Identified as a combination of a number of issues that included school reporting arrangements to Governors, and lack of challenge and evaluation of information. Limited service support purchased by the school.

The Director of Resources also took the opportunity to respond to Member questions on key financial issues faced by the Council as a result of Covid-19. These included work already undertaken to ensure the sustainability of the Council's finances. These included:

- Regular reporting to the Policy and Resources Committee (7 October, 10 November)
- Significant difficulties to deliver savings and create income. Some funding from Central Government (but not 100%). £20m gap as at Q2 for this year.
- Council borrowing, and a 5 year recovery plan, to ensure a financially secure footing in the future.

- £70m of funding passported to local business; and
- Staff redirected to work on Covid, and impact on the renegotiation of contracts and/or delivering savings.

**RESOLVED – That**

- 1) the report be noted; and**
- 2) the revised Internal Audit Plan for 2020/21 be endorsed.**

**6 CHIEF INTERNAL AUDITORS ANNUAL REPORT AND OPINION 2019/20**

Mark Niblock, Chief Internal Auditor, introduced his report that summarised the Internal Audit Service plans and completed audits to review all relevant areas of risk. The report informed that the audit reports, including recommendations produced following audits are presented to managers. Members noted that a summary report was produced annually by the Chief Internal Auditor and an overall opinion provided as to the effectiveness of the Council’s control environment.

The report presented the Chief Internal Auditors Annual Report for 2019/20 that informed that the Accounts and Audit Regulations required that a local authority “shall maintain an adequate and effective system of internal audit”. The Audit and Risk Management Committee noted that in order to meet the statutory requirements the Internal Audit Section had conducted audits to review the operation of the internal control systems. The work had been conducted in accordance with Public Sector Internal Auditing Standards set by the Audit Practices Board, CIPFA and the Chartered Institute of Internal Auditors.

The Chief Internal Auditors Annual Report specified the Internal Audit assurance opinion on key areas of the Council’s activity for 2019/20.

Members further noted that the audits conducted during the year were principally planned to review the financial control systems in compliance with the requirements of the Accounts and Audit Regulations. However significant attention had also been paid to address key risks in the following areas:

- Performance Management,
- Counter Fraud and Corruption
- Corporate Governance,
- Risk Management,
- ICT Systems,
- Service Delivery.

Members questioned the Chief Internal Auditor on his report, and the Director responded accordingly.

The Chair expressed the support of the Audit and Risk Management Committee for the work undertaken by the Internal Audit Service.

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

## 7 **CORPORATE RISK MANAGEMENT UPDATE**

Shaer Halewood, Director of Resources introduced her report that provided an update on work in progress to review the Council's Corporate Risk Register and highlighted areas of risk management work in the coming year. The report informed how, to enable the Audit and Risk Management Committee (ARMC) to understand the Authority's most significant risks, Members receive a summary of associated mitigating controls and the risk management framework in order to fulfil its role of providing independent assurance of the Council's Risk Management Framework.

The Director of Resources' report informed that updates on the Council's risk management arrangements had been regularly reported to Audit and Risk Management Committee (ARMC) following the changes to the Risk Management Policy approved by the Committee in September 2017 and the significant refresh of the Corporate Risk Register in 2018/19.

The Director informed that, in March 2020, it was reported to the Committee that the Corporate Risk Register would undergo a detailed review and alignment to the Wirral Plan 2025 ahead of a discussion at a Member Risk workshop and reporting to the next ARMC. In light of events since March it was recognised that many of the controls may no longer be effective or have changed over the past 6-8 months. Similarly actions previously identified may have been superseded or no longer be relevant therefore a more in-depth review is required.

The Director of Resources' report further informed that due to COVID-19 the Wirral Plan 2025 was being refreshed to reflect the current situation and emerging Recovery Plans. This had led to the associated alignment of the Corporate Risk Register to the Wirral Plan being affected and delayed slightly. A Member Risk workshop had also taken place over the summer and the comments and suggestions from this session had been presented to the Senior Leadership Team (SLT).

