

## LCR AUDIT & GOVERNANCE COMMITTEE

At a meeting of the LCR Audit & Governance Committee held in the Authority Chamber - No.1 Mann Island, Liverpool, L3 1BP on Wednesday, 24th November, 2021 the following Members were

### P r e s e n t:

|                               |                                 |              |
|-------------------------------|---------------------------------|--------------|
| Councillor E Finneran (Chair) | Overview and Scrutiny Committee | Knowsley MBC |
| Councillor D Burgess-Joyce    | Overview and Scrutiny Committee | Wirral BC    |
| Councillor J Hansen           | Overview and Scrutiny Committee | Sefton BC    |
| Councillor P Moloney          | Overview and Scrutiny Committee | Liverpool CC |
| Councillor G Morgan           | Overview and Scrutiny Committee | Knowsley MBC |
| Councillor M Wharton          | Overview and Scrutiny Committee | Halton BC    |
| Martin McDonagh               | Independent Member              |              |
| Jean Gleave                   | Independent Member              |              |

### **23. CHAIR'S ANNOUNCEMENT**

The Chair, Councillor Finneran advised the Committee that the Audit Completion Report had been circulated to Members by email for information. She invited Mark Dalton, Mazars to address the Committee.

Mark Dalton advised that a clean, unqualified opinion had been issued on the Financial Statement and that the letter circulated to Members provided an update on the highlighted matters.

The Chair also took the opportunity to welcome the new Liverpool City Region Combined Authority Chief Executive, Katherine Fairclough who was in attendance remotely.

### **24. APOLOGIES**

There were no apologies for absence.

### **25. DECLARATIONS OF INTEREST**

There were no declarations of interest.

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

The minutes of the last meeting held on 22 September 2021 were agreed as a correct record.

### **27. MEMBERS CODE OF CONDUCT UPDATE**

Jill Coule, Monitoring Officer, presented an update on the Members Code of Conduct.

Jill Coule explained that the Local Government Association had promoted nationally a revised Member Code of Conduct. The LCR Combined Authority had worked with legal officers across Merseyside and Cheshire to achieve a commonality on the Code. Four of the LCR Combined Authority's Constituent Authorities had adopted the same Code, which was formally adopted by the LCR Combined Authority on 4 June 2021.

Jill Coule advised that the Local Government Association had subsequently circulated further revisions to the Code and directed Members to paragraph 7, sub-section 3, on page 23 of the agenda which detailed a revision to the term 'prejudicial interests'. This entailed a change of wording from 'your interests' to 'the interests', capturing a wider set of interests.

The report sought the Committees' endorsement of the Merseyside Model Code of Conduct, which if approved would see the item considered by the LCR Combined Authority in January 2022.

Jill Coule explained that work was ongoing with legal colleagues across Merseyside and Cheshire on a process for complaints received under the Code. It was proposed that a working group be set up to consider this matter and that two Committee Members be nominated to the working group. A similar review would be conducted across Constituent Authorities.

The Chair, Councillor Finneran invited questions/comments from the Committee.

Councillor Morgan noted that a modified version of the Code was adopted by the LCR Combined Authority in June 2021, and that Authorities who adopted the revised Code were St Helens, Sefton, Wirral, Merseyside Recycling Authority and the Merseyside Fire and Rescue Authority. Councillor Morgan advised that Knowsley would be considering the previously revised and adopted Code on 15 December 2021, in line with local amendments.

Councillor Morgan sought to clarify why the Constituent Authorities' Codes of Conduct were required to be identical as a complaint made against a Knowsley Councillor would be a matter only for Knowsley Council.

Jill Coule clarified that a commonality of Code across different authorities was not mandated and aimed to ensure consistency where possible.

Councillor Burgess-Joyce noted Councillor Morgan's comments and suggested that the principles outlined in a Code of Conduct and the basic tenets of investigation should be at the same standard across authorities, bearing in mind the need for local issues to be dealt with locally. Councillor Burgess-Joyce also advised that the Wirral Standards Committee would be open to an approach by the LCR Combined Authority.

Councillor Wharton agreed with Councillor Morgan's comment that the Constituent Authorities had their own ways of dealing with Member complaints but appreciated the aim to achieve a standard to which all could adhere.

The Chair, Councillor Finneran asked the Committee for nominations to join a working group looking into responses to complaints under the Code.

