



# WEST MIDLANDS COMBINED AUTHORITY

## Audit, Risk & Assurance Committee

Friday 15 September 2017 at 10.00 am

### Minutes

#### Present

David Lane (Chair)

Councillor Craig Collingswood (Vice-Chair) City of Wolverhampton Council

Councillor Sucha Bains

Coventry City Council

Councillor Margaret Bassett

Solihull Metropolitan Borough Council

Councillor Keith Chambers

Walsall Metropolitan Borough Council

Sean Farnell

Coventry & Warwickshire LEP

Councillor John Fisher

Redditch Borough Council

Councillor Mariam Khan

Birmingham City Council

Councillor Alexander Phillips

Shropshire Council

Councillor June Tandy

Nuneaton & Bedworth Borough Council

Councillor Jackie Taylor

Sandwell Metropolitan Borough Council

#### In Attendance

Nicola Coombe

Grant Thornton

Louise Cowen

West Midlands Comined Authority

Linda Downes

Nuneaton & Bedworth Borough Council

Linda Horne

West Midlands Combined Authority

Peter Farrow

City of Wolverhampton Council

Tim Martin

West Midlands Combined Authority

Grant Patterson

Grant Thornton

Lorraine Quibell

West Midlands Combined Authority

Joti Sharma

West Midlands Combined Authority

#### Item Title

##### No.

#### 1. Appointment of Vice-Chair

The committee appointed Councillor Craig Collingswood as Vice-Chair of Audit, Risk & Assurance Committee for 2017/18.

#### 2. Apologies for Absence

Apologies for absence were received from Councillor Kerrie Carmichael (Sandwell Metropolitan Borough Council) (Councillor Jackie Taylor attended as substitute for Councillor Kerrie Carmichael), Councillor Steve Clark (Dudley Metropolitan Borough Council) and Councillor Maureen Freeman (Cannock Chase District Council).

#### 3. Declarations of Interest

No declarations of interest were made in relation to matters under

consideration at the meeting.

#### **4. Calendar of Meetings 2017-18**

The committee considered the schedule of meetings for the Audit, Risk and Assurance Committee for 2017-18.

It was noted that a report would be presented to the West Midlands Combined Authority Board delegating responsibility to its Audit, Risk and Assurance Committee to approve the WMCA Annual Accounts and Pension Fund Accounts. The Head of Finance added that a report on the delegation of approving the accounts would be submitted to Audit, Risk & Assurance Committee on 17 November. The appropriate training would be incorporated in to the 2017/18 work programme. The Chair asked if members would mind if this training was added to the length of the meeting so that the time allocated for the main agenda was not reduced. The committee agreed this approach.

Recognising that there was a timing issue with the signing off on the WMCA Annual Accounts and the change of membership to the authority's committees during the summer period, the committee requested that a report be submitted to its meeting on 17 November as to how the accounts could be approved with the current membership of the committee. The Head of Governance undertook to look into this further.

The Head of Finance proposed a change to the calendar of dates to meet the financial approval timings and in terms of the draft accounts, these would be circulated to members of the committee via email during May 2018 for consideration and comments.

Resolved

(1) The dates for meetings of this committee for 2017-2018 be agreed as set out below:

17 November 2017  
19 January 2018  
16 March 2018  
21 June 2018

(2) An additional meeting of the committee be held during July 2018 to formally approve the WMCA Annual Accounts.

(3) Recognising that there was a timing issue with the signing off on the WMCA Annual Accounts and the change of membership to the authority's committees during the summer period, a report be submitted to the next meeting as to how the accounts could be approved with the current membership of the committee.

## **5. Chair's Remarks**

### **(a) Audit, Risk & Assurance Committee - Attendance**

The Chair highlighted the importance of member attendance at meetings of the Audit, Risk and Assurance Committee and reminded the committee of the quorum.

