

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 24th July 2019 the following members were in attendance

Councillor E Finneran	Overview & Scrutiny	Sefton MBC
Councillor P Murphy	Overview & Scrutiny	Knowsley MBC
Councillor Dr J Pugh	Overview & Scrutiny	Sefton MBC
Councillor H Cameron	Overview & Scrutiny	Wirral MBC
Martin McDonagh	Independent Member	

16. **Appointment of Chair for 2019/20**

Councillor Paula Murphy nominated Councillor Edna Finneran to be the Chairperson of the Liverpool City Region Audit and Governance Committee.

This was seconded by Councillor Dr John Pugh.

RESOLVED that Councillor Edna Finneran be appointed as the Chairperson of the Liverpool City Region Audit and Governance Committee for the remainder of the municipal year.

17. **Appointment of Vice Chair for 2019/20**

Monitoring Officer Jill Coule invited nominations from the members for the Vice-Chair of the Audit & Governance Committee for 2019/20. Councillor Edna Finneran nominated Councillor Paula Murphy to be the Vice Chair of the Liverpool City Region Audit and Governance Committee. This was seconded by Councillor Dr John Pugh.

RESOLVED - That Councillor Paula Murphy be appointed as the Vice Chair of the Liverpool City Region Audit and Governance Committee for the remainder of the municipal year 2019/20.

18. **Apologies for Absence**

Apologies for absence were received from Councillor David Baines, Councillor Pat Hackett and Councillor Sir Ron Watson OBE.

19. **Declarations of Interest**

There were no declarations of interest.

20. **Minutes of the last meeting held on 20th March 2019**

RESOLVED - That the minutes of the previous meeting of the Liverpool City Region Audit and Governance Committee held on 20 March 2019 be approved as a correct record.

21. **Head of Internal Audit Annual Report and Opinion 2018-19**

The Committee received the Internal Audit Annual Report and Opinion for 2018-19 of the Head of Internal Audit, Laura Williams. The report gave an overview of the work undertaken by the Internal Audit department for the Liverpool City Region Combined Authority (LCRCA) over the last financial year.

Head of Internal Audit, Laura Williams noted that the majority of work undertaken had been to provide advice and support on the creation and implementation of new systems in the LCRCA as they were developed and therefore there had been less traditional audit work delivered. Advice and guidance had been provided on key areas of the LCRCA such as the Adult Education Budget and Housing First, and there had also been considerable time spent on assurance of the grant regime as more grants had become available over the last 12 months.

The Committee were informed that Risk Management had also been integral in forming the Head of Internal Audit's Opinion for 2018/19 as the Risk Register was introduced late in the year after being finalised in January and arrangements had been developing and becoming embedded since then.

The Head of Internal Audit provided an 'Inadequate' opinion with good capacity for improvement. It was explained that Inadequate reflected the development of the LCRCA and its processes during the year, and the fact that risk management arrangements had not been in place for the whole year.

Councillor Dr John Pugh sought clarity on the Internal Audit Opinion for the LCRCA and if improvements were needed for Merseytravel as well as it was a longstanding organisation.

It was explained that the opinion provided for Merseytravel was separate to the LCRCA and that it had very well embedded procedures in place

Councillor Paula Murphy thanked the Head of Internal Audit and the team for the work they have undertaken, and also thanked officers for the report which she felt was in a more readable format than previous years. She sought clarification on whether all grants were audited and also on whether Internal Audit anticipated any changes in the type of audit work they would be engaged in moving forward.

Laura Williams reported that grants were audited on the basis of materiality or if it was stipulated in the grant agreement. In respect of the audit work for next year, Internal Audit anticipated a return to more traditional audit functions after the last two years which had been exceptional because of the development and establishment of the LCRCA.

RESOLVED – That the Audit and Governance Committee notes the report.

22. **Internal Audit Performance Report**

The Committee considered a report of the Head of Internal Audit, Laura Williams that presented the work undertaken by Internal Audit for the Liverpool City Region Combined Authority (LCRCA) in the first Quarter of 2019/20.

Section 2 of the report provided details of work relating to the LCRCA or to Merseytravel and it was explained that Quarter 1 had been a very busy period for Internal Audit.

Member's attention was drawn to Section 6, which provided information on the effectiveness of Internal Audit. It was noted that Internal Audit were slightly behind on delivery for 2019/20 at this juncture, however the team had been very productive and it was hoped in Quarter 2 delivery would recover, as there is considerable work in progress.

It was noted that the performance targets for the year had been amended and the Internal Audit team aimed to complete 100% of planned audits.

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.

23. **Risk Management Update**

The Committee considered the Risk Management Update provided by Laura Williams, Head of Internal Audit, and a tabled spreadsheet which related to the organisation's risks.

