



Audit, Risk & Assurance Committee

Monday 3 February 2025 at 11.00 am

Minutes

Present In Person

Mark Smith (Chair) – Non-Voting

Independent Chair

Councillor Ram Lakha OBE (Vice-Chair)

Coventry City Council

Councillor Jaspreet Jaspal

City of Wolverhampton Council

Councillor Thomas Johnston

Sandwell Metropolitan Borough Council

Councillor Wayne Little

Dudley Metropolitan Borough Council

Councillor Rose Martin

Walsall Metropolitan Borough Council

Councillor Karen McCarthy

Birmingham City Council

In Attendance

Peter Astrella

West Midlands Combined Authority

Fiona Bebbington

West Midlands Combined Authority

Louise Cowen

West Midlands Combined Authority

Matthew Dean

West Midlands Combined Authority

Craig Evans (Secretary)

West Midlands Combined Authority

Mark Finnegan

West Midlands Combined Authority

Laurelin Griffiths

Grant Thornton

Linda Horne

West Midlands Combined Authority

Kili Thomas

West Midlands Combined Authority

Joti Sharma

West Midlands Combined Authority

50. Inquorate Meeting

The meeting was inquorate and therefore the decisions taken at the meeting would be submitted to the WMCA Board on 14 March 2025 for formal approval.

51. Apologies for Absence

Apologies for absence were received from Councillor Nick Bardsley (Shropshire), Councillor Richard Baxter-Payne (Warwickshire), Councillor Edward Fitter (Solihull) and Councillor Jacquie Prestwood (Staffordshire).

It was noted that there had still not been any response from the nominated representative from the Worcestershire Non-Constituent Authorities.

52. Declarations of Interest

During the agenda item on declarations of interest, Councillor Lakha raised a point about the current thresholds for declaring gifts and hospitality. He queried that the existing amounts of £25 for gifts and £40 for hospitality may be outdated and recommended whether these thresholds should be reconsidered, possibly increasing them to £50. Councillor Martin concurred that the value at Walsall Council was set at £50.

The Executive Director of Finance and Business Hub noted Councillor Lakha's comments for further review and the Head of Internal Audit and Information Governance noted that he believed that the limits had been updated to £50.

53. Minutes - 5 December 2024

The minutes of the meeting held on 5 December 2024 were agreed as a correct record.

54. Matters Arising

Minute No. 49 Annual Accounts 2023/24 for West Midlands Combined Authority

The Chair confirmed that following the previous meeting, the Annual Accounts for the year ended 31 March 2024 had been finalised and were now available on the WMCA's website. It was pleasing that this had been achieved before the deadline of 28 February 2025.

55. Action List

The Chair enquired whether the committee had received the final version of Grant Thornton's Annual Report 2023/24 and specifically asked if the approved copy, with adjustments, had been circulated to the committee. The Grant Thornton representative confirmed that the final report had been sent by email to the WMCA's Finance team on 20 December 2024 and suggested it be distributed to the committee members that was welcomed by the Chair and committee members for their oversight.

56. Work Programme

In response to the Chair, who queried whether the annual report on whistleblowing activity would be incorporated into the Internal Audit Report for April's meeting, the Head of Audit and Information Governance confirmed that it would be.

The Chair further noted that Councillor Lakha requested that the meeting scheduled for the 14 April 2025 be re-scheduled to an earlier date in April for his availability to attend. Councillor Little concurred to avoid a clash with the half-term period. The Chair agreed for the Governance Services officer to re-schedule the meeting for a week or two earlier which would be more convenient for attendees to attend.

Finally, the Chair noted that the agenda for the April meeting was quite full and that it included several important items, such as the proposed audit plans for the FY25 Audit Plan from Grant Thornton.

57. Chair's Remarks (if any)

The Chair provided a brief update on his attendance at various WMCA meetings, including the Investment Board on 13 January 2025 and the forthcoming WMCA Board that he would be attending on Friday 7 February 2025.

