

AGENDA

No.	Item	Presenting	Pages	Time
1.	Appointment of Vice-Chair To appoint a Vice-Chair of the Audit, Risk & Assurance Committee.	Chair	None	
2.	Apologies for Absence	Chair	None	
3.	Declarations of Interest	Chair	None	10:00
Private Items of Business				
4.	Exclusion of the Public and Press [To pass the following resolution: 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 they involve the likely disclosure of exempt information relating to the financial or business affairs of any particular person (including the authority holding that information)]		None	
5.	WMCA Growth Company Assurance Arrangements	Tim Martin	1 - 4	10:05
6.	Commonwealth Games Bid and the Implications for ARAC Responsibilities	Tim Martin	5 - 8	10:25
7.	WMCA Business Continuity Assurance Arrangements	Joti Sharma	9 - 12	10:45
Meeting Business Items				
8.	Calendar of Meetings 2017-18 To note that, at its Annual Meeting on 23 June 2017, the West Midlands Combined Authority Board approved the following calendar of dates for meetings of this committee for 2017-18 (meetings to commence at 10:00am) <ul style="list-style-type: none"> - 17 November 2017 - 19 January 2018 - 16 March 2018 - 15 June 2018 	Chair	None	11:05
9.	Chair's Remarks (a) ARAC Meeting Attendance (b) Mayoral Address – 15 September at 12:00pm, Room 116	Chair	None	11:10

10.	Minutes of the meeting held on 16 June 2017	Chair	13 - 20	11:15
11.	Matters Arising (a) Health & Safety Issues (b) Whistleblowing (c) Briefing Note - Pension Fund Liability Future Funding (minute no. 68/16 refers)	Tim Martin Tim Martin Linda Horne	21 - 22	11:20
12.	Forward Plan	Chair	23 - 24	11:25
Business Items for Discussion/Understanding				
13.	The Role of the Combined Authority in Air Quality	Tim Martin	25 - 30	11:30
Business Items for Noting/Approval				
14.	Internal Audit Update (a) Programme Management Office Project Appraisal and Support Functions (b) TfWM Capital Programme Prioritisation (c) Expenses, Gifts and Hospitality	Peter Farrow	31 - 62	11:35
15.	Strategic Risk Register	Lorraine Quibell	63 - 70	11:45
16.	WMCA Assurance Overview September 2017	Joti Sharma	71 - 76	11:55
Any Other Business				
17.	None notified		None	
Date of Next Meeting				
18.	Friday 17 November 2017, 10:00 - 12:00		None	

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Agenda Item 5

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Meeting: Audit, Risk & Assurance Committee

Subject: Minutes

Date: Friday 16 June 2017

Present:

David Lane (Independent Chair)	
Councillor Craig Collingswood (Vice-Chair)	City of Wolverhampton Council
Councillor Sucha Bains	Coventry City Council
Councillor Kerrie Carmichael	Sandwell Metropolitan Borough Council
Councillor Bob Copland	Nuneaton & Bedworth Borough Council
(Substitute for Councillor John Haynes)	
Councillor Rachel Harris	Dudley Metropolitan Borough Council
Tom Westley	Black Country Local Enterprise Partnership

In Attendance:

Paul Beckley	West Midlands Combined Authority
Nicola Coombe	Grant Thornton
Linda Downes	Nuneaton & Bedworth Borough Council
Peter Farrow	City of Wolverhampton Council
Linda Horne	West Midlands Combined Authority
Sandra Kaylin	City of Wolverhampton Council
Tim Martin	West Midlands Combined Authority
Grant Patterson	Grant Thornton
Councillor Jackie Taylor	Sandwell Metropolitan Borough Council

Please note that in accordance to the WMCA Constitution, this meeting was inquorate. However, the recommendations contained within the minutes were submitted to the WMCA Board on 21 July 2017 for formal approval and adoption.

61/16 Apologies for Absence

Apologies for absence were received from Councillor Keith Chambers, Councillor Tristan Chatfield, Sean Farnell, Councillor John Fisher, Councillor Maureen Freeman, Councillor John Haynes, Councillor Angela Sandison and Councillor Rob Sloan.

62/16 Declarations of Interest

David Lane declared an interest in respect of his recent co-option as a councillor on Rowington Parish Council in Warwickshire. Tom Westley declared an interest as a Director of the West Midlands Growth Company Ltd.

63/16 Chair's Remarks

(a) Member Pre-Meetings

The Chair explained that in future Audit, Risk & Assurance Committee meetings would be preceded by a pre-meeting to enable members of the committee to discuss the agenda, reports and any issues without officers present. He asked that all members make attendance at these a priority.