It was explained that over the last financial year, work had been undertaken to embed corporate risk arrangements and as such a corporate risk register. The register had been reviewed and updated to portray all of the significant areas of risk for the LCRCA.

Laura Williams reported that discussions had begun on the organisation's risk appetite and the level of risk the LCRCA should be willing to take whilst remaining cautious and diligent.

Councillor Dr John Pugh queried the vagueness of the corporate risk register and whether risks more specifically related to the projects of the LCRCA, such as the Tidal scheme, may be more useful.

Laura Williams explained that the risks that appeared in the register were those deemed to be most significant to the organisation and projects like Tidal were not developed enough at this stage to pose significant risk. Director of Resources, John Fogarty, elucidated that under the risk –'failure to deliver' there were

mechanisms in place to provide project management information to cover all projects of the LCRCA, each with its own RAG rating. This more detailed information was available if members of the Audit and Governance Committee wished to request it.

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.

24. **Liverpool City Region Combined Authority Final Accounts 2018-19**

The Committee considered a report of the Head of Finance, Sarah Johnston, presenting the findings of the external audit undertaken by Mazars, noting that the accounts were in draft. The external audit was ongoing and once finalised the Audit & Governance Committee would be asked to consider the report again.

Gareth Hitchmough, Mazars, explained that this was Mazars first year as auditors for the Liverpool City Region Combined Authority (LCRCA). The Members attention was drawn to page four of the report which highlighted the status of completion of various areas of the audit such as Pension Liability and Cash in bank.

Concerns around pension liability had since been addressed and had arisen as a result of the recent *McCloud* Court of Appeal Judgement [2018] court case. It was explained that the changes caused by the McCloud case were immaterial and as such would not affect the final accounts.

Members were informed that an issue had arisen around the historical categorisation of cash and bank transactions between Merseytravel and the LCRCA. Mazars were currently speaking with management at the LCRCA to resolve the issue and consider if the previous year's accounts also needed to be amended and restated.

It was reported that the external auditors had received full cooperation from the LCRCA finance team during the audit. Mazars noted that in their estimation there was limited staffing capacity during the audit process.

Monitoring Officer, Jill Coule, advised that the recommendations for the report be amended as follows:-

- (a) Review and consider the draft external Auditors Statement of Accounts in Appendix A;
- (b) Note that the external auditors' complete report on the statement of accounts for the Liverpool City Region Combined Authority will be

presented to a future meeting of the Audit and Governance Committee for consideration and onward recommendation to the Combined Authority.

Members queried whether the Risk Register currently in place would be sufficient moving forward and also if the assessment of value for money had been impacted by the quorum issues of the Overview & Scrutiny and Audit & Governance Committee for 2018/19. It was explained that there needed to be an appropriate system in place for the application of scrutiny around public money and the external auditors felt that this was not being done effectively due to the number of inquorate meetings in 2018/19.

RESOLVED- That:-

- (a) the draft external Auditors Statement of Accounts in Appendix A be reviewed and considered;
- (b) the external auditors complete report on the statement of accounts for the Liverpool City Region Combined Authority will be presented to a future meeting of the Audit and Governance Committee for consideration and onward recommendations to the Combined Authority be noted.

25. **Constitution and Information Governance Update**

Members heard a report of the Monitoring Officer, Jill Coule, on the revised terms of reference for the Audit and Governance Committee in the updated Constitution of the Liverpool City Region Combined Authority.

The Committee were asked to provide their opinion on the preferred option under section 3 of the report relating to the circulation of revised documents. It was agreed that in advance of the papers being published for the Audit and Governance Committee that the proposed changes to the Financial Standing Orders and Codes and Protocols be circulated to the Committee members via email for consideration and any feedback.

RESOLVED- That:-

- (a) the work being undertaken to revise the constitution be noted; and
- (b) the preferred course of action in light of the options set out in paragraph 3.5 of the report be agreed.

26. **Draft Work Programme and Meeting Schedule for 2019/20**

The Committee heard a report of Charles Yankiah, Senior Democratic Services Officer, regarding the proposed Work Programme for 2019/20. The report took into account the contributions made by the Head of Internal Audit, Head of Finance and the Monitoring Officer.

Councillor Murphy queried if there was any training available for members of the Audit and Governance Committee to aid in understanding some of the

documentation provided for consideration. It was proposed that any suggestions for training be submitted to the Democratic Services team.

RESOLVED - That the proposed Work Programme for 2019/20 as set out at Appendix A and that any recommendations during the course of the municipal year be made in consultation with the Chair and the Monitoring Officer be agreed.