

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, 25th January, 2023 the following Members were

P r e s e n t:

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

Councillor Graham Morgan, LCR Combined Authority
Councillor Mike Wharton, LCR Combined Authority
Councillor David Burgess-Joyce, LCR Overview and Scrutiny Committee
Councillor Pat Moloney, LCR Overview and Scrutiny Committee

Jean Gleave, Independent Member

30 APOLOGIES

31 DECLARATIONS OF INTEREST

No declarations of interest were made.

32 MINUTES OF THE MEETING HELD ON 30 NOVEMBER 2022

The Minutes of the meeting held on 30 November 2022 were approved as a correct record.

33 APPOINTMENT OF VICE-CHAIR

The Committee was invited to consider appointing to the position of Vice-Chair of the Committee that had been vacant since the resignation of Cllr Hansen from the Committee and from the Overview and Scrutiny Committee. It was reported that due to the last meeting of the Overview and Scrutiny Committee being inquorate, there had not been a nomination of a councillor to replace Cllr Hansen.

RESOLVED – That consideration of the appointment of a Vice-Chair be deferred pending a nomination by the Overview and Scrutiny Committee of a further committee member.

34 AUDIT PROGRESS UPDATE

Mark Dalton, Senior Partner from Mazars, presented a report that provided an update on Mazars progress with delivering their responsibilities as the Combined Authority's External Auditors, as well as highlighting pertinent national publications relating to local authority financial reporting.

In particular, reference was made to Financial Reporting Council (FRC) Inspection Report that monitored the quality of the audits of large local government bodies. The findings were that overall the quality of audits were good, there had been a small increase in the number of audits requiring improvement. Assurance was provided to the Committee of the three Mazars led audits that had been reviewed, all had met the expected standards.

Councillors asked questions in relation to the FRC findings and what areas of weakness had been identified in other audits. In response it was stated that specific details were not known as these were not Mazars led audits, but the themes of property, planning and equipment had areas of challenge for many. The relatively small number of files reviewed as part of the FRC process was also commented on, and in response it was stated that this was an extensive risk assessed process that took into account a number of relevant factors to ensure a robust assessment.

Clarification was sought on the timescale for undertaking a review of the Audit Committee in light of the most recent CIPFA guidance. In response it was stated that the Terms of Reference of the Committee had coincidentally recently been reviewed, but further details would be reported to the next meeting.

RESOLVED – (1) That the Audit Progress Report be noted.

(2) That the latest CIPFA Audit Committee Guidance be circulated to Committee Members in advance of the next meeting.

35 ANTI-MONEY LAUNDERING PROTOCOL

The Committee consider a report inviting consideration of a revised and updated Anti-Money Laundering Protocol following a review of the approach and an Internal Audit of the effectiveness and awareness of procedures by Combined Authority employees. The revised Protocol was in accord with relevant legal requirements and guidance.

Members asked questions and raised concerns in relation to the changes to the threshold for the application of client identification procedures for cash payments and whether raising the threshold posed risk. In response it was stated that there had been no instances of the current threshold having been met and that for larger transactions there would be other due diligence processes in place in addition. Assurance was provided that the proposed change was in line with the legal requirements and relevant guidance, and reflected the relative level of risk from cash transactions compared to non-cash transactions.

Members emphasised the need to ensure appropriate awareness and training for staff who would be involved in transactions.

RESOLVED – That the revised and updated Anti-Money Laundering Protocol as set out in appendix one of the report be approved (Cllr Burgess-Joyce voted against).

36 INTERNAL AUDIT UPDATE

The Committee considered a report of the Head of Internal Audit that provided an overview of the internal audit work completed in the third quarter and to be completed in the fourth quarter of 2022-23, in accordance with the Internal Audit Plan 2022-23.

Members asked questions in relation to the following activity within the report:-

- Data Quality Audit and how the actions would be progressed. In response it was stated that the approach to performance indicators within the organisation would be reviewed to ensure it was more streamlined and there was closer alignment between corporate and project management processes.
- Freeport Audit and ensuring the circumstances giving rise to error were addressed. In response it was stressed that the issues surrounding the error were understood and processes and training were in place to make this less likely to happen in the future.

- Emerging findings from the Know Your Customer Audit and solutions to ensure appropriate supply chain checks. In response it was clarified that this was not connected to money laundering prevention but in response to guidance arising from the Russian invasion of Ukraine and the need to be able to identify the entities an organisation works and trades with. The challenges of this guidance were acknowledged as was its connections with a range of Combined Authority activity and work was ongoing to develop an appropriate response.

RESOLVED – That the Internal Audit quarterly update be noted.

37 RISK MANAGEMENT UPDATE

The Committee considered a report setting out Risk Management activity in the third quarter of 2022/23.

Members welcomed the progress had been made with risk management within the Combined Authority. Clarity was sought on whether external support was used to review risk processes. In response it was confirmed that the most recent review of risk management processes and procedures had been undertaken by internal resources although the intention was to seek external review in the future, possibly working with the Combined Authority's insurance brokers.

RESOLVED – That the Risk Management Update be noted.

The meeting closed at 2.42 pm

Minutes 22 to 29 received as a correct record on the 22nd day of March 2023.

Chairperson of the Committee