The Chair noted that due to the timing of the current committee meeting, that the committee's approval of recommendations contained within reports would be delayed until the following WMCA Board meeting on 14 March 2025, as the minutes and papers for 7 February 2025 WMCA Board meeting had already been distributed.

The Executive Director of Finance and Business Hub provided reassurance to the committee to note that the key paper to be discussed during the committee meeting was the Treasury Management Report, which, if approved, would be included in the budget report for the 14 March 2025 WMCA Board.

Finally, the Chair highlighted the need to recruit his replacement during the course of this year and noted that he would welcome an update on the recruitment process outside of the meeting from the Director of Law, Governance and Audit.

58. 2024/25 Forecast & 2025/26 Budget Update

The committee received a verbal update from the Executive Director of Finance and Business to highlight key points and she noted that her update supplemented the recent Financial Monitoring Report that went to WMCA Board in January 2025 and that was shared beforehand by the Governance Services officer for committee's reference.

The forecast for the current year showed a £147 million underspend, primarily in transport-related capital spend, which was about 25% below budget. This underspend was attributed to a combination of internally and externally delivered projects.

In response to Councillor McCarthy, who noted a concern about over-optimism in budget settings, particularly regarding timelines, the Executive Director of Finance and Business Hub noted that to address this, a more robust challenge to budget profiling would be implemented to ensure forecasts were realistic and achievable.

In response to Councillor Martin, who emphasised the importance of regular monitoring and scrutiny, the Executive Director of Finance and Business Hub noted that the WMCA's Transport Delivery Overview and Scrutiny Committee (TDOSC) monitored the actual delivery of WMCA-funded transport activities, and that regular reviews were conducted to ensure the accuracy of forecasts. She further noted that delays in capital spend could result from various factors, including planning permissions and other external dependencies, and that it was crucial to distinguish between genuine delays and over-optimistic timelines set by project managers.

The forecasts net financial position for the current year was for a small surplus but it was noted that due to treasury gains of £19.0m, earmarked reserves of £16.8m had been set aside for potential exposures related to property assets / liabilities related to the Housing and Regeneration programme.

It was further noted that the availability of the network stability grant would help to ensure a balanced position for 2025-2026 as well, which was important in supporting the Going Concern position in the context of the current year accounts.

The committee concluded with an acknowledgment of the positive outlook and the importance of understanding the financial position in its assessment of risks, as well as for its work in relation to the year end accounts.

Recommended to the WMCA Board:

(1) The verbal update be noted.

59. Internal Audit Update Report

Prior to the committee receiving the report, the Head of Audit & Information Governance confirmed to the committee that the monetary value for gifts and hospitality as a declaration of interest was £50. This would be updated and noted in future agendas of the committee.

The committee considered a report from the Head of Audit & Information Governance to present an update on the work completed by the Internal Audit team since the previous update in November 2024 and progress made against delivery of the 2024/25 Internal Audit Plan.

In regard to the Annual Audit Plan, which was approved by the committee in July 2024, the Head of Audit & Information Governance noted that the plan continued to be reviewed to ensure that the areas included remained relevant and reflected the risks of the organisation. The first two quarters of the audit year had largely focused on grant verifications required within individual grants funding and the deferred 2023-2024 internal audits. Key corporate projects had also been maintained, providing project support and consultancy roles, particularly in procurement, contract management, and the Integrated Settlement working group.

In regard to the completed audits and findings, the Head of Audit & Information Governance noted that several audits had been completed between November 2024 and the present, including three audits that had been completed to final report stage that were the Transport for West Midlands (TfWM) External Assurance Follow-up Governance and Capital Projects, Integrated Settlement Readiness Check and Independent Training Providers (ITPs), which all received reasonable assurance. Significant progress was noted in relation to the TfWM External Assurance audit, with 55% of actions fully implemented and 45% partially implemented, showing substantial improvement from the previous year.

In regard to deferred and cancelled audits, the Head of Audit & Information Governance noted that due to resource pressures and additional workloads at certain periods, a few audits had been cancelled from this year's plan, and two audits had been deferred to 2025-2026. He reassured the committee that these changes would not impair the ability to provide an annual audit opinion for 2024-2025, that was required to be included in the annual governance statement.