### **(b) Mayoral Address - 15 September 2017**

The Chair reported on the forthcoming Mayoral Address that would be held on Friday 15 September at 16 Summer Lane, and encouraged members of the committee to engage and raise any questions that they may have.

### **(c) The Chair's Meetings**

The Chair provided an update on his meetings with Andrew Browning, the Mayor's Chief of Staff and Sean Pearce, Director of Finance for the WMCA.

Resolved

- (1) The Chair to write to Leaders after each meeting, updating them on individual attendance.
- (2) The Director of Finance to be asked to attend November's meeting of the committee to talk through his vision and what he was hoping from the Audit, Risk & Assurance Committee. The committee noted that it would like the opportunity for an annual meeting with the Mayor and Chief Executive.

## **6. Minutes of the meeting held on 16 June 2017**

The minutes of the meeting held on 16 June 2017 were agreed and signed by the Chair as a correct record.

## **7. Matters Arising**

### **(a) Health and Safety Issues and Whistleblowing**

The Head of Governance assured the committee that it would be notified of any health and safety or whistleblowing issues.

### **(b) Briefing Note – Pension Fund Liability Future Funding**

The committee received a briefing note of the Head of Finance on the Pension Fund Liability Future Funding.

## **8. Forward Plan**

The committee considered a report on agenda items to be submitted to future meetings.

The committee enquired as to whether it could have sight of the WMCA Board and the WMCA Overview and Scrutiny Committee's Forward Plans. The Governance Services Officer agreed to include these with all future papers for the committee.

It was agreed that the following items were to be included on the forward

plan.

17 November 2017 Meeting

- Commonwealth Games 2022 - WMCA's Approach to Risk and Assurance including accountability, operational, reputational and financial risks.
- WMCA Annual Accounts – how the accounts could be approved with the current membership of the committee.
- A report on the delegation of approving the accounts.
- Strategic Risk Register - Exception Report

16 March 2018

- WMCA Business Continuity & Resilience Arrangements.

May 2018

- Draft WMCA Annual Accounts to be circulated to all members of the committee via email.

Resolved

- (1) The report be noted.
- (2) The draft accounts to be circulated to all members of the committee via email during May 2018 for review and comments prior to them being formally approved by the committee in July 2018.
- (3) Appropriate training for members of the committee to be incorporated within the forward plan.

**9. The Role of the Combined Authority in Air Quality**

The committee considered a report of the Head of Governance that outlined what responsibility the Combined Authority had in relation to air quality in the West Midlands area.

Resolved

- (1) The information within the report regarding the role of the Combined Authority in Air Quality issues be noted.
- (2) It be recommended that the WMCA Overview & Scrutiny Committee review this area of work to ascertain whether there was a policy to support the requirements to improve air quality. The Chair to liaise with Councillor Peter Hughes, Chair of the WMCA Overview & Scrutiny Committee.

**10. Internal Audit Update**

The committee considered a report of the Chief Audit Executive on the recent work that had been completed by internal audit.

The Internal Auditor advised the committee on the new reporting arrangements to be introduced and provided an overview of the audits and ratings provided to each of the reviews as follows:

- Programme Management Office Project Appraisal and Support functions - 2017/18 - Satisfactory Assurance
- Transport for West Midlands Capital Programme Prioritisation 2017/18 – Satisfactory Assurance
- Expenses, Gifts and Hospitality 2017/18 – Satisfactory Assurance

Councillor Craig Collingswood referred to an audit on the Programme Management Office project appraisal and support functions and questioned whether the agreed actions were on track to be completed by 31 October 2017. The Corporate Assurance Manager explained that progress had been made in respect of the recommendations within the report and once in post, a review of the progress made to date would be undertaken by the Director of Finance.

In respect of the Commonwealth Games, Councillor Craig Collingswood enquired as to how the West Midlands Combined Authority would ensure that its members and officers were declaring any gifts. It was the responsibility of the West Midlands Combined Authority to remind its members and officers to ensure that all gifts were declared and registered. If the Authority became aware of a whistleblowing concern or by a 3<sup>rd</sup> party that a member had not declared a gift, then the matter would become a code of conduct issue. Sean Farnell added that it was important for the West Midlands Combined Authority to have a visible register of interest.

