

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 20th March 2019 the following Members were

Councillor P Murphy (Chair)	Overview & Scrutiny	Sefton MBC
Councillor E Finneran (Vice-Chair)	Overview & Scrutiny	Knowsley MBC
Councillor D Long	LCR Combined Authority	St Helens MBC
Councillor I Maher	LCR Combined Authority	Sefton MBC
Martin McDonagh	Independent Member	

4. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Dr John Pugh and Councillor Sir Ron Watson OBE.

5. DECLARATIONS OF INTEREST

There were no declarations of interest.

6. MINUTES OF THE PREVIOUS MEETINGS

RESOLVED – That the minutes of the following meetings of the Audit and Governance Committee be approved as a correct record:-

- a) 17 October 2018; and
- b) 23 January 2019.

7. LIVERPOOL CITY REGION COMBINED AUTHORITY INTERNAL AUDIT PERFORMANCE

The Committee considered a report from the Head of Internal Audit which provided an overview of the internal audit work which had been completed for the period 1 October 2018 – 28 February 2019 in accordance with the Internal Audit Plan 2018-19.

Laura Williams, Head of Internal Audit, informed the Committee that the volume of grant assurance work had increased during the period 1 October 2018 – 28 February 2019, which was as a result of the development of the Combined Authorities activities during this period.

Members were further informed that during this period the Internal Audit Plan provided 220 days for internal audit activity, however, due to development of systems for the Adult Education Budget and Housing First project the 220 days had been exceeded.

RESOLVED – That:-

- (i) the progress made in the delivery of the approved Internal Audit Plan in respect of the Combined Authority be noted; and

- (ii) the outcomes of the audit work undertaken during the period of this reported be noted.

8. LIVERPOOL CITY REGION COMBINED AUTHORITY INTERNAL AUDIT PLAN AND CHARTER 2019-20

The Committee considered the report of the Head of Internal Audit which set out the Internal Audit Plan of work and the Internal Audit Charter for 2019-20.

Laura Williams, Head of Internal Audit, informed Members that the proposed plan of internal audit work in respect of the LCR Combined Authority for 2019-20 was presented for their consideration. Furthermore, in the interests of transparency, the planned internal audit work for Merseytravel was also contained in the report.

It was reported that the Internal Audit Plan was a key requirement of the Public Sector Internal Audit Standard. Recognising that the Combined Authority was undertaking increased business the Plan was reflective of the changing risk landscape of the organisation.

The Committees attention was drawn to Appendix One of the report now submitted which set out that 1377 audit days had been identified for 2019/20, this included 60 days provided by Salford Council's Internal Audit Services for the provision of technical ICT audit. Members were informed that this projection was more prescriptive than previous audit plans and outlined the audit work to be delivered for the Combined Authority and Merseytravel during 2019-20.

Section 5 of Appendix One provided details of a number of Corporate Systems which were provided by Merseytravel to both Merseytravel and the Combined Authority. Members were informed that the monitoring of these systems and the audit findings would be reported to them during 2019-20.

Section 6 of Appendix One highlighted that there were a number of systems which were specific to the activities of the Combined Authority and included Adult Education Budget, Housing First, Single Investment Fund, Mayoral Projects, Households into Work and Local Enterprise Partnership (LEP). Section 7 set out specific systems related to the activity of Merseytravel, which would be within the remit of the Merseytravel Audit, Risk and Governance Board and would not routinely be reported to this Committee.

Section 8 summarised the performance indicators which would be used to measure the delivery of the Internal Audit Plan. The performance indicators had been identified to ensure that the service was developing quality and effectiveness as part of the Quality Assurance and Improvement Programme (QAIP). The Committee was informed that the Audit Plan used a risk-based approach to ensure the consideration of risk was prominent across both organisations.

The Committee was advised that the annual Audit Charter set out the role of internal audit and there had been no significant changes to the Charter.

Councillor D Long welcomed the Internal Audit Plan and in doing so sought clarity on the 16 days allocated for CIPFA business for Merseytravel when there had been no such allocated for Combined Authority CIPFA business. Furthermore, he also sought confirmation that given the large scale of the Adult Education Budget programme would the audit days allocated be sufficient.