In regard to ongoing work and changes to the audit plan, the Head of Audit and Information Governance noted that currently 13 audits were underway and in various stages of progress. The internal audit plan was subject to changes due to evolving risks and resource pressures. Two corporate projects had been requested for completion, including an independent review of WMCA Board papers and additional work related to external practical projects. There had also been an increase in investigation work requirements during this period.

The report included a progress summary table highlighting completed audits and ongoing work. The Head of Audit & Information Governance noted regular recommendation tracking was conducted, and significant improvements had been made in implementing actions from previous audits. He further noted that although there were concerns about the number of audit recommendations not being completed within the set timelines by Responsible Officer's (ROs), reassured the committee that efforts were being made to work closely with action owners to ensure achievable and realistic timelines and to escalate actions to the WMCA's internal Business Management Panel and Executive Board as necessary.

The Business Continuity Resilience, Response and Recovery Manager provided a verbal update on the 15 recommendations from the internal audit undertaken on business continuity. She emphasised the ongoing review and update of the business continuity plan, the completion of missing business impact assessments, and the importance of aligning IT systems with disaster recovery plans. She further noted that a crisis communications plan was in progress, and efforts were being made to standardise on-call structures and update the strategic risk register. The Chair asked that a written report be provided at a subsequent meeting to facilitate an understanding of the progress being made.

Councillor Martin raised a concern regarding the high-risk recommendation for the Long Bridge Park and Ride project that was initially scheduled for completion by September 2024 and sought assurance that there would be no further slippage and that the project would be completed within the newly agreed timeframes.

In response, the Head of Audit & Information Governance acknowledged the concern and confirmed that the audit recommendation had been outstanding since the initial audit in 2022.

He further explained that there had been significant pushbacks and that his team was continuously seeking assurance over the matter. The most recent update indicated that the project would be completed within the next couple of months. He emphasised that the major stumbling block was related to contract approval and evidencing the approval of the initial contract. He assured that the RO was working on resolving this issue and promised to provide an update as soon as the contract was signed.

The Chair suggested that if the project was not completed by the newly agreed timeframe, the RO should be asked to attend the committee meeting to provide an explanation.

Councillor Martin further raised a concern about the high-risk recommendation related to ITPs as the issue at hand was the evidence of compliance in procuring training, which posed a significant risk and required immediate mitigation that she sought assurance that this risk would be addressed promptly.

In response, the Head of Audit & Information Governance acknowledged the seriousness of the risk and noted that it be partially discussed in the private session. He explained that the recommendation was linked to another recommendation within a previous audit report concerning adult education procurement.

This recommendation highlighted the need for due diligence and financial checks for ITPs and he assured that a new dynamic purchasing system was being developed, which would include enhanced financial due diligence processes. He confirmed that the team was actively working on this issue and that further details would be discussed in the private session.

The Chair specifically raised a concern about the inconsistency in the wording between the Treasury report and the Internal Audit Plan to highlight that the Treasury report mentioned an internal review of treasury activities, however this review was not included in the current year's plan. In response the Head of Audit & Information Governance acknowledged the concern from the Chair and noted while the internal review of treasury activities was planned for next year, agreed, along with the Executive Director of Finance & Business Hub that the wording should be aligned to avoid any confusion.

Councillor Lakha noted that the wording of the voting requirements in the report could possibly be misconstrued and wondered if it should be revised. The Chair suggested that the Executive Director of Finance & Business Hub discuss this with the Director of Law, Governance & Audit to ensure the wording was clear as to the requirements for any resolution to be passed.

Recommended to the WMCA Board:

(1) The contents of the latest Internal Audit Update Report and the amendments to the original plan, including those audits which had been added, deferred or cancelled since its approval on 15 July 2024 be noted.

(2) Progress on the implementation of recommendations be noted.