Councillors Burgess-Joyce and James Hansen volunteered to be part of the Working Group.

**RESOLVED** That:

- (i) the updating of the Merseyside Model Code in accordance with amendments made to the LGA Model Code be noted and endorsed;

- (ii) the publication by the LGA of guidance to better understand and apply the LGA Model Code be noted;
- (iii) the working together by Authorities across the City Region to align the approach and arrangements for investigating and making decisions in relation to allegations made concerning Councillor/Member conduct be noted and endorsed;
- (iv) that the revised Merseyside Model Code be commended to the Combined Authority for approval; and
- (v) that Councillors Burgess-Joyce and Hansen be appointed to the working group established to consider a process for dealing with Member complaints under the Code of Conduct.

## **28. INTERNAL AUDIT UPDATE**

Laura Williams, Head of Internal Audit, presented an update on audit work undertaken since September 2021.

Laura Williams explained that seven audits had been completed and gave a view on recommendations arising from internal audits and organisational risk opinions. It was explained that the internal audit service was slightly behind target but was confident that this position would be recovered, with an aim to reach 60% completion by the end of quarter three. There had been additional pieces of work requested which had impacted on the scheduling within the agreed plan.

Laura Williams advised that the report highlighted recommendations arising from an external review and was pleased to report that the LCR Combined Authority was found to be fully compliant with standards with minor recommendations.

The Chair, Councillor Finneran invited questions/comments from the Committee.

Councillor Burgess-Joyce expressed concern with regard to the 60% completion figure and asked what items were being de-prioritised.

Laura Williams confirmed that a review of the plan would be presented to the Committee at next meeting which would detail items that had been sacrificed in order to complete additional pieces of work. If an area of serious risk had been identified this would be highlighted as a matter of urgency, however the Authority was not in this position nor was not expected to be by the time of the end of year review. Laura Williams explained that discussions regarding the prioritisation of work happened on an ongoing basis.

Councillor Burgess-Joyce requested contemporary information as to whether a piece of work had been de-prioritised which should have received a higher priority.

Laura Williams confirmed that there were no concerns to bring to Member's attention. Items that had been de-prioritised were those found to be low-risk and would be placed into the following year's plan. It was explained that assurance was continually assessed. An example was provided on the de-prioritisation of work on Brexit, with organisational progress resulting in Brexit becoming less of a focus.

**RESOLVED** That:

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

## **29. FRAUD UPDATE**

Laura Williams, Head of Internal Audit, presented an update on work undertaken in relation to fraud throughout the year.

Laura Williams explained that since the previous meeting an annual assessment was against CIPFA guidance. The result was generally positive but identified some areas for development, such as progressing a Counter Fraud Strategy. This would bring together work already produced and increase the focus on fraud risk. Conversations with senior management on this issue were ongoing.

The report highlighted proactive fraud work undertaken, and it was noted that no reactive fraud work had been undertaken as no allegations had been brought to the attention of internal audit to date.

It had been identified that there was a need to ensure that potential whistleblowers understood the process and protections available. During 'International Fraud Awareness Week' a campaign was promoted across the LCR Combined Authority detailing those processes.

The Chair, Councillor Finneran invited questions/comments from the Committee.

Councillor Hansen asked if there was enough staff training in place across the LCR Combined Authority and whether employees were taking proper ownership of fraud prevention.

Laura Williams advised that there was an e-learning module which provided a basic introduction to fraud awareness for all staff, but that take up had been patchy. This module was promoted during 'International Fraud Week' but there was more work to do to increase its visibility. There was also a suite of counter fraud protocols and documents such as the whistleblowing protocol, and all were widely available for staff. It was acknowledged that embedding these approaches was a work in progress.

Councillor Burgess-Joyce asked what the procedures would be should an issue be raised with regard to HMRC, the Police or other Authorities. Councillor Burgess-Joyce also stated that it would be beneficial for the e-learning module for staff on fraud prevention to be mandatory and asked what the threshold would be for raising a SAR (suspicious activity report) internally.

Laura Williams advised that there was a two-way process to fraud prevention, one being receiving complaints and reports of suspicious activity, and the other being proactive audit work. If something should be brought to attention through audit work, then an internal investigation would commence and action would be taken in line with the guiding protocol. There was a protocol in place for dealing with money-laundering, but no concerns had been identified in this regard to date.

