

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, 30th March, 2022 the following Members were

P r e s e n t:

Councillor Edna Finneran
Chairperson of the Committee
(in the Chair)

Councillor D Burgess-Joyce	Overview and Scrutiny Committee	Wirral BC
Councillor P Moloney	Overview and Scrutiny Committee	Liverpool CC
Councillor M Wharton	Combined Authority	Halton BC
Martin McDonagh	Independent Member	

Attending remotely

Councillor G Morgan	Combined Authority	Knowsley MBC
Jean Gleave	Independent Member	

APOLOGY

An apology for absence was received on behalf of Councillor James Hansen.

It was noted that technical difficulties had been experienced which meant that Members joining remotely were not able to participate in the meeting (Councillor Graham Morgan and Jean Gleave (Independent Member)).

41. DECLARATIONS OF INTEREST

There were no declarations of interest received.

42. MINUTES OF THE LAST MEETING

The minutes of the last meeting held on 19 January 2022 were agreed as a correct record.

43. INTERNAL AUDIT UPDATE

The Committee considered the report of the Head of Internal Audit which provided the Combined Authority Audit and Governance Committee with an overview of the internal audit work completed in the fourth quarter of 2021-22, in accordance with the Internal Audit Plan 2021-22.

Laura Williams, Head of Internal Audit, presented a report and provided information on the following key points:

- A summary of Internal Audit Plan delivery for the period;
- Details of work undertaken, and key items of note in respect of corporate systems, Combined Authority-specific systems and Merseytravel-specific systems;
- Details of work undertaken in respect of fraud, bribery and corruption;

- An update on internal audit performance with reference to the key performance indicators detailed in the Quality Assurance and Improvement Programme (QAIP); and
- An update on the service's compliance with the Public Sector Internal Audit Standards (PSIAS).

Laura Williams confirmed that 10 audits had been completed during the reporting period but some were still in draft.

The report had highlighted one opinion of Major organisational risk which was the Seacombe Landing Stage Capital Project. There were three core issues (1) a significant overrun of capital costs on the capital project in the region of 33% on the original budget (2) the failure or patchy application of early warning systems to provide a view to management in terms of the likelihood of those overruns occurring and some patchy application of risk management processes to identify and quantify those areas early; and (3) the role of consultants and reliance on consultants rather than having appropriate in-house capacity and capability to be able to question the work of external consultants on the authority's behalf. Although the Director was not able to attend the meeting in person, the response from the Director to the recommendations had been positive and his comments in respect of the three high priority recommendations had been added to the report. The Combined Authority had now put in place Delivery Boards which would each be chaired by an Executive Director with representation from across the authority, and these are one of the mechanisms for ensuring robust reporting of project performance.

In respect of performance she confirmed that 98% of the plan had been completed or was in progress but there were a couple of pieces of work still outstanding and it was anticipated that they would be completed in a timely manner.

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

Councillor David Burgess-Joyce referred to the fact that the Director had not been able to attend the meeting and he felt that this was unacceptable as he should have been in attendance or sent an appropriate Officer to answer any questions around the Seacombe Landing Stage audit report.

RESOLVED That:-

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

44. INTERNAL AUDIT PLAN AND CHARTER 2022-23

The Committee considered the report of the Head of Internal Audit which provided the Combined Authority Audit and Governance Committee with the Internal Audit Plan of work and Internal Audit Charter for 2022-23.

Laura Williams, Head of Internal Audit, presented the report which sought approval of the Internal Audit Plan for 2022-23 and the Internal Audit Charter for 2022-23. She informed the Committee that some small changes had been made in the approach to this in order to develop and modernise the process. The Plan concentrated on areas of most significant organisational risk, so as to contribute to the maintenance of an effective internal control

environment and management of risk. Internal Audit had also produced an Internal Audit Charter for 2022-23 which highlighted the role of internal audit and how it would conduct its work.

The report set out the quality assurance and improvement programme which was effectively our performance indicators. A suite of performance indicators had been developed to allow for reporting and monitoring the performance and effectiveness of the service, so as to provide an assurance of the quality of its work and usage of the results of this monitoring to improve continuously the service provided and maintain compliance with the Public Sector Internal Audit Standards.

The Internal Audit Charter set out the role and the purpose of the authority and the ethical framework within which Internal Auditors operated. Staff in the team would sign up to those commitments on an annual basis and it set out the framework for how the audit team conducted its work.