The Committee was informed that the 16 audit days allocated for CIPFA business would cut across both Merseytravel and the Combined Authority due to the Internal Audit Team providing the services to both organisations. With regards to the Audit days allocated for the Adult Education Budget programme, Members were advised that the 16 audit days was anticipated to be sufficient.

Councillor P Murphy referred to the operation of the Internal Audit Team and it conducting work for both Merseytravel and the Combined Authority. She sought clarity on whether the increased activity had been fully budgeted.

Members of the Committee were informed that there had been a significant increase in Combined Authority activity and the Audit Plan had reflected this. It was recognised that to support the work of the Combined Authority additional resource was required and there had been a recent appointment to support this.

RESOLVED – That:-

- (i) the Internal Audit Plan 2019-20 be approved; and
- (ii) the Internal Audit Charter 2019-20 be approved.

9. EXTERNAL AUDIT PLAN 2018/19

The Committee considered the External Audit Plan 2018/19, of the appointed External Auditors, Mazars.

Chris Whittingham, Senior Manager, Mazars presented the Audit Strategy Memorandum for the Liverpool City Region Combined Authority for the year ending 31 March 2019. Members were provided with a summary of how the external audit was conducted and were informed that the findings of the External Audit Plan 2018/19 were presented to the LCR Combined Authority for their consideration and approval.

Members attention was drawn to the section relating to significant risks and key judgement areas, whilst a number of the entries were common to most public sector organisations, however, further work would be undertaken in respect of the tunnels income stream to assess the controls operating over this income. Chris Whittingham summarised the Value for Money conclusion for the 2018/19 financial year, which included the continued development and embedding of risk management arrangements and to address the quoracy issues associated with the Overview and Scrutiny Committee and this Committee.

RESOLVED – That:-

- (i) the external audit plan of work for 2018/19 proposed by the appointed External Auditors be approved; and
- (ii) further updates be provided as appropriate.

10. LIVERPOOL CITY REGION COMBINED AUTHORITY COUNTER-FRAUD POLICIES

The Committee considered the report of the Head of Internal Audit which provided the Counter-Fraud policies for the organisation for Members consideration.

The Head of Internal Audit informed Members that 5 Counter-Fraud policies had been reviewed and updated. Furthermore, with regards to the Confidential reporting ('Whistleblowing') Policy a reporting form had been included.

RESOLVED – That the following Counter-Fraud Policies be approved:-

- (i) The Confidential Reporting ("Whistleblowing" Policy);
- (ii) The Anti-Bribery Policy;
- (iii) The Anti-Money Laundering Policy;
- (iv) The Surveillance Policy; and
- (v) The Investigation Protocol.

11. RISK MANAGEMENT UPDATE

The Committee considered a report from the Head of Internal Audit which provided an update on the system of corporate risk management and the activity which had been undertaken to embed an effective risk management system within the organisation.

Laura Williams, Head of Internal Audit, reported that the role of the Internal Audit team was to embed risk management arrangements across the organisation and to also maintain independence to be able to conduct internal audit matters. Members were informed that significant progress had been made in reviewing the Corporate Risk Register and the Risk Management Policy to ensure they were both able to reflect the work of the LCR Combined Authority and Merseytravel.

Councillor D Long welcomed the report and noted that it was important that one of the key areas of risk related to programme delivery. He emphasised the importance of ensuring that this risk was mitigated through increased staffing capacity.

John Fogarty, Director of Corporate Resources, reassured the Committee that additional staffing capacity was being secured for areas such as audit, finance, investment and policy to ensure risk was mitigated with the various funding sources received from Central Government. In conclusion, Members were advised that a regular risk update could be provided to this Committee.

Councillor D Long, also highlighted the reputational risk for the LCR Combined Authority, with large scale projects such as the Adult Education Budget.

RESOLVED – That:-

- (i) the progress made in embedding the system of corporate risk management into the organisation be noted;
- (ii) the refreshed Combined Authority Corporate Risk Register be noted; and
- (iii) the revised Risk Management Policy be approved.