60. Strategic Risk Update

The committee considered a report from the Risk Manager to note several key points that were discussed regarding the strategic risk register and its management, including a new presentation format that was highlighted, with a Power BI dashboard being used for the WMCA's Executive Board, which was well-received. The possibility of using the same format for the committee was suggested and the Chair noted he would discuss further with committee members outside of the meeting.

The Risk Manager noted that the Executive Board had expressed interest in conducting deep dives into persistent risks to better understand and manage them. He noted that two issues had been removed from the strategic issues log that were now being managed operationally. The report also highlighted new risk categories around capital delivery, transport, and housing were introduced.

Councillor Jaspal raised concerns about the potential underspend of grants, particularly focusing on the UK Shared Prosperity Fund (UKSPF) and the need to ensure effective spending of the allocated £88 million by March 2025. She emphasised the importance of redistributing funds among local authorities to maximize usage and avoid underspending.

In response, the Executive Director of Finance and Business Hub explained that local authority finance directors had been working closely with project teams to review and forecast spending. She further noted that a recent review indicated that all local authorities were on track to spend their allocated funds by the deadline.

Councillor Martin and Councillor Lakha both raised concerns about the timeliness and effectiveness of risk reporting within the organisation. They emphasised the importance of ensuring that relevant managers were made aware of risks early on, so they could start mitigating them promptly and sought clarification on the reporting structure and frequency at various levels within the organisation.

In response, the Risk Manager explained that the strategic risk register was reviewed quarterly by the Executive Board and the committee. He further noted that managers at the programme and operational levels were responsible for regular reviews and mitigation actions, although there wasn't a set timetable for these reviews and that the process aimed to ensure that risks were addressed proactively and escalated as necessary to maintain effective risk management.

Recommended to the WMCA Board:

- (1) The key messages in the Strategic Risk Update and the Strategic Risk Register be noted.

61. Assurance Performance Report Q2 2024/25

The committee considered a report from the Head of Programme Assurance and Appraisal to note the Programme Assurance Insights report for the period from July to September 2024, and to highlight the assurance framework and project management lifecycle for major projects funded through devolved funding. The report detailed the independent reviews conducted on behalf of the Section 73 officer and decision-makers.

Key points discussed included an increase in change requests related to costs and rebasing activities, indicating that the change request process was well-embedded.

In response to the Chair who noted his concern about less mature project planning in some areas and the withdrawal of five business cases, the Head of Programme Assurance and Appraisal explained that this issue had been escalated to the Executive Board and was being addressed through performance arrangements and risk management.

In response to the Chair who further noted the increase in change requests, particularly related to costs and rebasing activities, and therefore emphasised the importance of addressing the reprofiling of activities, the Head of Programme Assurance and Appraisal highlighted that the change request process was now well-embedded, and that recent changes had been presented to the Executive Board, showing control and capturing the reasons for changes.

The Executive Director of Finance and Business Hub provided reassurance to the committee that capacity planning challenges had also been addressed, particularly when expected assessments did not materialise, that caused issues around capacity planning and that this was being tackled through discussions with the Executive Board and a change and transformation programme led by the Chief Executive.

Overall, the report showed no significant risks, however ongoing efforts were being made to improve project planning and capacity management.

Recommended to the WMCA Board:

- (1) The contents of the report which had been considered by WMCA's Executive Board be noted.

62. 2025/26 Treasury Management Policy, Strategy and Practices

The committee considered a report from the Lead Treasury Accountant to note the Treasury Management Policy, Strategy, and Practices report for 2025/26 that was discussed.

It was noted that there had been no changes to the Treasury Management Policy Statement for the current year.

The report on the Treasury Management Strategy highlighted that the net investments had decreased slightly from £199 million as at March 2024 to £190 million by the end of December 2024, with expectations for further reductions by the end of the financial year. The borrowing strategy indicated that the capital financing requirement would rise to approximately £976 million by 2026, with the WMCA maintaining its internally borrowed position due to elevated interest rates.

