

## **AUDIT & GOVERNANCE COMMITTEE**

At a meeting of the Audit & Governance Committee held in the Authority Chamber - No.1 Mann Island, Liverpool, L3 1BP on Wednesday, 2nd October, 2019 the following Members were

### **P r e s e n t:**

|                       |                       |              |
|-----------------------|-----------------------|--------------|
| Councillor E Finneran | Overview and Scrutiny | Knowsley MBC |
| Councillor P Murphy   | Overview and Scrutiny | Sefton MBC   |
| Councillor Dr J Pug   | Overview and Scrutiny | Sefton MBC   |
| Councillor H Cameron  | Overview and Scrutiny | Wirral MBC   |
| Councillor P Hackett  | LCRCA                 | Wirral MBC   |
| Martin McDonagh       | Independent Member    |              |

### **27. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor David Baines and Councillor Sir Ron Watson CBE.

### **28. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **29. MINUTES OF THE LAST MEETING**

RESOLVED that the minutes of the last meeting held on 24 July were agreed as a correct record following an amendment to clarify that Councillor Edna Finneran represented Knowsley, and Councillor Paula Murphy represented Sefton.

### **30. INTERNAL AUDIT PERFORMANCE**

The Committee considered a report from the Head of Internal Audit providing an overview of the internal audit work which had been completed in the second quarter of the year. The Committee heard that there had been nine audits completed in the period.

Section four of the report concentrated on the Combined Authority audit work, which had largely been to provide advice and guidance on developing systems. There was more substantive internal audit work getting underway for the 'Households into Work' project and 'Housing First'.

The report also considered audit standards and key performance measures that had been adopted by internal audit and previously approved by the Audit and Governance Committee.

Section six of the report showed the results of Internal Audit's self-assessment against the public sector internal audit standards. Laura Williams explained there had been a dip in terms of the percentage of compliance, which had emanated from a more prudent assessment than was previously the case. A set of actions for improvement had been identified and would aid internal audit service on its modernisation journey.

Councillor Paula Murphy queried the overdue recommendations showing in the report and noted that a portion of those overdue were showing revised implementation dates which was concerning as they dated back to 2017/18.

It was explained that although a number of the recommendations dated back over the last three years each recommendation had a different priority level. Progress had been made on the overdue recommendations and at this stage; it was not causing any concern.

Section six of the report stated that performance had fallen behind what had been predicted for the period and Laura Williams provided an explanation as to how this had occurred. Some pieces of work had taken longer to complete than expected and the team had undergone significant changes with new auditors joining the team and new practices bedding in such as risk based auditing. The situation was being managed robustly and it had been made clear that work needed to be completed in the allotted time. Laura Williams reported that there was a great deal of work in progress and that she was confident that she would be able to share a more positive picture at the next meeting of the Committee.

RESOLVED – That:-

- (a) the progress made in the delivery of the approved Internal Audit Plan in respect of the Combined Authority be noted; and
- (b) the outcomes of the audit work undertaken during the period of the report be noted.

### **31. RISK MANAGEMENT UPDATE**

The Committee received the report of Laura Williams, Head of Internal Audit that provided an update on corporate risk management, which had been reviewed during the second quarter.

The Committee heard that there had been two changes to the Corporate Risk Register since it had last been to the Audit and Governance Committee. Risk five had been amended as a result of ongoing discussion around Brexit and the likelihood score of Risk six had been reduced as a result of a framework being presented to the LCRCA.

Section three of the report focused on risk appetite and it was reported that a piece of work on risk appetite was ongoing and that a set of recommendations were being developed for the Directors, which would then be shared with the Audit and Governance Committee.

Section four of the report explained that due to the newness of the Liverpool City Region Combined Authority there had been a bedding in period for service risk registers and that Heads of Service were currently reviewing and populating these. Once this process was complete, there would be a discussion with Directors to identify any crossovers between service areas and any gaps the process may have uncovered.

The Committee heard that Internal Audit played a key role in risk management and a recruitment was currently underway for a Risk Manager.

Councillor Paula Murphy thanked the Internal Audit team for their hard work on risk management as it had been identified as part of the external auditor's report as an area that needed improvement and clearly a lot of work had been done around risk management over the last few months. It was queried whether risk management would cause concern for the external auditors again this year or if it was in an acceptable position now.

Laura Williams agreed that after the criticism in the Value for Money conclusion in the CA's 2018/19 Statement of Accounts the internal audit team had undertaken significant work on facilitating the organisation to establish and embed a corporate risk register. It was hoped that this issue would not be highlighted again in any further external audit reports.

RESOLVED – That:-

- (a) the progress made in embedding the system of corporate risk management into the organisation be noted; and
- (b) the refreshed Corporate Risk Register be noted.

### **32. COUNTER-FRAUD UPDATE**

The Committee were presented with a Counter-Fraud update from the Head of Internal Audit, Laura Williams.

The report looked at fraud and corruption offences as well as the activities undertaken by Internal Audit to manage risk, identify corruption and prevent fraud. The role of Internal Audit was to focus the attention of the organisation to create an anti-fraud culture and a suite of policies had been created to raise awareness on this topic.

Section three of the report identified CIPFA guidelines for managing the risk of fraud and corruption in local government. Compliance with the code was currently at 85% as some areas had been identified to enhance and strengthen the system.

