

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, 28th July, 2021 the following Members were

P r e s e n t:

Councillor E Finneran	Overview and Scrutiny	Knowsley MBC
Councillor J Hansen	Overview and Scrutiny	Sefton MBC
Councillor D Burgess-Joyce	Overview and Scrutiny	Wirral MBC
Councillor P Maloney	Overview and Scrutiny	St Helens MBC
Councillor M Wharton	LCRCA	Halton BC
Mr M McDonagh	Independent Member	

1. APPOINTMENT OF CHAIR

The Chief Legal and Monitoring Officer, Jill Coule, opened the meeting and invited nominations for the appointment of Chair of the Audit and Governance Committee for the ensuring year 2021/22.

Councillor James Hansen, seconded by Councillor David Burgess- Joyce nominated Councillor Edna Finneran as the chair of the Audit and Governance Committee for 2021/22.

Resolved that Councillor Edna Finneran be appointed the Chair of the Audit and Governance Committee for 2021/22.

2. APPOINTMENT OF VICE-CHAIR

There were two nomination for Vice-Chair of the LCR Audit and Governance Committee as follows:

Councillor David Burgess Joyce nominated himself for the position of Vice-Chair of the Committee. A vote was taken which concluded as follows:

For – 1
Against –0
Abstain- 6

Councillor Edna Finneran nominated Councillor James Hansen for the position of Vice-Chair of the Committee. A vote was taken which concluded as follows:

For – 2
Against – 0
Abstain- 5

Resolved that Councillor James Hansen be appointed Vice-Chair of the Overview and Scrutiny Committee for 2021/22.

3. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Ian Maher, Graham Morgan and David Baines.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. MINUTES OF THE LAST MEETING

Resolved that the minutes of the previous meeting held on Wednesday 3 March 2021 be approved as an accurate record.

6. CYCLE OF MEETINGS AND FORWARD PLAN 2021-22

Shauna Healey, Senior Democratic Services Officer, presented the cycle of meetings and forward plan for the Audit and Governance Committee for 2021-22. It was explained that the forward plan had received input from the Monitoring Officer, Head of Internal Audit and Assistant Director for Finance and any changes would be made in consultation with those officers and the Chair and Vice-Chair of the committee.

RESOLVED that the proposed programme of meetings and provisional work programme for the Audit and Governance Committee for 2021/22 at Appendix 1 be approved and that any amendments during the course of the new municipal year be made in consultation with the Chairperson, Vice Chairperson, the Head of Internal Audit and the Monitoring Officer.

7. INSURANCE CLAIMS REVIEW

Jill Coule, Monitoring Officer presented the Insurance Claims Review which provided details of claims on insurance relating to the assets and fraudulent claim arrangements for the organisation between 1 July 2020 - 30 June 2021.

Members were advised that the defensibility criteria for insurance claims was based on a number of factors including the available evidence, the strength of the claim and the value of the claim. In answer to a question it was confirmed that the Monitoring Officer was unaware of a pattern of repetitive claims and that this was something that colleagues considered.

RESOLVED that : -

- (a) the contents of the report be noted; and
- (b) the submission of the report to the Audit Risk and Governance Board of Merseytravel for their consideration be approved.

8. INTERNAL AUDIT UPDATE

Laura Williams, Head of Internal Audit provided the Committee with an update on the work of the Internal Audit team during the fourth quarter of the last financial year and the first quarter of 2021-22.

The report highlighted work undertaken in terms of both the Liverpool City Region Combined Authority (LCR CA) and Merseytravel systems. Members were advised

that no major organisational risk opinions had arisen from the work that had been undertaken in that period.

In response to a question from Cllr Burgess-Joyce, Laura Williams provided clarity on what determined a minor and moderate risk and how these progressed in severity. It was explained that it was a matter of judgement and consideration was given to the implications should recommendations not be implemented. Taking these factors into consideration, the level of risk presented to the organisation was determined.

The Committee queried whether there had been any recent major risks and it was explained that there had been a number of moderate reports but no major risks in the last three years.

In response to a question from Cllr Moloney, Members were advised that the Annual Internal Audit Plan was based on the most significant risks that the organisation was facing with flexibility built in to cover the highest priority risks. It was explained that there were some key themes that always featured in the plan such as anti-fraud and governance risks.

RESOLVED that :-

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

9. RISK MANAGEMENT UPDATE

The Committee received an update on activity in respect of the ongoing embedding of system risk management across the organisation. An update on the Risk Management Policy was also provided for approval. It was advised that the Corporate Risk Register was also being reviewed to align with the new Corporate Plan and that would be submitted to the next meeting of the LCR Audit and Governance Committee.

Members queried whether the organisation considered 'internal shrinkage' to be a risk and how this was being addressed. Internal shrinkage was not a terminology adopted within the LCR CA but it was understood that this referred to when employees stole from their employer. It was explained that all the Service Risk Registers included content around fraud but none of those risks were significant enough to feature in the Corporate Risk Register. There were considerations around cyber security and it was advised that discussion around potentially external fraudulent activity would come under that risk.

The impact of Coronavirus on the Corporate Plan's financial objectives was raised, and members were informed that the LCR CA had a role in ensuring that the City Region recovered effectively from the pandemic. The pandemic had impacted all the organisation's key plans and strategies and although it was not a featured risk on the register per se but it was included within several cited risks such as economic recovery and transport operator risk.

RESOLVED that:-

- (a) the progress made in embedding the system of corporate risk management into the organisation be noted; and
- (b) the updated Risk Management Policy be approved.