The Head of Finance agreed to confirm whether all members of the West Midlands Combined Authority had received a copy of the Gifts and Expenses policy and would also clarify whether the policy extended to immediate family members.

Resolved

(1) The Internal Audit reports were noted.

#### **11. Strategic Risk Register**

The committee considered a report of the Director of Finance that supported the committee with its responsibility of providing oversight of Risk Management within the West Midlands Combined Authority.

The Corporate Risk & Business Assurance Specialist explained that the Strategic Risk Register would be reviewed again once the WMCA leadership team was appointed. It was agreed that an exception report on the Strategic Risk Register was to be presented to November's meeting of the committee followed by a further report in January 2018.

(1) The contents of the Risk Register be noted.

(2) An exception report on the Strategic Risk Register to be presented to the committee on 17 November 2017.

(3) It be noted that the Strategic Risk Register would be reviewed again once the new WMCA leadership team had been in post for a few months.

**12. WMCA Assurance Overview September 2017**

The committee considered a report of the Director of Finance on the WMCA's Corporate Assurance Manager's opinion on the Authority's systems of Project & Programme Assurance and Business Assurance for this reporting period April 2017 – August 2017.

The Chair noted that as the West Midlands Combined Authority was still evolving and recognising that there were plans in place to recruit to senior posts, it was proposed that an exception report on recruitment be presented to the November meeting of the committee.

Resolved

(1) The assurance reviews and activities that had been undertaken in the last quarter be noted.

(2) The committee was satisfied with the assurance activity April – August 2017.

(3) The risk and assurance processes and reporting would be reviewed again once the WMCA leadership team was appointed be noted.

**13. Date of Next Meeting**

Friday 17 November 2017 at 10:00am.

**14. Exclusion of the Public and Press**

Resolved that in accordance with Section 100A(4) of the local Government Act 1972 the press and public be excluded from the meeting for the following items of business as it involved the likely disclosure of exempt information relating to the financial or business affairs of any particular person (including the authority holding that information)

**15. WMCA Growth Company Assurance Arrangements**

The committee considered a report of the Corporate Assurance Manager on the assurance arrangements for the West Midlands Combined Authority Growth Company.

On 16 June 2017 Audit Risk & Assurance Committee received a report confirming the legal status of all arm's length companies. As the West Midlands Growth Company was the only live company at the time, the committee requested a report on its assurance arrangements.

The Corporate Assurance Manager explained that the West Midlands Combined Authority had been in dialogue with the West Midlands Growth Company who had now outlined the assurance arrangements that were in place. The company had agreed to share any risks that were pertinent to the West Midlands Combined Authority and at the end of the financial year would provide an assurance report (Annual Governance Statement) to the WMCA's Audit, Risk & Assurance Committee.

The Growth Company Board membership consisted of each Metropolitan Authority and West Midlands Combined Authority representation. The Corporate Assurance Manager agreed to share the membership details of the Board with the Audit, Risk & Assurance Committee for information.

There were a number of other organisations that were currently dormant and the West Midlands Combined Authority would work in conjunction with the Chair of the Audit, Risk & Assurance Committee to develop a template for how audit should be handled by the subsidiary bodies in order to give confidence and consistency to the committee.

The committee requested that a diagram be prepared that set out the organisational relationship between the WMCA and the arm's length organisations. The Head of Finance undertook to provide this information to the committee.

