

LIVERPOOL CITY REGION AUDIT AND GOVERNANCE COMMITTEE

ANNUAL REPORT 2018/19



CONTENTS

	Pages nos.
Foreword by the Audit & Governance Committee Chair	3
Message from the Audit and Governance Vice Chairperson	4
Audit & Governance Committee Members 2018/19	5
Audit & Governance Committee Terms of Reference	6 - 9
Audit & Governance Committee Activity 2018/19	10
Audit & Governance Committee – Provisional Work Programme 2019/20	11
Audit & Governance Committee – Looking Ahead 2019/20	12

FOREWORD



Chairperson, Councillor Paula Murphy



Welcome to the 2018-2019 Annual Report of the LCR Audit and Governance Committee. I am pleased to present this report that highlights the work of the Committee over the last twelve months and also sets out the proposed work programme going forward for the Audit and Governance Committee for 2019/20.

I hope that this Annual Report helps to demonstrate the vital role that is carried out by the Committee and the contribution that it makes to the Combined Authority's overall governance. As with all Liverpool City Region Combined Authority Committees, scheduled meetings are open to members of the public and I would encourage residents within the City Region to come along and see the Committee in action.

I am pleased to advise that the Committee has continued to make progress in discharging its responsibility to provide independent assurance on the Combined Authority's control environment and governance framework. As highlighted in the body of this report, the Committee has been actively engaged with our Internal and External Audit functions and the results of their work. In addition, the Committee has taken a keen interest in governance developments including the Confidential Reporting/Whistleblowing Policy, the LCRCA Constitution and the LCRCA Publication Scheme.

I'd like to say a special thank you to the members of the public who attend our meetings and to the invited guests for providing the information to assist and advise the Committee in undertaking its duties.

Finally, I would like to express my gratitude to those officers who have, over the past year, attended the meetings to present reports and supported me as the Chairperson, along with the Vice Chairperson, in carrying out our roles.

Paula Murphy

Chairperson, Councillor Paula Murphy

MESSAGE

Vice Chairperson, Councillor Edna Finneran



It has been very rewarding to serve on the Audit and Governance Committees this year, as the Vice Chairperson.

It has been a learning experience that I have welcomed with audit jargon, terminology, practices and processes that have provided the Committee with assurances that the Combined Authority are discharging its functions correctly and appropriately.

There is still so much more to learn and to monitor and it is a responsibility that is not to be taken lightly.

I would like to thank the officer team, who have been supportive in providing training and explaining all the audit and governance terminology and provided the Committee with information and frameworks to assist us in monitoring the audit and governance arrangements.

Finally, I would like to thank my fellow councillors for their attendance and commitment to the Committee. We have once again worked together to achieve some common goals and fulfil our remit as the Audit and Governance Committee.

Edna Finneran

Vice Chairperson, Councillor Edna Finneran

AUDIT AND GOVERNANCE COMMITTEE MEMBERS 2018/19



Chairperson: Councillor Paula Murphy

Labour, Molyneux Ward

Sefton Metropolitan Borough Council



Vice Chairperson: Councillor Edna Finneran

Labour, Halewood South Ward

Knowsley Metropolitan Borough Council



Councillor Dr John Pugh

Liberal Democrat, Dukes Ward

Opposition Group Representative
Sefton Metropolitan Borough Council



Councillor Sir Ron Watson

Conservative, Dukes Ward

Opposition Group Representative
Sefton Metropolitan Borough Council



Councillor Derek Long

Labour, West Park Ward

Combined Authority Representative
St Helens Metropolitan Borough Council



Councillor Ian Maher

Labour, Netherton and Orrell Ward

Combined Authority Representative
Sefton Metropolitan Borough Council

AUDIT AND GOVERNANCE COMMITTEE TERMS OF REFERENCE

1. Composition

Membership

The Audit and Governance Committee will be composed of 7 Members as follows:

- (i) 6 elected Members which consist from the voting members of the Combined Authority and the Overview and Scrutiny Committee; and
- (ii) 1 Independent Member.

There will be no more than two Members of the Combined Authority on the Committee.

Chairing the Committee

The Chair shall be appointed annually from amongst the voting membership of the Committee at its first meeting following the Annual Meeting and before proceeding to other business.