10. HEAD OF INTERNAL AUDIT ANNUAL REPORT AND OPINION 2020-21

Laura Williams presented the Head of Internal Audit Annual Report and Opinion for 2020-21 as required under the Public Sector Internal Audit Standards.

Members were advised that a formal rating of adequate had been given for 2020-21 and a good rating had been awarded for the organisation's Capacity for Improvement. Laura Williams highlighted the separate opinion for Merseytravel which was adequate with reasonable capacity for improvement.

RESOLVED that the Audit and Governance Committee note the contents of the report.

11. CODE OF CORPORATE GOVERNANCE

Laura Williams provided an update on the Code of Corporate Governance which was a key document for the LCR CA in terms of providing guidance to officers and member on key governance matters.

During the Annual Governance review it had been identified that there were reservations as to how familiar staff were with the Nolan Principles and the organisation had taken an opportunity to reemphasise those whilst updating the Code.

The Committee discussed the upcoming external review of the Internal Audit service's compliance with the Public Sector Internal Audit Standards and it was explained that since the last review, the team had been assessing itself internally every year. It was noted that the external review would take into consideration how receptive the organisation is to the recommendations made by Internal Audit and how effective the service they provide is. A consultation of the previous year's Audit and Governance Committee's membership was being undertaken to assess how effective they felt the Service was in exercising its role.

RESOLVED that the Audit and Governance Committee approved the updated Code of Corporate Governance.

12. LCR COMBINED AUTHORITY EXTERNAL AUDIT 2020-21 AUDIT STRATEGY

Sarah Johnston, Assistant Director for Finance and Mark Dalton, Mazars presented the External Audit Strategy for 2020-21 which set out the responsibilities of Mazars in auditing the LCR CA's financial statement and assessing the work undertaken to secure value for money.

It was explained that Mazars had identified significant audit risks in relation to the financial statement in the area of management override of control, but it was noted that this was a mandated risk by auditing standards. Consistent with previous years, Mazars had identifies risks around valuation of off plant and equipment and pension liabilities, both of which were common across the sector.

Regarding the ASM, the Committee's attention was drawn to the new approach for appraising value for money under the new court order for 2020-21. The main difference was identified as a move away from a binary value for money consultation with a more narrative commentary on the organisation's arrangements reported through an annual report.

Mark Dalton explained that as part of the changes, Mazars were to identify the Committee of any weaknesses in the value for money arrangements as soon as they became apparent. It was noted that no significant weaknesses had been identified at this juncture and the commentary on value for money would be presented to the November LCR Audit and Governance Committee in line with the revised national timelines.

Section 6 of the report highlighted the fees for this year's audit work which showed additional fees associated with extra work now on valuation of property, plant and equipment and the pension scheme as required by the regulators. In recognition of that pressure, the Government had agreed to make £15million of additional resource available to Local Government to help meet those increased costs.

RESOLVED that :-

- (a) the external audit plan of work for 2020-21 as proposed by Mazars and detailed in their ASM be noted;
- (b) that that the ASM will be submitted to the Combined Authority for approval be noted;
- (c) comments on the proposals as detailed in the ASM be provided; and
- (d) the approval of the ASM to the Combined Authority, subject to any comments or amendments proposed be recommended.

13. LCRCA STATEMENT OF ACCOUNTS 2020/21

Sarah Johnston, Assistant Director for Finance, presented the LCR CA statement of accounts for 2020/21 highlighting that there were a set of group and a set of single accounts to consider. Laura Williams, Head of Internal Audit provided some background on the Annual Governance Statement.

It was noted that no significant governance issues had been identified in the last year and there were some recurring themes that had been addressed to avoid escalation which the Committee would be updated on as the recommendations were progressed.

Laura Williams highlighted the key challenges for the current year which included the pandemic, Brexit and environmental sustainability. It was explained that the findings arising from this work would be followed up and reported back to the LCR Audit and Governance Committee.

The Committee were advised that there had been some movement in reserves and the main changes in the unusable reserves were transactions relating to capital spend or pension liabilities.

There had been significant movement on the net cost of services form 2019-20 as a result of payments made through the Single Investment Fund as shown on the Comprehensive Income Expenditure Statement. Increases relating to compensation for the loss of income during the pandemic were also highlighted to Members as well as £9million of additional grant funding to support capital investment.

With regards to the balance sheet, Members noted that there had been some movement in long-term assets relating to the Rolling Stock project and an increase in long term loans.

In summation, it was explained that there had been a reduction in usable reserves because of a net use of reserves to support revenue expenditure and capital. There had also been a reduction in the use of unusable reserve to do with the application of accounting adjustments in respect of pension reserves.

Councillor Burgess-Joyce queried what actions were undertaken to address repetitive risks and if this was supported by senior management. Laura Williams explained that any repeat issues were reported to the organisation and to the Committee as they could have a significant impact if they were allowed to continue. The Internal Audit team were proactive in their work to make sure any risks were mitigated, and the organisation was becoming increasingly receptive to that approach.

The Committee queried the long-term loans made by the LCR CA and it was advised that a loan request had been approved by the LCR CA for Liverpool John Lennon Airport.

RESOLVED that:-

- (a) the contents of the report and presentation be noted; and
- (b) any comments on the Statement of Accounts be provided.
- (c)

14. ANY OTHER URGENT BUSINESS

There were no further items of business for consideration.

Minutes 1 to 14 received as a correct record on the 22 day of September 2021.

Chairperson of the Combined Authority

(The meeting closed at 16:00)