(b) Progress made on Cyber Security

The Chair apologised that a report on cyber security had not been circulated in advance and that as an exception a presentation on the progress being made on cyber security would be made to this meeting because much of the work was continuing up to the day of the meeting. The Chair made it clear that the expectation would remain that written reports, circulated in advance would be the norm.

(c) Audit Findings and Annual Accounts - Late Reports

The Chair enquired about the late circulation of the Audit Findings Report and Annual Accounts 2016/17 for the West Midlands Combined Authority. Councillor Craig Collingswood highlighted the importance of receiving reports in advance of the meeting to enable members to make an informed decision. The Head of Finance explained that on 19 May 2017, the Annual Accounts were emailed to all members of the committee to review and comment on prior to them being submitted to Audit, Risk & Assurance Committee on 16 June.

Due to the cycle of meetings and timescales, the accounts had been circulated electronically to all members of the committee for review and comments, and members were given approximately four weeks to review and comment on the accounts. A review of the cycle of meetings for 2017/18 had been undertaken to avoid the late circulation of these papers in future.

64/16 Minutes of the Last Meeting

The minutes of the meeting held on 28 April 2017 were agreed and signed by the Chair as a correct record.

65/16 Matters Arising

(a) Environment - Air Quality (minute no. 57/16 refers)

At the last meeting of the committee Councillor Rachel Harris agreed to raise the issue of air quality at the Wellbeing Board and would also seek its guidance as to the role of the Audit, Risk & Assurance Committee and the Authority in monitoring this area of concern.

Councillor Rachel Harris reported that at Dudley Metropolitan Borough Council's AGM she was not re-appointed as a cabinet member and therefore was unable to attend the Wellbeing Board to raise this issue of air quality.

(b) Health & Safety Issues and Whistleblowing

The Head of Governance reported that there were no issues in respect of health & safety or whistleblowing to report.

66/16 The Scope and Responsibilities of Audit, Risk & Assurance Committee in Relation to Additional WMCA Bodies and Connected Companies

The committee considered a report from the Head of Governance on the scope and responsibilities of Audit, Risk & Assurance Committee in relation to additional WMCA bodies and connected companies.

A question had been posed by the Chair concerning the scope of the committee in light of the number of arm's length and connected bodies to the West Midlands Combined Authority, such as the West Midlands Growth Company. The Head of Governance assured the committee that it would remain as the single audit, risk and assurance body for the West Midlands Combined Authority.

As the dormant companies identified within the report become active, the Chair would expect the Head of Governance to propose the role of Audit, Risk & Assurance Committee in a report to be approved by the committee. The Chair would be consulted on any proposals before Audit, Risk & Assurance Committee were asked to approve any proposal. Councillor Craig Collingswood welcomed clarification on the role of this committee and asked that the Chair was sensitive to the workload placed on its members needing to remain manageable. The Chair requested that the list of arm's length companies be presented to all future meetings of the committee and the document should also note the any other names that the companies were known as or referenced elsewhere.

In response to a question raised by the Chair with regard to pension liabilities, Grant Thornton explained that the City of Wolverhampton Council was the administrating authority for the West Midlands Pension Fund and the West Midlands Combined Authority was responsible for the ITA Pension Fund. The committee noted the process in which the accounts were approved and the role of Audit, Risk & Assurance Committee.

The Chair proposed that members of the committee should receive a summary on how pension accountability flowed.

It be recommended to the WMCA Board that:

- (1) The information within the report be noted and the creation of a number of additional boards, companies and structures that potentially added to the risk profile of the West Midlands Combined Authority be also noted.
- (2) Appropriate entries should be made to the audit plan and strategic risk assessments to reflect the varying nature of the exposure to risk that these developments posed, and that this position be under review.
- (3) A list of the arm's length or connected bodies to the West Midlands Combined Authority would be presented to all meetings of Audit, Risk & Assurance Committee as a standard item of business.

[Tom Westley declared an interest in this item as a Director of the West Midlands Growth Company Ltd]

67/16 The West Midlands Combined Authority's bid for the Commonwealth Games 2022

The committee received a verbal update from the Head of Governance on the bid to host the Commonwealth Games 2022 with an acknowledgement that some of the detail was commercially sensitive.

The bid was being led by Birmingham City Council and was supported by the West Midlands Combined Authority Board and other metropolitan authorities. An independent feasibility study was currently being undertaken which would look at the cost to fund the preparation of the bid and the wider benefits that could be achieved. A report on the developments in relation to the proposed bid would be presented to the West Midlands Combined Authority Board on 23 June 2017.

