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AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 24 October 2023

Present: Councillor J Johnson (Chair)

Councillors GJ Davies I Lewis
P Basnett S Kelly
M Skillicorn J Grier (In Place of
Cllr N Graham)

14 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.

15 APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Naomi Graham. Councillor Judith Grier attended as substitute.

16 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.

The following declarations were made:

- Councillor Paula Basnett declared personal interests by virtue of being a Foster Carer, a member of the Town Deal Board and the Chair of Wirral Chamber of Commerce.
- Councillor Ian Lewis declared a personal interest by virtue of being the founder of a community group involved in a community asset transfer of Wallasey Village Library.

17 MINUTES

Members were invited to approve the accuracy of the minutes of the last meeting. Commenting upon minute item 13, The Chair highlighted recent developments relating to the Altana Social Impact Fund and alerted Members to be mindful of any further developments.

Resolved – That the minutes of the meeting held on 27 June 2023, be approved.

18 PUBLIC AND MEMBER QUESTIONS

18.1 Public Questions

It was reported that no public questions had been received.

18.2 Statements and petitions

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

Jonathon Meacher on behalf of David Owen spoke in relation to Item 10 'West Kirby Alleviation Scheme – Construction Contract Procurement and Project Costs' as a local resident with experience within the engineering sector. Mr Meacher highlighted his concerns in relation to the increases in costs relating to the West Kirby Flood Alleviation scheme, the length of time it had taken to complete the project and its compliance with planning conditions. Mr Meacher asserted that the Council had been let down by the project's contractors and that their performance should be subject to independent scrutiny. It was noted that Mr Owen had circulated a briefing note to committee members expanding upon his concerns.

18.3 Questions by Members

It was reported that no questions by members had been received.

19 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 undertaken during the period 1 June to 30 September 2023. Appendix 1 of the report outlined items of note, and planned work in Quarter 3 alongside Internal Audit Developments.

Members sought clarity on the actions highlighted in work undertaken to evaluate the effectiveness of the Council's agency workers contract with Matrix. In response to questions, the Chief Internal Auditor reported that the current contract was due to expire in May 2024 and it was therefore important to commence the recommission exercise imminently, however work to consider whether such a contract was the best solution for the Council going forward was required and this would be undertaken in advance of the recommissioning exercise.

Members also raised concerns relating to the reporting arrangements of regeneration schemes. The Chief Internal Auditor confirmed that an exercise was currently being undertaken to evaluate the effectiveness and efficiency of programme governance arrangements within Regeneration systems in operation across the Council and findings would be reported back to the committee.

Resolved – That the report be noted.

20 **INTERNAL AUDIT COUNTER FRAUD REPORT**

The Chief Internal Auditor presented his report which updated the Committee on the activities of the Corporate Counter-Fraud Team within the Internal Audit service. The report covered the work undertaken by the team during the previous 12 months, including the Council's involvement in the National Fraud Initiative and the annual Staff and Public Fraud Awareness Week campaign, which was set to be repeated this year from the 13 November 2023.

Members discussed communications relating to the upcoming Anti-Fraud week. The Chief Internal Auditor confirmed the Counter-Fraud Team would utilise internal communications alongside social media and the local press in order to reach staff and public.

Resolved – That the report be noted and that committee continues to support the work of the Counter Fraud Team.

21 **CORPORATE RISK MANAGEMENT UPDATE**

The Chief Internal Auditor presented a report of the Director of Finance which provided an update on activity related to the Corporate and Directorate Risk Registers and the Council's Risk Management arrangements. It was noted that the Council's Senior Leadership Team had recently met to undertake a review of the Corporate Risk Register (CRR). Following the review, the risks highlighted by Members at the previous Audit and Risk Management Committee meeting - Safeguarding and Special Educational Needs and Disabilities (SEND) – had been retained on the CRR. It was reported that a comparison of a sample of other organisations corporate and strategic risks had been carried out, the results of which were outlined in Appendix 2 of the report.

Members discussed the risks detailed within the Corporate Risk Register and raised concerns relating to risks associated with delivery of regeneration programmes. Members also sought assurance that there was sufficient workforce capacity and skills within the Regeneration Directorate to deliver programmes. It was affirmed that the Committee's upcoming risk workshops would explore these risks in further detail.

Resolved – That the report be noted.

22 **2021/22 STATEMENT OF ACCOUNTS FOR WIRRAL COUNCIL, MERSEYSIDE PENSION FUND AND ANNUAL GOVERNANCE STATEMENT**

The Senior Finance Business Partner introduced a report of the Director of

Finance which presented the amended final 2021/22 Statement of Accounts for Wirral Council and Merseyside Pension Fund, alongside an amended 2021/22 Audit Findings reports of Wirral Council. It was reported that the 2021/22 accounts were approved by Committee in March 2023. However, following changes to Internal Accounting Standard 19 (IAS 19) that had subsequently occurred following a national challenge by external auditors, the amended accounts were presented for approval. It was noted that the 2021/22 Annual Governance Statement was not affected.