Jean Gleave, independent Member, indicated that both the role of internal audit and the role of management were key and asked if there was good engagement from management across the organisation, exemplified by actions such as take-up of training.

Laura Williams confirmed that conversations were undertaken with the Senior Leadership Team to reiterate that internal audit could provide support, but that leadership and tone had to come from senior management. Management who were engaged and the forthcoming 'Fraud and Corruption Strategy' would amplify this point.

**RESOLVED** That:

- (i) the report be noted; and
- (ii) that it be noted that the following counter-fraud protocols have been reviewed but no significant changes requiring the approval of the Committee been made:
  - Fraud, Bribery and Corruption Protocol;
  - Anti-Bribery Protocol
  - Money laundering Protocol;
  - Confidential Reporting (Whistleblowing) Protocol;
  - Surveillance Protocol; and
  - Investigation Protocol.

**30. RISK MANAGEMENT UPDATE**

Laura Williams presented a progress report on risk management activity across the LCR Combined Authority, with a focus on corporate risk and the corporate risk register.

Laura Williams explained that there were five themes set out in the report. Additionally, an update was provided on the review undertaken with the Senior Leadership Team and it was noted that the process had to remain flexible as risks could change. The timescales for actions had been met in all

but one case where the target was extended. Activity to embed risk management continued, such as the development of e-learning and training modules on Risk Management and face to face meetings with senior managers, in order to embed Risk Management as intrinsic to their roles.

A summary of risks was attached to the report and it was explained that the review had been encouraging and all actions arising had been completed.

The Chair, Councillor Finneran invited questions/comments from the Committee.

Councillor Burgess-Joyce enquired as to the responsibility of line managers if one of their team should be found to have contravened protocols. It was noted that some organisations did hold line managers to account which encouraged whistleblowing and increased alertness among management.

Laura Williams advised that an investigation would look at the people around the primary person under investigation. It would ask whether that person's role and responsibilities were clear and whether there were indications that were missed by their team. A past piece of investigative work was outlined wherein the recommendations made clear that some responsibility was to be taken by management in that situation.

Jean Gleave highlighted paragraph 2.4 of the report and sought confirmation as to the timescale for assigning risk owners.

Laura Williams advised that this had been held in abeyance due to vacancies, but with new permanent staff in post these will soon be able to be assigned.

**RESOLVED** That:

- (i) the report be noted; and
- (ii) that the progress made in embedding the system of corporate risk management into the organisation be noted.

### **31. APPOINTMENT OF EXTERNAL AUDITORS**

Sarah Johnston, Assistant Director for Finance, presented the report which set out proposals for the appointment of an external auditor to the Authority for the external audit of the Combined Authority's accounts for the five-year period from 2023/24.

Sarah Johnston explained that since the dissolution of the Audit Commission, all public sector Authorities had to make their own arrangements. The three options were individual procurement, local joint procurement, or to seek to opt into a national body. The Appendix to the report detailed each option but it was noted that the LCR Combined Authority had previously chosen the national body path as this was considered the most cost and resource effective option.

Councillor Burgess-Joyce sought clarification as to whether an external auditor could be connected to other Authorities.

Sarah Johnston advised that seeking to join the national body provided an opportunity to reach a wider pool of external auditor participants.

Councillor Maloney asked if there would be a separate member of staff from the external auditor assigned to each Authority.

Sarah Johnston confirmed that audit firms tended to have 'Ethical walls' arrangements in place and whilst team members may be shared, the Authority would be dealt with individually. Audit firms were used to managing this issue and it would form a part of the procurement process.

**RESOLVED** That:

- (i) the report be noted;
- (ii) it be noted that the report and proposal have been considered and endorsed by the Audit and governance Committee; and
- (iii) that the proposal to join the national procurement framework for the Public Sector Audit Appointments Limited (PSAA) to appoint an external auditor for five years from 2023/24 be approved.

**32. ANY OTHER BUSINESS**

There were no additional items of business, but the Chair, Councillor Finneran took the opportunity to thank everyone in attendance and wished all a Merry Christmas and a Happy New Year.

Minutes 24 to 32 received as a correct record on the 19 day of January 2022.

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Chairman of the Committee

(The meeting closed at 14.38pm)

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