The Chair requested that a report on the role of the Audit, Risk & Assurance Committee with regard to the bid and the WMCA's funding for the Commonwealth Games 2022 was to be presented to the next meeting.

It be recommended to the WMCA Board that:

- (1) The verbal report be noted.
- (2) A report on the role and expectations of the Audit, Risk & Assurance Committee with regard to the bid and the WMCA's funding for the Commonwealth Games 2022 proposal be presented to the next meeting.

68/16 Audit Findings for the West Midlands Combined Authority

The committee considered a report from Grant Thornton on the key issues affecting the results of the West Midlands Combined Authority and the preparation of the Authority's financial statements for the year ended 31 March 2017.

With regard to the valuation of pension fund liability, Grant Thornton was still in the process of liaising with the actuary and hoped to be in a position to provide appropriate assurance in the near future. Grant Thornton agreed to circulate an updated page 12 of the Audit Findings report to all members of the committee following the conclusion of their work within this area.

The Chair requested assurance from the Head of Finance that as the metropolitan authorities had taken the benefit of the three year pension valuation liability decrease from the 2017/18 to 2019/20 transport levy, and that there was also agreement to increase the funding should there be an increase in the liability in future valuations. The Head of Finance stated that it was unlikely that such an explicit commitment would have been formally made, given the pressures on local authority finances. However, she undertook to give an update to the next meeting of the committee.

With regard to rights as a council elector in terms of inspecting the accounts, Grant Thornton agreed to forward a copy of the document that was produced by the National Audit Office to Councillor Jackie Taylor for her information.

As the draft letter of representation was not circulated with the agenda and reports, the letter was to be circulated to all members of the committee for review, comment and agreement by 20 June, and authority was to be delegated to the Chair to approve for onward consideration by the West Midlands Combined Authority Board.

It be recommended to the WMCA Board that the Draft Letter of Representation be agreed to be circulated separately to committee members for review, comment and agreement by 20 June 2017, and if content with the content, authority be delegated to the Chair to approve for onward consideration by the WMCA Board on 21 July 2017.

69/16 Annual Accounts 2016/17 for West Midlands Combined Authority

The committee considered a report from the Director of Finance on the Annual Accounts of the West Midlands Combined Authority for the financial year ended 31 March 2017. This had been circulated in draft form to members on 19 May 2017 and no comments had been received. It was agreed that in future when a final report was subsequently submitted for approval following the circulation of a draft that a facing sheet would be included in the final version identifying changes from the pre-circulated draft.

The Head of Finance noted that the audit had been completed without any issues and only minor presentational adjustments identified during the audit.

It be recommended to the WMCA Board that:

- (1) The contents of the Audit Findings report for the West Midlands Combined Authority, presented by Grant Thornton, be noted.
- (2) Grant Thornton's proposal to issue an unqualified audit opinion on the annual accounts be noted.
- (3) It was confirmed that all related party transactions had been included in note 34 in the financial report.
- (4) The financial report be presented to the WMCA Board for onward approval.
- (5) Subject to there being no further issues raised by Grant Thornton, the Mayor and the Director of Finance be authorised to sign the accounts on behalf of the West Midlands Combined Authority.

70/16 Annual Internal Audit Report

The committee considered a report of the Chief Audit Executive that provided the committee with an annual internal audit opinion on the adequacy and effectiveness of the Combined Authority's governance, risk management and internal control processes.

It was recognised that the timing of this submission was out of sync with the Annual Governance Statement which had been considered and approved at the 28 April 2017 meeting of Audit, Risk & Assurance Committee. It was agreed that in future years these reports would be considered together.

It be recommended to the WMCA Board that the report be noted.

71/16 Independent Audit Review of Assurance, Programme Management and Internal Audit

The committee considered a report of the Corporate Assurance Manager on the proposal for an independent audit review of the end to end lifecycle for assurance, programme management, risk management and internal audit.

With regard to the selection process to appoint an independent auditor to undertake the governance review, the committee agreed that authority be delegated to the Chair and Councillor Craig Collingswood to meet with the appropriate officers concerning the selection process and terms of reference. It was agreed that a verbal update on the progress being made would be provided at the next meeting of the committee.