Resolved – That

- 1. the changes to the 2021/22 Accounts, and External Audit Findings Report for Wirral Council be noted.**
- 2. the amended final 2021/22 Accounts (Council and Merseyside Pension Fund) be approved as a true and fair view of the Council's and Merseyside Pension Fund's income and expenditure for the year and its overall financial position.**
- 3. The letters of representation for Wirral Council and Merseyside Pension Fund be approved.**

23 WEST KIRBY FLOOD ALLEVIATION SCHEME - CONSTRUCTION CONTRACT PROCUREMENT AND PROJECT COSTS

The Assistant Director for Highways & Infrastructure presented a report of the Director of Neighbourhoods which detailed the procurement process relating to the construction contract of the West Kirby Flood Alleviation Scheme and project costs associated with the scheme, following a referral from the Environment, Climate Emergency & Transport Committee in March 2023 for the Audit and Risk Management Committee to consider concerns relating to the procurement of project and increased costs.

The Assistant Director outlined that the main construction contract final account had now been settled, with the full project costs set out within the report. It was reported that the main contract for the scheme was procured through the Environment Agency Collaborative Delivery Framework (CDF) which was considered to have provided several benefits including commercially tested value for money, a faster route to market collaborative working and contract efficiencies.

Addressing the project costs associated with the scheme, it was reported that overall costs had increased from £11.5m to £19.7m. The factors behind the increase in costs were outlined, relating primarily to differences in ground conditions from predictions, accommodation work for the Royal National Lifeboat Institution (RNLI), improved opening flood gates and inflationary price increases as a result of the global macroeconomic climate. Members were

informed that all additional costs had been met from additional grants in aid from the Environment Agency secured through a rigorous business case approval process.

It was further reported that a final Audit of the project grant funding had been undertaken by Department for Environment, Food & Rural Affairs (DEFRA) who were reassured of the legitimacy of the requirement for 5 major variations over the lifetime of the project.

Members discussed the procurement of the contract and factors behind increases in cost in detail. In response to queries, representatives from the Environment Agency and the Department for Environment, Food & Rural Affairs (DEFRA) in attendance provided assurance that the procurement process through the CDF framework was considered the most appropriate route to market for delivery of a project of this scale.

Whilst Members noted residual concerns relating to public engagement and the impact on business during the lifetime of the project, Members were assured by the scrutiny undertaken by DEFRA and the Environmental Agency. It was therefore

Resolved – That:

- 1. After considering the report to the Environment, Climate Emergency and Transport Committee on 14 March 2023 concerning the West Kirby Flood Alleviation Scheme; and**
- 2. The Background to the procurement of the contract and the reasons for the increases in costs of the project presented to the Committee,**
- 3. On the available evidence Committee is satisfied that the contracts for West Kirby flood defence works were procured in accordance with the law and administered in accordance with the requirements of those contracts.**

PROCUREMENT UPDATE - NO PO NO PAY

The Director of Finance presented his report which provide an update on the Councils 'No PO No Pay' policy. The report outlined improvements that had been made in relation to purchase order (PO) processing, supplier management and system controls since implementation of the Oracle Fusion system.

Members requested further data providing a breakdown of the number of purchase orders by volume and value, and retrospective orders for the previous year. It was agreed that the Director of Finance and Chief Internal

auditor would explore the inclusion of such data in future Internal Audit Updates and/or delivery by way of a briefing note.

Resolved – That the report be noted.

25 **UPDATE ON EXTERNAL AUDIT RECOMMENDATIONS 2020-21**

The Head of Finance – Corporate presented a report of the Director of Finance which provided an update on progress that had been made in addressing recommendations that were highlighted by the Council's External Auditors (Grant Thornton) in the Council's main audit 2020/21 Accounts in January 2022. Appendix 1 of the report outlined progress that had been made in addressing the recommendations highlighted. It was reported that a number of the recommendations were linked to the External Assurance Review reports published by Department of Levelling Up, Housing and Communities for which the actions were completed. In addition, Appendix 4 of the report provided Members with the Draft Procurement Strategy. The Head of Finance – Corporate clarified that Section 4 of the Procurement Strategy did not reflect current spend position, and that the updated position would be brought to a future committee meeting.

Members discussed the progress made against the recommendations highlighted within the report including the consideration of future investments in terms of its financial resilience, and the balance between social value and costs when procuring services.

Following a discussion relating to scrutiny of Council contracts, the Consultant Lawyer confirmed that primary responsibility for carrying out scrutiny functions in relation to contracts lay with the relevant policy and service committee that commissioned the contract in the first instance. If a contract was deemed to pose a systemic risk to the Council's finances, the Audit and Risk Management Committee could review the matter retrospectively.

Resolved – That

- 1. the report be noted; and**
- 2. The updated response to the external auditor's recommendations be approved for onward circulation to the Policy & Resources Committee.**

26 **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

Resolved – That, under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the

likely disclosure of exempt information as defined by paragraph 3 of Part I of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

27 **ACCOUNTING AND GOVERNANCE OF COMPANIES, COMPLEX ARRANGEMENTS AND UPDATE ON EXTERNAL AUDIT RECOMMENDATIONS 2020-21**

The Head of Finance – Corporate presented a report of the Director of Finance.

Resolved – That the recommendations as detailed in the report be noted and approved.

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