Section four of the report focused on proactive fraud work that Internal Audit had begun. It introduced specific fraud controls and it was explained that the LCRCA was taking part in a National Fraud Initiative that matched data across and between different organisations across the public sector to identify potential fraud or error.

Councillor Dr John Pugh queried the metrics studied in terms of identifying fraudulent activity in respect of insurance claims, and was advised that a piece of work on insurance claims was currently underway and it covered how the organisation interacts with insurers and the process they employ to detect any fraudulent claims.

RESOLVED that the report be noted.

### **33. BRIEFING NOTE ON THE AMENDMENTS TO THE LIVERPOOL CITY REGION COMBINED AUTHORITY SINGLE ENTITY STATEMENT OF ACCOUNTS 2018-19**

The Committee considered a briefing note presented by Sarah Johnston, Head of Finance, providing the amendments to the Liverpool City Region Combined Authority Single Entity Statement of Accounts 2018-19.

At the previous meeting of the Audit and Governance Committee in July, it was reported that the audit of accounts had not been completed and there were a few outstanding areas that the external auditors, Mazars had raised. The report highlighted two significant changes that had been made since the Committee last viewed the accounts.

Firstly, a recognition had been made of a capital grant to Merseytravel from the Combined Authority for new rolling stock expenditure. Previously this had been shown as an increase to capital finances but there had been a requirement to revert back to statutes and show this spend as a capital grant to Merseytravel from the Combined Authority.

The second change to the accounts concerned the treatment of cash between the Combined Authority and Merseytravel as Merseytravel had no powers to borrow or invest. As a result the Merseytravel accounts now showed an inter-group debtor relationship with the Combined Authority.

The finance department had discussed these changes to the accounts with Mazars technical team and they had indicated they were content with the changes and could progress to finalising the audit. The final accounts would then be presented at the Liverpool City Region Combined Authority meeting in November for consideration.

Councillor Paula Murphy queried if the delay in finalising the audit would have any negative effect for the Combined Authority as the accounts had not been signed off by the deadline.

It was explained that although it was good practice to have the audit finalised by the deadline, 40% of local authorities had failed to meet the statutory deadline this year as the external auditors had taken a much more robust approach.

It was noted that because the action taken had been a historical treatment, the finance department had to redo the accounts and create a third balance sheet.

RESOLVED that the contents of the briefing note be noted.

#### **34. CONSTITUTION UPDATE AND COMBINED AUTHORITY RETURNING OFFICER**

Louise Outram, Deputy Monitoring Officer, provided a report on the Constitution Update and the Combined Authority Returning Officer. The report reflected the evolution of the Combined Authority on its continued journey of alignment with Merseytravel and its constitution.

The changes proposed in the report related to the code of conduct which had been altered to ensure it was fit for purpose. Further changes had been made to the land procedure rules to allow officers of the Combined Authority to rent out part of its land e.g. office space in Mann Island. Changes had also been made to the contract procedure rules so that Merseytravel and the Combined Authority mirrored each other for clarity.

The report also proposed that officers be delegated the power to agree predevelopment funding for schemes under SIF to prevent any delays to delivery.

Louise Outram outlined a change to how the SIF fund was used in Section four of the report, which allowed for the allocation of different funding part way through a project in order to maximise delivery of Combined Authority projects. Any schemes that changed funding would form part of a quarterly report that would be presented to the Combined Authority as part of the SIF quarterly update.

The second half of the report focused on the 2020 elections for Metro Mayor with the returning officer identified as Tony Reeves, Chief Executive at Liverpool City Council.

Councillor Pat Hackett welcomed the proposed changes to SIF but suggested the report be clearer in terms of the % allocation to officers and how accountability would be built into the process.

Councillor Dr John Pugh queried the criteria for projects changing how they were funded and it was confirmed that any scheme would have to comply by the terms of each individual bit of grant funding if it was to move from one to the other.

It was suggested that the quarterly report that was to be submitted to the Combined Authority meeting was also submitted to the Audit and Governance Committee and that this was added to the recommendations of the report.

Concerning land transactions, Councillor Helen Cameron asked for some clarification on any other assets owned by Merseytravel and if there was a current register of assets that could be shared with the Committee.

Louise Outram explained that Merseytravel had various assets in the form of bus stops and travel centres and that the Mersey Tunnels and Mann Island belonged to the Combined Authority. Land belonging to Merseytravel was managed through the Merseytravel Executive and Combined Authority assets were currently dealt with at Combined Authority meetings. The report proposed that this function be delegated to officers of the Liverpool City Region Combined Authority.

RESOLVED – That:-

- (a) the report which sets out proposed revisions to the Liverpool City Region Combined Authority Constitution be considered;
- (b) the revised constitution in light of the proposed amendments set out in paragraphs 4.1 - 4.13 of the report and Appendices 1-3 be recommended to the Liverpool City Region Combined Authority;
- (c) whether any additional recommendations are to be made to the Combined Authority arising from the constitutional amendments proposed be considered; and
- (d) the LCRCA SIF update report be shared with the Overview and Scrutiny Committee.

Minutes 27 to 34 received as a correct record on the 2nd day of October 2019.

---

Chairperson of the Combined Authority

(The meeting closed at Time Not Specified)