Resolved:

- (1) The Growth Company internal assurance arrangements be accepted.
- (2) The financial year for live and emerging companies be aligned to the current 31<sup>st</sup> March deadline.
- (3) It be noted that any risks on the Growth Company's Corporate Risk Register that could impact the West Midlands Combined Authority would be escalated onto the West Midlands Combined Authority's Strategic Risk Register.
- (4) The Growth Company Annual Governance Statement be copied in to note alongside the West Midlands Combined Authority's Annual Governance Statement, so that this committee would be the single source of audit and risk assurance to the West Midland's Combined Authority Board.
- (5) A template for how audit should be handled by these subsidiary bodies be produced in order to give confidence and consistency to the committee when the Annual Governance Statement and external audit report was submitted.

## **16. Commonwealth Games Bid and the Implications for ARAC Responsibilities**

The committee considered a report of the Head of Governance on the relationship between the Combined Authority and the consortium bidding to host the Commonwealth Games in 2022 in the West Midlands, with particular emphasis on the responsibilities of the Audit, Risk & Assurance Committee.

Birmingham had been selected as the preferred UK City for a bid to host the 2022 Commonwealth Games. Birmingham City Council had put together a bid on behalf of the West Midlands and dialogue continued with regard to forming a funding package.

The committee noted that the funding contribution provided by the West Midlands Combined Authority for the Commonwealth Games bid would be subject to the Authority being confident that the appropriate governance and assurance arrangements were in place. The committee considered that the WMCA's contribution would also create a perception that the Authority was leading the development and delivery of the programme resulting in a strong reputational risk.

Councillor Craig Collingswood considered that there was a need to closely monitor the development and delivery of the programme, as the Authority was committed to various programmes and it was possible that the Authority might be asked for additional funds to fund the delivery of the Commonwealth Games.

The committee requested that a report be presented on the WMCA's approach to risk and assurance, including accountability, operational (to include transport), reputational and financial risks, if Birmingham's bid was successful to host the Commonwealth Games in 2022.

Resolved

- (1) The information within the report be noted.
- (2) That the risk profile be kept under review.
- (3) A report to be presented to the next meeting on the WMCA's approach to risk and assurance including accountability, operational, reputational and financial risks, if Birmingham's bid was successful to host the Commonwealth Games in 2022.
- (4) Because of the size of the perception risk to the West Midlands Combined Authority, the Audit, Risk & Assurance Committee might wish to see a written update regularly.

## **17. WMCA Business Continuity Assurance Arrangements**

The committee considered a report of the Corporate Assurance Manager on the coordination for the Business Continuity for the West Midlands Combined Authority.

The Corporate Assurance Manager outlined the business continuity and resilience arrangements that were in place for the West Midlands Combined Authority and noted the steps that would be undertaken in the event of a major disaster that would inhibit the operation of the West Midlands Combined Authority.

Councillor Alexander Phillips proposed that the West Midlands Combined Authority undertake a test of its internal and external systems and that the Commonwealth Games be used as a scenario in which the Authority would be able to test its processes in the event of international or central government involvement. The West Midlands Combined Authority in conjunction with a specialist consultant was currently developing an exercise to be undertaken on 30 October 2017 to test the continuity and resilience arrangements in the event of a potential incident that would impact the ability to continue to operate at 16 Summer Lane, Birmingham.

The Chair proposed that the WMCA Business Continuity and Resilience arrangements should be reviewed again once the WMCA leadership team was appointed and that an exception report be presented to Audit, Risk & Assurance Committee on 16 March 2018.

With regard to the Health Commission, the Chair requested that the West Midlands Combined Authority ensured that its Equalities and Diversity Manager had a role in respect of business continuity and resilience arrangements so that the right level of support was available in the event of an incident. Future reports should also consider authorities closely aligned to the Authority.

Resolved

- (1) The business continuity arrangements in place for the West Midlands Combined Authority and the Transport for West Midlands Operational centres be noted.
- (2) That a further report be submitted on the WMCA Business Continuity & Resilience Arrangements on 16 March 2018.
- (3) The WMCA Business Continuity & Resilience Arrangements be reviewed again once the WMCA leadership team was appointed.

The meeting ended at 12.00 pm.