Appointment

The Combined Authority shall appoint an Audit and Governance Committee at the Annual Meeting of the Combined Authority, which shall consist of:

- (a) members appointed from the voting members of:
 - (i) Combined Authority and
 - (ii) Overview and Scrutiny Committee, together with
 - (iii) another elected voting member as a substitute member of the Audit and Governance Committee to act in the absence of the member appointed above, in such a manner that the members of the Audit and Governance Committee taken as a whole will reflect, so far as reasonably practicable, the balance of political parties for the time being prevailing among members of the Constituent Councils when taken together;
- (b) at least one Independent Person, appointed through the prescribed procedure and who:
 - (i) is not a member, co-opted member or officer of the authority;
 - (ii) is not a member, co-opted member or officer of a parish council for which the authority is the principal authority;
 - (iii) is not a relative, or close friend, of a person within sub-paragraph (i) or (ii);and

- (iv) was not at any time during the 5 years ending with an appointment
 - (1) a member, co-opted member or officer of the authority; or
 - (2) a member, co-opted member or officer of a parish council for which the authority is the principal authority; and
- (c) such non-voting members may be co-opted from other organisations in such manner and at such times as the Audit and Governance Committee may decide.

Quorum

No business of the Audit and Governance Committee shall be transacted unless at least two-thirds of the voting members are present.

Meetings and Procedure

The Committee will conduct business in accordance with the overview and scrutiny rules, meeting standing orders, access to information rules and other standing orders, codes and protocols set out in Part 4 of this Constitution.

Delegation

The Committee may establish such sub-committees, panels and ad-hoc working groups as it considers expedient to assist it.

Statement of Purpose

The Audit and Governance Committee is a key component in the Combined Authority's Corporate Governance Arrangements. Its main objectives are to:

- provide assurance of the adequacy of the risk management framework and the associated control environment, including the Annual Governance Statement and other assurance statements;
- ensure that it properly reflects the risk environment and considers any actions required to improve it and to demonstrate how good governance supports the achievements of the Combined Authority's objectives; and
- promote and maintain high standards of conduct by Combined Authority Members.

Functions

The Combined Authority has delegated to the Audit and Governance Committee the following roles in order to advise the Combined Authority:

- (a) to satisfy itself that the Combined Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the Combined Authority's objectives;

- (b) in relation to the Combined Authority's internal audit functions:
- approve the Internal Audit Charter, Quality Assurance & Improvement Programme and Code of Ethics for Internal Audit.
 - approve the risk-based internal audit plan, including any significant interim changes to the plan
 - monitor compliance with the Public Sector Internal Audit Standards.
 - consider the Head of Internal Audit's Annual Report
 - oversee its independence, objectivity, performance and professionalism;
 - support the effectiveness of the internal audit process; and
 - promote the effective use of internal audit within the assurance framework;
- (c) to consider the effectiveness of the Combined Authority's risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations;
- (d) to monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the Combined Authority's exposure to the risks of fraud and corruption;
- (e) to consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control;
- (f) to support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process;
- (g) to review the accounting policies, financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit;
- (h) to promote and maintain high standards of conduct by Members;
- (i) to assist Combined Authority Members to observe the Combined Authority's Code of Conduct for Members;
- (j) to advise the Combined Authority on the adoption, revision or replacement of the Combined Authority's Code of Conduct for Members and the Combined Authority's Arrangements for Dealing with Complaints that Combined Authority Members have failed to comply with the Combined Authority's Code of Conduct for Members ("the Authority's Arrangements");

- (k) to monitor the operation of the Combined Authority's Code of Conduct for Members and the Authority 's Arrangements;
- (l) to advise, train or arrange to train Combined Authority Members to observe the Combined Authority's Code of Conduct for Members;
- (m) to determine, in accordance with the Authority's Arrangements, whether a Member has failed to comply with the Combined Authority's Code of Conduct for Members and, if so, to determine what action (if any) to take in respect of the Combined Authority Member, such actions to include: –
- publication of the findings of the Combined Authority's Standards Committee in respect of the Subject Member's conduct;
 - reporting the findings of the Combined Authority's Standards Committee to the Combined Authority for information;
 - recommendation to the Combined Authority that the Subject Member should be censured;
 - instructing the Combined Authority's Monitoring Officer to arrange training for the Subject Member; or
 - recommendation to the Combined Authority that the Subject Member should be removed from all appointments to which the Subject Member has been appointed or nominated by the Combined Authority;
- (n) to determine appeals against the Monitoring Officer's decision on the grant of dispensations;
- (o) to report to the Combined Authority on the Committee's findings conclusions and recommendations concerning the adequacy and effectiveness of the Authority's governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions; and
- (p) to report to the Combined Authority on the performance of the Committee in relation to its Terms of Reference and the effectiveness of the Committee in meeting its purpose.