It be recommended to the WMCA Board that:

- (1) An independent audit of the full end to end lifecycle for assurance, programme management, risk management and internal audit be undertaken to verify sufficient controls and assurance arrangements were in place for the West Midlands Combined Authority.
- (2) The independent review should take place in early calendar 2018 to help inform any amendments that were required or recommended to the WMCA Assurance Framework. It should be noted that this Assurance Framework was reviewed and re-endorsed by the Department for Communities and Local Government on an annual basis.

72/16 Any Other Business

(a) Environment - Air Quality

The Chair requested a report from the Head of Governance on the Combined Authority's responsibility in respect of Air Quality.

73/16 Date of Next Meeting

Friday 15 September 2017 at 10:00am

74/16 Exclusion of the Public and Press

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 item of business as it involved the likely disclosure of exempt information relating to an action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

75/16 Progress Made on Internal Audit - Review of Cyber Security

The committee received a presentation from the Head of ICT on the progress made on the recommendations in the City of Wolverhampton Council's Internal Audit report dated 25 May 2016 regarding cyber security.

In the context of previous discussions regarding the progress reports on cyber security, the committee welcomed the presentation and were reassured on the progress now reported as being made. The committee discussed the identification of lead officers within the organisation and the recent security issues within the NHS.

It be recommended to the WMCA Board that a further report on cyber security be presented to the Audit, Risk & Assurance Committee on 17 November 2017.

[The meeting ended at 3.05pm]

Chair

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WEST MIDLANDS
COMBINED AUTHORITY

BRIEFING NOTE

Committee: Audit Risk & Assurance Committee

Date: 15 September 2017

From: Linda Horne, Head of Finance

Minute No. 68/16 Refers – Audit Findings for the West Midlands Combined Authority

At its meeting held on 16 June 2017, the Chair requested assurance from the Head of Finance that as the metropolitan authorities had taken the benefit of the three year pension valuation liability decrease from the 2017/18 to 2019/20 transport levy, and that there was also agreement to increase the funding should there be an increase in the liability in future valuations. The Head of Finance stated that it was unlikely that such an explicit commitment would have been formally made, given the pressures on local authority finances. However, she undertook to give an update to the next meeting of the committee.

The 2017/18 Transport levy provided to the Combined Authority from the 7 Metropolitan councils reflected a reduction in the Pension Fund lump sum deficit as a result of the triannual revaluation of the fund as at March 17. The reduction saved approximately £5m pa over the next 3 years. There is always a risk that the pension fund liability assumptions and asset performance may not materialise in line with the valuation. Actual performance data is collected and monitored through the term by West Midlands Pension Fund. Met Leaders will be aware that any rise in any future valuations will require an increase in funding because of risks and assumptions that underpin their own budgets and medium term financial strategies. Whether that is provided through an increase in District Funding to the Combined Authority or a requirement for the Authority to find from Policy changes will depend on many factors at the time including the materiality of the increase and availability of District Funds.

As is normally the case this would all be dealt with through joint working with Metropolitan Finance Directors, Chief Executives and ultimately leaders in order to find a mutually agreeable way forward.

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WMCA Audit, Risk & Assurance Committee Forward Plan

The forward plan will be reviewed and amended on a regular basis to take into account the Combined Authority's priorities and changing activities

Date	Item	Officer(s)
17 November 2017		
17 November 2017	Meeting Business Items	
	Business Items for Discussion/Understanding	
	Implications on Delegation of ARAC Accounts	Grant Patterson/Linda Horne
	Audit Assurance of WMCA Arm's Length Companies	Joti Sharma
	Transport Business Continuity	Joti Sharma
	Business Items for Noting/Approval	
	Audit Plan	Grant Patterson/Nicola Coombe
	Audit Letter	Grant Patterson/Nicola Coombe
	Internal Audit Update	Peter Farrow/Sandra Kalyan
	Internal Audit Charter – Annual Review	Peter Farrow
	ARAC Self-Assessment Exercise	Peter Farrow
	Private Items of Business	
	Cyber Security Progress Update	Paul Beckley
19 January 2018		
19 January 2018	Meeting Business Items	
	Business Items for Discussion/Understanding	
	Annual Accounts Training	Linda Horne/Grant Patterson
	Business Items of Noting/Approval	
	External Audit Update	Grant Patterson/Nicola Coombe
	Internal Audit Update	Peter Farrow
	Private Items of Business	
16 March 2018		
16 March 2018	Meeting Business Items	
	Business Items for Discussion/Understanding	