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

Councillor Mike Wharton wondered whether Members of the Committee should be involved in some sort of formal training as he felt it was really important that Members had a good understanding of all the reports that came to them. He was not sure whether any thought had been given as to how Members could be further developed in order to become a stronger Committee. Laura Williams confirmed that this had been something that had already been considered and she had recently engaged someone to provide a training session for the Committee on 19 July 2022. Officers had also given a lot of thought as to what the programme of training would look like, and the training session would be one element of that. She felt that there was a lot that Officers could do to support Members through that and therefore a programme of pre-meets prior to the Committee meetings were being considered in order to go through some of those areas offline and to discuss the issues more informally. Officers were committed to making the Committee more effective and therefore an annual review of effectiveness would be undertaken to which Members of the Committee would be able to contribute and that would assist in understanding where improvements could be made and how Officers could support that improvement. Councillor Wharton felt that that would be really helpful to better understand the reports brought to Committee.

RESOLVED That:-

- (i) the Internal Audit Plan 2022-23 be approved; and
- (ii) the Internal Audit Charter 2022-23 be approved.

45. RISK MANAGEMENT UPDATE

The Committee considered the report of the Head of Internal Audit which provided an update in respect of the system of corporate risk management and the activity that had been undertaken in continuing to embed this system during the fourth quarter of 2021-22.

Laura Williams, Head of Internal Audit, presented the report which highlighted the following key points:

- an update on the Corporate Risk Register including the key changes made since the last report; and
- the ongoing activity to embed risk management further into the organisation.

She advised that during this quarter the team had facilitated another review with the Executive Leadership Team looking at the Corporate Risk Register in particular. The Register in front of Members today was the 2021/22 version and Officers were in the process of refreshing that for 2022/23. The team had also been heavily involved in facilitating the review of the risks and actions and it was the intention that the Risk Register would be in a position where it was very much action planned and focused on moving these risks forward. Good progress was being made in this regard.

In the reporting period there had been a few changes to the risks in respect of target dates being reviewed or extended. There had been some good progress around the environment risk in particular and the comments of the Committee at the last meeting had been taken on board. The resilience risk had been updated to reflect the lessons learnt as a result of the pandemic and work had been undertaken with the Directors to think about some of those mitigating actions moving forward.

The authority had also undertaken a number of other activities to continue to embed effective risk management across the organisation such as rolling out training for all Officers in the basics of risk management. This was about presenting the basics to staff so they understood what they should be doing and what risk management was about, and she felt that that had helped to spearhead a corporate improvement.

In terms of the performance indicators the percentage of service areas with a risk register that complied with the corporate risk management policy was 'amber' at 77%. Once the authority got to a percentage figure of 80% she would consider that to be excellent progress.

She confirmed that the Risk Register seen at the next meeting would be a revision of this one and that the themes would remain largely the same. She advised that a risk around financial sustainability would be included following a comment that had been raised at the last meeting but which was also currently a national, global and local issue.

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

Martin McDonagh, Independent Member, had raised the issue at the last meeting about Covid being included under resilience as he felt that most people watching the meeting would not know what 'resilience' meant. He referred to an item in the Liverpool Echo which had showed a picture of Steve Rotherham with the new electric train and underneath it said the 'the cash hit faced by Merseytravel as a result of Covid continued to impact plans for the roll out of new trains. This was being felt as a result of the pandemic as uncertainty around recovering passenger numbers increased. It was going to affect the delays in new rolling stock and the prices had gone up.' It went on to add that "the business case had been built around figures which were unachievable."

Laura Williams responded that there were two aspects in respect of risk. Risk was about uncertainty and so it would be necessary to ask what the likelihood of something happening would be and then what the impact would be if it did happen. Therefore prior to the pandemic there could have been a risk on the Risk Register which set out what would happen if there was a fatal threat to the authority's ability to deliver its objectives. The authority would plan on a number of levels for that and determine what the impact of that would be. Once the risk had materialised it would become less about managing a risk and more around managing the impact. The authority was now looking at the risk from a resilience perspective in other words ensuring that as a local provider of services the Combined Authority could continue to operate. In other words had the authority been able to

maintain continuity of its services and would it be able to continue to do that. The resilience risk had looked at the Combined Authority's ability, in the event of a major incident which might disproportionately affect the organisation's performance and that of the City Region's economy, and whether it would be able to manage and mitigate that risk. Throughout the pandemic the authority had continued to maintain its services but that was not to say it had not suffered a financial loss, as had many organisations, and it had had to bear the brunt of the consequences such as reduced revenue through tunnels. It had had to think about the impact on the transport operators and she was aware that within the transport risk on the Risk Register those risks had been very well articulated and continued to be managed appropriately.