AUDIT AND GOVERNANCE COMMITTEE ACTIVITY 2018/19

<p>Meeting: 17 October 2018</p> <p><i>Items covered:</i> Internal Audit Performance Q1 and Q2 KPMG Annual Audit Letter</p> <p>Appointment of Independent Member – <i>Update</i></p>
<p>Training: 13 December 2018</p> <p><i>Training session:</i> Internal Audit and Risk Management</p>
<p>Training: 23 January 2019</p> <p><i>Training session:</i> Governance arrangements</p>
<p>Meeting: 23 January 2019 (Inquorate meeting, items referred to 20 March 2019)</p> <p><i>Items covered:</i> Internal Audit Performance Q3 External Audit Plan 2018/19 Governance Update – LCRCA Constitution, Information Management & Publication Scheme and Confidential Reporting/Whistleblowing Policy Risk Management Update</p> <p>Work Programme 2018/19 - <i>Update</i></p>
<p>Meeting: 20 March 2019</p> <p><i>Items covered:</i> Internal Audit Performance Report Q3 and Q4 Internal Audit Plan 2019/20 External Audit Plan 2018/19 Counter Fraud Policies Risk Management Update Accounting Policies</p> <p>Audit & Governance Committee Proposed Forward Plan for 2019/20 Audit and Governance Committee Annual Report 2018/19</p>

There has also been progress on the appointment of the Independent Member to serve on the Committee for the 2019-20 year in accordance with good practice for audit committees outlined by CIPFA in their publication “Audit Committees: Practical Guidance for Local Authorities and Police” (2018 Edition).

AUDIT AND GOVERNANCE COMMITTEE

Provisional Work Programme for 2019/20

The Committee would like to propose the following provisional work programme for 2019/20

DATES	AGENDA ITEMS
24 July 2019	<p>Internal Audit</p> <ul style="list-style-type: none"> • Head of Internal Audit Annual Report and Opinion 2018/19 • Draft Pre-Audit Accounts (including Annual Governance Statement) • Internal Audit Performance Report (Q1) • Risk Management Update <p>Finance</p> <ul style="list-style-type: none"> • Final Accounts 2018/19 <p>Governance</p> <ul style="list-style-type: none"> • Member Code of Conduct – Review • Mazars ISA 260 Report
16 October 2019	<p>Internal Audit</p> <ul style="list-style-type: none"> • Internal Audit Performance Report (Q2) • Risk Management Update <p>Finance</p> <ul style="list-style-type: none"> • Mazars Annual Audit Letter <p>Governance</p> <ul style="list-style-type: none"> • Governance Update (Information Management – Breaches, Conduct and Complaints and Whistleblowing)
15 January 2020	<p>Internal Audit</p> <ul style="list-style-type: none"> • Internal Audit Performance Report (Q3) • Risk Management Update <p>Finance</p> <ul style="list-style-type: none"> • External Audit Plan 2018/19
22 March 2020	<p>Internal Audit</p> <ul style="list-style-type: none"> • Internal Audit Performance Report (Q4) • Internal Audit Plan 2019/20 • Risk Management Update • Risk Management Policy <p>Finance</p> <ul style="list-style-type: none"> • Accounting Policies (revised) • External Audit Plan 2018/19 <p>Governance</p> <ul style="list-style-type: none"> • Counter Fraud Policies (revised where appropriate) • Audit & Governance Annual Report 2019/20 & Review of Effectiveness • Schedule of A&G Committee Dates & Forward Plan 2020/21

AUDIT AND GOVERNANCE COMMITTEE



Looking Ahead to 2019/20

Audit and Governance plays an important role in challenging performance and driving improvement and needs to be as effective as possible.

Areas of Focus for 2019/20

AREA OF FOCUS	COMMENTS
<p>Developing effectiveness of the Committee in accordance with good practice for audit committees outlined by CIPFA in their publication "Audit Committees: Practical Guidance for Local Authorities and Police" (2018 Edition).</p> <p>Further training for members to support development and increase effectiveness.</p> <p>This will enable Committee members to assess their own compliance with the guidance and report on this in 2019-20.</p>	
<p>To coincide with the review of the Constitution of the LCRCA, the Terms of Reference for the Committee will be updated to comply with the CIPFA publication "Audit Committees: Practical Guidance for Local Authorities and Police" (2018 Edition).</p>	