12. ACCOUNTING POLICIES

The Committee received a presentation from Sarah Johnston, Head of Finance, which provided Members with an opportunity to review the Accounting Policies of the LCR Combined Authority.

Members were informed that the CIPFA Code required local authorities to prepare their financial statements in accordance with the International Accounting Standards Board (IASB) framework for the preparation and presentation of financial statements. The Code also specified many of the accounting policies and estimation techniques to be used in the preparation and presentation of financial statements.

The presentation set out the following:-

- The role of Audit and Governance Committee when reviewing the accounting policies;
- Set out the outcomes of the review which included updating the accounting policies to reflect changes in accounting standards IFRS 9 Financial Instruments and IFRS 16 Revenue Recognition;
- Highlighted the proposed changes to the Accounting Policies for 2018/19, which included:-
 - Accruals of Income and Expenditure be updated to reflect new guidance on revenue recognition;
 - Charges to Revenue be updated to include explicit reference to minimum revenue provision;
 - Post Employment Benefits be updated to improve explanation and details of how charges are reflected in the Income and Expenditure Account;
 - Fair Value policy included to provide more clarity on application of accounting standard;
 - Financial Instruments accounting policy completely rewritten to reflect new accounting standard implemented with effect from 2018/19;
 - Interests in Companies and Other Entities – policy has been expanded to make explicit that an assessment of authority's interests is carried out annually to identify subsidiaries, associates and jointly controlled entities.

RESOLVED – That the changes to the Accounting Policies 2018/19 be approved.

13. GOVERNANCE UPDATE

The Committee considered the report of the Monitoring Officer which provided an update on the work being undertaken to update the Constitution of the Liverpool City Region Combined Authority (LCRCA), review the terms of reference for the Audit and Governance Committee and sought the appointment of an Officer to the position of Senior Information Risk Owner for the LCRCA.

It was reported that recommendation e contained within the report did not require approval as this had been considered elsewhere on the agenda.

RESOLVED – That:-

- (i) the work being undertaken to update the LCRCA Constitution be noted;
- (ii) the terms of reference for the Audit and Governance Committee be noted;

- (iii) the Information management policies and arrangement be recommended to the LCRCA for their approval; and
- (iv) recommend to the LCRCA the appointment of John Fogarty as the Senior Information Risk Owner for the LCRCA.

14. LOCAL GOVERNMENT ETHICAL STANDARDS - A REVIEW BY THE COMMITTEE ON STANDARDS IN PUBLIC LIFE

The Committee considered a report of the Monitoring Officer which reported on the outcome of the Committee on Standards in Public Life Review of Local Government Ethical Standards.

Jill Coule, Monitoring Officer, informed Members that the standards regime for Elected Members had been overhauled following the introduction of the Localism Act 2011, which included the abolition of the Standards Board for England. Since then the Committee on Standards in Public Life had raised a number of concerns as to whether the revised sanctions were adequate. As a consequence of this the Committee on Standards in Public Life had undertaken a review of Local Government Ethical Standards.

Member's attention was drawn to section 3.5 of the report which summarised the recommendations and in section 3.7 identified best practice arising from the Review.

The Committee noted the implications of Best practise 14 for the LCR Combined Authority and that consideration would be given to the acceptability of this for the LCR Combined Authority.

RESOLVED – That:-

- (i) the report and contents of the review be noted; and
- (ii) the actions contained within paragraph 3 in relation to the Best Practise recommendations be endorsed.

15. LIVERPOOL CITY REGION COMBINED AUTHORITY AUDIT AND GOVERNANCE COMMITTEE ANNUAL REVIEW FOR 2018/19

The Committee considered a report which set out its Annual Review of the work undertaken during 2018/19 and proposed a forward plan for how the Committee would discharge its functions during 2019/20.

RESOLVED – That:-

- (i) the Audit and Governance Committee Annual Review for 2018/19 at Appendix 1 of the report now submitted be agreed; and
- (ii) the proposed programme of meetings and provisional work programme for the Audit and Governance Committee for 2019/20 be agreed.

Chairperson of the Audit and Governance Committee