The Risk Register included a set of risk themes that were the highest scoring risks and she agreed that the authority had been through a difficult time in respect of Covid which had impacted on its business. The focus now was around the continued uncertainty and the risks that the pandemic posed moving forward into the future. As long as the focus was on building resilience, thinking about the risks around transport and transport operators and also assisting the local economy to recover from the economic shock and how we could support our communities within the City Region to recover. The authority was now in a position where the risk had materialised, and it was about thinking about the ongoing mitigations, controls and actions that needed to be put in place to address those. Every major organisation had suffered a major shock as a result of Covid but what needed to be articulated now was how to move forward from that situation and she felt that that had been well-articulated across the business.

Councillor David Burgess-Joyce said that was a little bit surprised that Managers did not undertake risk assessments as a matter of course. If they were going to make a serious decision which would have a lasting impact on the reputation of the organisation they did not appear to do a risk assessment in the first instance. He also had concerns about information that people had taken home when the office had been shut and there was now a situation where public information was outside of the environs of the buildings or archives. Laura Williams replied that in terms of risk assessments the way that had been handled was through Risk Registers. For every service, project, programme and on a corporate level there was a system and series of Risk Registers that sat at those levels. Any threats to the achievement of the Corporate Plan, Directorate Plans or Team Plans would be assessed through that Risk Register process. The starting point would be a set of objectives saying what the authority was trying to achieve and then articulated against each of those objectives were the risks that might threaten the achievement of those objectives. Therefore, any decision making should be set against the backdrop of that and particularly from a project and programme perspective the Delivery Boards which had been developed fed into how that decision making was articulated and linked risk management information to that. She was confident that because 77% of the organisation had service risk registers which met the standard. This was an indication that the basics were in place to enable the authority to say that when a decision was made it was cognisant of the relevant risks of the service together with any wider implications.

In terms of the second question on data being at home she could not comment on whether data had been taken home. She was aware that guidance had been issued corporately in terms of how information should be managed in the new working environment. There were always risks around confidentiality but there had certainly been an attempt to mitigate those risks though issuing guidance to staff and the Mobile Device Acceptable Use Policy which provided additional levels of guidance to staff in terms of what they should and should not do with those devices.

Jill Coule added that in addition to the guidance a series of mandatory training had been provided for members of staff around information management and awareness and

they had yielded quite good results in terms of compliance. She confirmed that there had been no incidents reported to the Information Commissioner and this Committee did receive a report which covered information management activities. It was a risk that the authority was well aware of hybrid working was here to stay and it had certainly beefed up the processing arrangements in that regard. She suggested that more detail on this subject could be included in the annual report if that was acceptable.

Councillor Burgess-Joyce responded that that would be very helpful. The only slight concern he had was that it looked like the risk assessments were carried out as a top down exercise as opposed to a middle manager and that could have ramifications for the organisation. Laura Williams replied that it would be necessary to consider where decision making sat within the organisation. Service Risk Registers were pitched at the level where decision making would sit. It was not a perfect system and there would be people making decisions that the organisation was not always sighted on but what had been established was a framework in which that sat.

Councillor Pat Maloney referred to the point raised around data and more specifically documents. He would have thought that there was very little information held purely on paper and everything should be held electronically which would be backed up on the organisation's systems, so he asked for comments on that. Laura Williams agreed that most documents would be held electronically and that was why security around mobile devices was important as that was primarily the place where these documents were stored. She was aware of one or two examples where paper documents had been held for various legal reasons and training had been delivered around those areas, but she could not comment on compliance levels. It might be something that could be audited at some point to provide some assurance to the Committee. However, it would mostly come down to security around devices and protocols in terms of how the IT equipment was used rather than the handling paper.

RESOLVED That:-

- (i) the updated Corporate Risk Register be noted; and
- (ii) the progress made in embedding the system of corporate risk management into the organisation be noted.