The investment strategy remained largely unchanged, with a minor amendment to increase the criteria for the registered provider or housing association sector from £20 million to £30 million. This change would not impact individual counterparties, which would still have a limit of £5 million each and be subject to a minimum credit rating of A-.

The Chair noted from the report that there were no current investments with authorities that had issued a Section 114 notice. He also noted that there was no forecast need for new borrowings in the next five years. In addition, there was projected to be significant headroom against the CFR and Authorised Limit for Borrowings.

The committee also reviewed the investment strategy, noting the diversification of risk and the prudence applied around liquidity. The importance of environmental, social, and governance considerations was acknowledged, although the Chair emphasised that these were secondary to security, liquidity, and yield.

The committee noted the strong financial returns delivered by the application of the Policy and Strategy over the past two years.

The Chair requested for the Executive Director of Finance and Business Hub to note that there were no trades with authorities where audited accounts were not available for the preceding year. This point was highlighted to ensure that the authority only engaged in trades with councils that had received an audit opinion, rather than those that had been audited and had a disclaimer of opinion. This was noted as a necessary tweak due to recent sector developments.

The meeting concluded with the committee agreeing to review and endorse the Policy Statement and Strategy, with formal approval to be sought from the WMCA Board at its March 2025 meeting.

Recommended to the WMCA Board:

- (1) The draft 2025/26 Treasury Management Policy Statement (TMPS) Section 2 of the report) for onward approval by WMCA Board in March 2025 be reviewed and endorsed.

- (2) The draft 2025/26 Treasury Management Strategy (TMS) (Appendix 1) including the 2025/26 Investment Strategy and criteria for specified and non-specified investments (Appendix 2) for onward approval by WMCA Board in March 2025 be reviewed and endorsed.
- (3) The arrangements for ensuring Treasury Management Practices are adequately maintained (Section 4) be agreed and noted.

63. Exclusion of the Public and Press

64. Consideration of Private Internal Audit Reports

During the private meeting, several key points were discussed regarding the financial health monitoring of independent training providers (ITPs) and the valuation of land assets.

In response to the Chair's inquiry about the proportion of the budget supplied by ITPs and the associated risks, the Executive Director of Finance & Business Hub provided an estimate but acknowledged uncertainty. She assured the committee that she would provide an update on this at a future committee meeting.

In regard to ITPs, Councillor Jaspal inquired about the compliance and quality control measures in place, focus on the need for DBS checks and civil penalties. She also sought clarification on the role of the new compliance function within skills and how agreed actions were managed between departments. In response, the Head of Audit & Information Governance responded to note there was a relatively new compliance and audit function within skills, which acted as a second line management assurance area. This function conducted regular checks on providers to ensure compliance. He clarified that the agreed actions, including those related to civil penalties, were as a result of collaboration between departments and clients. He further emphasised that these actions were not solely audit-related but were agreed upon with clients to ensure compliance and quality control. The Executive Director of Finance & Business Hub further explained that monthly business reviews covered financial sign-offs, performance issues, and risks, with updates from the Audit team on health checks.

The Chair expressed concern over the limited progress made since the Nexus review in March 2022 and the MAZARS review in April 2023 for transport. He noted that by February 2024, it was evident that significant advancements had not been achieved. The Chair highlighted that, although actions were taken in advance, it had been challenging to derive considerable assurance regarding their impact as many of the recommended actions were either implemented late in the review period or had yet to be fully embedded. The Chair emphasised the importance of acting promptly on these reviews, despite the ongoing restructuring within the Transport Directorate as the delay in reaching a position where a reasonable level of assurance could be provided was worth the committee noting.

The Executive Director of Finance & Business Hub noted a decrease in the value of a small number of property assets of the WMCA. The assets remained on the balance sheet and there was on-going monitoring for accurate reporting and effective risk management. Furthermore, the Housing team continued to work diligently on delivering schemes and managing associated risks to ensure compliance with grant conditions and to maintain financial stability.

Regarding the valuation of land assets, the committee emphasised the importance of using locally based valuers for more accurate assessments as recommended by a previous independent review.

[The meeting ended at 1.10pm].