The Audit and Risk Management Committee was apprised that the Senior Leadership Team had recently been debating the content of the Corporate Risk Register (CRR), reviewing the existing risks and new ones which had materialised over the past 9 months. The key question considered by officers had been what issues had affected the Council in achieving its priorities and objectives over the coming years? To help develop this further, Members were further apprised that SLT had been asked to consider the following four questions:

- Were these risks that SLT are most worried about and want to monitor and gain assurance that they are being well managed?
- Did the risk descriptions accurately reflect what is going on?
- Were the risks listed the right risks for inclusion at this level or can any risks be demoted and monitored at Directorate level?
- Was anything missing?

Members noted that a refreshed version of the CRR was to be presented to the next meeting of the ARMC.

Members questioned the Director of Resources on her report, and the Director responded accordingly.

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

## 8 PROCUREMENT UPDATE

Keith Patterson, Head of Commercial Procurement introduced his report that informed the Audit and Risk Management Committee of the range and number of contracts awarded which have been subject to Contracts Procedure Rules (CPR's) Rule 12 - Waiving the Rules and Rule 13 – Extension/Variation.

The report appendix detailed the contracts subject to the Extension/Variation or Waiver rules for the period 1 October 2019 to 30 September 2020, which under Contracts Procedure Rule 17 required that all contracts which met the following three criteria are reported to Audit and Risk Management Committee on a six monthly basis. The details were presented as a full 12-month period in the report as this had been the first committee meeting since pandemic controls were applied. The three criteria referenced were:

- a) Contract is awarded, the total value of which exceeds £500k
- b) Variation or extension to a contract approved by The Director of Resources
- c) Waiver of the Contract Procedure Rules in relation to a contract which exceeds £50k in value

The Head of Commercial Procurement referenced a summary of all approved documents, as follows:

- Exceptions 60
- Extensions 4
- Variations 33
- Awards 9
- Total 106

The Mr Patterson's report also included a summary of a number of key areas, namely:

**No PO No Pay** policy progress.

Transaction Type	Total Volume	Total Value	Total Volume	Total Value
Period	2019		2020	
Purchase Order	7,069	£34.9m	6,211	£45.1m
Retrospective Purchase Order	3,485	£20.7m	3,054	£18.1m
Non Purchase Order (free standing invoices)	9,271	£28.9m	4,840	£27.4m

**Electronic Transactions** - accounted for more than 50% of all transaction volumes and increases in both value and volumes.

**Departmental Analysis** of 'Free Standing' Invoices 2019/20 i.e. which services had been operating with transactions which had not been subject to a purchase order and in % terms to each service.

**Retrospective Purchase Orders** - transactions that occurred when a purchase order had been raised after the invoice had been received - three departments representing 79% of the overall total.

Members questioned the Head of Commercial Procurement on his report, and Mr Patterson responded accordingly.

**RESOLVED – That the Procurement Update Report be noted.**

## 9 **REGULATION OF INVESTIGATORY POWERS ACT 2000(RIPA)**

Philip McCourt, Director of Law and Governance (Monitoring Officer) introduced his report that informed the Audit and Risk Management Committee of the use by Council officers of the covert surveillance powers of the Council since January 2020.

The report set out how the Investigating Powers Commissioner (IPCO) was responsible for overseeing the operation of RIPA. IPCO inspected the Council on 17 December 2018. The outcome of that inspection was reported to the Committee on 11 March 2019. The Audit and Risk Management Committee at that time approved amendments to the Council's Policy and Guidance Document made in response to the Report. Further amendments were approved by the Committee at its meeting on 27 January 2020 to take account of the new Home Office Codes of Practice and guidance offered by the Investigatory Powers Commissioner on the legal framework surrounding visits by officers to social media sites during the course of their duties.

The report further informed that on 17 February 2020 officers obtained approval from a Magistrate to an authorisation granted by Mark Camborne (Lead Commissioner: Community Services and Resilience) to enable test purchases to be made by juveniles (under the supervision of Trading Standards Officers) from retailers who were suspected of selling e cigarettes to young persons under the age of 18. Under-age sales had been observed and appropriate enforcement action will be taken against the retailers concerned.

On 20 October 2020 officers obtained approval from a Magistrate to an authorisation granted by Mike Cockburn (Head of Service for Environment and Climate Emergency) to enable covert surveillance to be carried out at a site where there has been unlawful depositing of waste.

Members questioned the Director of Law and Governance on his report, and the Director responded accordingly.

**RESOLVED - That the use made by the Council of covert surveillance since January 2020 be noted.**

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