46. THE CONSTITUTION

Jill Coule, Chief Legal and Monitoring Officer, presented a report which advised Members of the Committee of the review of the Constitution and sought views on proposed amendments to be considered for the Constitution for the next Municipal Year.

Jill Coule advised that quite a comprehensive report had been provided on the Constitution and that had come about because the Constitution was a document which was kept under permanent review and update. Officers had now looked at the whole document to ensure that any changes were consistently reflected throughout the document.

One of the first things that had been considered was how Motions were handled. It had been realised that there were inconsistencies about how they were referenced, handled and the amount of time to be taken when presenting and moving a Motion etc. So that element had been tidied up whilst also ensuring that best practice from the councils around the constituent authorities had been taken into account. Appendix 1 set out the changes that had been made to ensure that they could be readily understood.

Work had also been undertaken around the replacement of Members and it could be seen that as an organisation the authority had a very large Overview and Scrutiny Committee of around 20 Members and consequently there were often a few changes throughout the year. The timing of Combined Authority meetings did not necessarily align and could cause delays in agreeing any changes to membership of the Committee. It had therefore been proposed that the Chief Legal and Monitoring Officer should be given delegated authority to handle those changes in membership and then to report those to the Combined Authority at the next available meeting.

It was also noted that the Constitution had been silent about cancelling a meeting, but it was felt that it would be good to have that provision if needed and that it should be made clear and transparent about how that would be handled. It was good practice and Members would already have that provision in their constituent authorities.

In the past every time the Head of Paid Service went on leave she would write a letter setting out that she was going on leave and that that particular person would hold her powers over that period. It was therefore decided that as the Executive Director team was now in place, together with a Deputy Chief Executive, the letter could be dispensed with. The Constitution had therefore been amended to state that in the absence of the Head of Paid Service the Deputy Chief Executive should act in her position.

Paragraph 3.11 highlighted some areas of forthcoming work which included a piece of governance work around how to ensure that our family of subsidiary companies and organisations were properly recorded and reporting.

Further work was required to develop that and to make sure that strong governance links from our subsidiary companies fed into Audit & Governance Committee, Overview and Scrutiny Committee and into the Combined Authority itself. She felt that this would be a positive improvement on what was now in place. The authority was also looking to develop stronger links with the Outside Bodies so at the beginning of each annual meeting each year a number of individuals would be appointed to represent the Combined Authorities on various Outside Bodies. However, currently there was no formal mechanism for reporting back. Going forward it was proposed that there should be some sort of receipt of information from those Outside Bodies to keep the authority up to date. Proposals had also been included in the calendar for the new Municipal Year that the sequence of events for the signing off of our Statement of Accounts would be changed. It had to be done by 30 September each year and the Audit & Governance Committee would be asked to take a much more active role in that. So the plan was that the Statement of Accounts would be received by the Combined Authority in the middle of September in its draft form and then it would be signed off by this Committee going forward in time for that deadline of 30 September. It would then be reported back up to the Combined Authority to say that that had been completed in the relevant timescales. It was felt that this would be a more constructive way of signing off the Statement of Accounts.

The Chair, Councillor Edna Finneran invited questions/comments from Members of the Committee. There were no questions or comments submitted by Members of the Committee.

RESOLVED That:-

- (i) the contents of the report and the Constitution as currently published be noted;
- (ii) the provisions on motions attached as Appendix 1 be considered and approved;

- (iii) the ongoing review of the Constitution be noted and any comments on the areas of review and recommendations for updates be provided;
- (iv) Appendix 1 be commended to the Combined Authority to update the standing Orders upon motions;
- (v) recommendations be made for any further areas that that Members consider required review or updating before the Constitution was presented at the next meeting of the Combined Authority so that the Constitution would be updated and ready for the Municipal Year 2022/2023; and
- (vii) it be noted that further reports on the Constitution would be presented in the new Municipal Year to ensure that the Constitution reflected good practice and supported effective governance.

47. MEMBERS CODE OF CONDUCT PROTOCOL

Jill Coule, Chief Legal and Monitoring Officer, presented a report which detailed the proposed arrangements to be adopted by the Combined Authority for investigating and making decisions in relation to allegations made under its Members Code of Conduct ("Members Code of Conduct Protocol"). A copy of the proposed draft of the Members Code of Conduct Protocol had been included as Appendix 1 to the report.

Jill Coule said that in the capacity of Monitoring Officer she had responsibility to ensure that the standards of Members and the process to consider standards of Members' behaviour was transparent and available for members of the public should they wish to complain or indeed if any other Members or staff wished to complain.

The report set out a protocol for how the authority would deal with complaints about Member conduct. The Members of the Combined Authority were the Members who sat on the Combined Authority meeting. All other Members who joined us and helped us with our work remained Members of their constituent authorities and the Combined Authority was effectively an Outside Body to those Members. So it was the Combined Authority, the Leaders of the six local authorities, the Metro Mayor and the non-voting Member who was the Chair of the LEP, that were statutory Members of the Combined Authority and it was those eight individuals to which these processes and procedures would apply.

Members would recall that when the Member Code of Conduct had been introduced previously it had been mentioned that a common approach would be sought across the constituent authorities in respect of the arrangements for dealing with complaints. It had not been possible to achieve that common approach and therefore the authority had taken the best bits from all the constituent authorities to make this work. The proposed protocol had been attached to the report as an appendix and it was noted that this was a draft document as comments or observations were still awaited from a couple of authorities. The Chief Legal and Monitoring Officer was therefore seeking delegated authority to work with the Chair in case there were any minor tweaks or comments required beyond the Committee's consideration of this matter.

The Chair, Councillor Edna Finneran invited questions/comments from Members of the Committee. There were no questions or comments submitted by Members of the Committee.

RESOLVED That:-

- (i) the Members Code of Conduct Protocol for adoption by the Combined Authority at its meeting on 29 April 2022 be noted and endorsed; and
- (ii) it be noted and endorsed that the Monitoring Officer might need to amend the Members Code of Conduct Protocol before it was presented to the Combined Authority following further consultation with relevant stakeholders. Should that prove necessary any such amendments would be considered in consultation with the Chair of the Committee.

48. LIVERPOOL CITY REGION COMBINED AUTHORITY ACCOUNTING POLICIES 2021/22

Sarah Johnston, Assistant Director for Finance, presented a report which provided the Members of the Audit and Governance Committee with details of the proposed accounting policies to be adopted for the closure and preparation of the Statement of Accounts 2021/22.

It was noted that this was an annual report and was a review of the accounting policies which were applied for the Combined Authority. An annual review was undertaken to ensure that our accounting policies were fit for purpose and there were a number of considerations that were taken into account when undertaking this review. Specifically, whether there had been any changes in accounting standards as were enshrined in the CIPFA Code of Practice which was the base upon which the accounts were completed. Other things that were taken into account included anything that had come out of the previous year's audit. For example, if there were any areas that the auditor had highlighted the accounting policies would be looked at again to see if they needed to be reflective of that. The authority would also look to see if it could simplify, enhance or streamline any of its accounting policies.

A copy of the accounting policies were set out in the appendices to the report. Sarah Johnston confirmed that there had been no significant changes and that was broadly reflective of the fact that the accounting landscape had not really changed and there had been no significant changes to accounting policies. Members might be aware that there had been a proposal to make changes in respect of leases and there was a decision pending by the accounting body, CIPFA, to defer the introduction of that standard. The authority had done the work and it had an accounting policy that could be implemented if necessary. But as it stood the accounting policies were being put forward on the basis of no change.

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

Councillor David Burgess-Joyce asked what percentage/number of invoices had been paid without a purchase order? Sarah Johnston replied that she did not have those figures to hand but she could provide them for Councillor Burgess-Joyce outside of the meeting.

RESOLVED That:-

- (i) the attached accounting polices be noted and any comments provided thereon; and
- (ii) the attached accounting policies be approved.

49. ANY OTHER BUSINESS

The Chair noted that this was the last meeting that Martin McDonagh would be attending as an Independent Member. His term of office had come to an end and she would like to thank him on behalf of the Committee for his role in promoting and maintaining high standards of conduct and governance in the Combined Authority.

As this was the last meeting of the year she also thanked the Members of the Committee for their attendance and participation over the year. She also thanked the Officers for their hard work during another challenging year.

Minutes 41 to 49 be received as a correct record on the 27 day of July 2022.

Chairperson of the Committee

(The meeting closed at 2.50 pm)