Date	Item	Officer(s)
	Business Items for Noting/Approval	
	External Audit Update	Grant Patterson/Nicola Coombe
	Annual Internal Audit Report	Peter Farrow/Sandra Kaylan
	Outturn Report for 2017/18	Tim Martin
	WMCA Annual Governance Statement	Tim Martin
	Internal Audit Update	Peter Farrow
	Internal Audit Plan 2018/19	Peter Farrow
	Private Items of Business	
15 June 2018	Meeting Business Items	
	Business Items for Discussion/Understanding	
	Business Items for Noting/Approval	
	Annual Internal Audit Report	Peter Farrow
	Audit Findings	Grant Patterson/Nicola Coombe
	Annual Accounts Approval	Linda Horne
	Private Items of Business	



WEST MIDLANDS
COMBINED AUTHORITY

Audit, Risk & Assurance Committee

Date	15 September 2017
Report title	The Role of the Combined Authority in Air Quality
Accountable Chief Executive	Keith Ireland, Clerk to the Combined Authority Email: Keith.Ireland@wolverhampton.gov.uk Tel: 01902 554500
Accountable Employee	Tim Martin, Head of Governance Email: Tim.Martin@wmca.org.uk Tel: 0121 214 7435
Report to be/has been considered by	None

Recommendation(s) for action or decision:

The Audit, Risk and Assurance Committee is recommended to:

1. The Committee is recommended to note the information in this report regarding the role of the Combined Authority in Air Quality issues..

1.0 Purpose

- 1.1 The Committee have previously asked for a report outlining what responsibility the Combined Authority has in relation to air quality in the West Midlands area. This report provides background information.

2.0 Background

2.1 Duties and Functions

- 2.1.1 Duties and functions to improve air quality flow from both EU and UK environmental legislation - which contain discrete air quality objectives that must be met - and UK public health legislation - which requires local authorities to take steps to improve the health of its citizens.

2.2 Environmental Legislation

- 2.2.1 Requirements for EU member states to improve air quality and meet specific objectives are set out in the EU Ambient Air Quality Directive 2008. As the UK is an EU member state, the Government must report its progress towards achieving air quality objectives to the EU. In the event of breaches of the European objectives, infraction proceedings can be progressed through the EU courts and fines administered.
- 2.2.2 The UK also has environmental legislation setting out legal requirements to manage air quality. Part IV of the Environment Act 1995 sets out national and local roles and responsibilities in the management of air quality. This includes the requirement of the Government to establish a national air quality strategy and requirements of local authorities to monitor, review and manage air quality.
- 2.2.3 The Air Quality Standards Regulations 2010 define the UK's air quality objectives and were transcribed into UK law from the 2008 EU Directive.
- 2.2.4 Regardless of EU membership, the UK's obligations to manage air quality and to achieve air quality objectives are enshrined in domestic legislation. However, dependent on the terms and conditions established for the UK's exit of the EU and its future relations with the EU, the requirement to report progress to the EU and the possibility of infraction proceedings in the EU courts for breaching the EU's air quality legislation is still to be determined.

2.3 Local Air Quality Management

- 2.3.1 DEFRA is the Government Agency responsible for discharging the national functions related to air quality management. As such, DEFRA is the central Government Agency which coordinates the "Local Air Quality Management (LAQM)" regime. DEFRA issues advice, guidance and tools to local authorities to enable them to carry out their duties to manage air quality. In addition, it is to DEFRA that local authorities report their progress in managing air quality.

2.3.2 Through the LAQM system local authorities are required to assess air quality in their area and designate Air Quality Management Areas (AQMA) if improvements are deemed necessary. Where an AQMA is designated, local authorities are required to produce an air quality Action Plan describing the pollution reduction measures it will put in place. Table 1 gives a summary of the current AQMAs in existence in the WMCA area:

2.3.3 The constituent authorities employ environmental protection officers who are broadly responsible for discharging the air quality functions of the 1995 Act.

2.4 Table 1: Summary of AQMAs in the West Midlands metropolitan area

Local Authority	AQMA Declared	Description	Pollutants	Date Declared
Birmingham City Council	Yes	Whole district	NO ₂ and PM ₁₀	2005
City of Wolverhampton Council	Yes	Whole district	NO ₂ and PM ₁₀	2005
Coventry City Council	Yes	Whole district	NO ₂	2009
Dudley Metropolitan Borough Council	Yes	Whole district	NO ₂	2007
Sandwell Metropolitan Borough Council	Yes	Whole district	NO ₂	2005
Solihull Metropolitan Borough Council	No	N/A	N/A	N/A
Walsall Metropolitan Borough Council	Yes	Whole district (NO ₂) and a discrete 1.5-2.0 acre area (PM ₁₀)	NO ₂ and PM ₁₀	2006 (NO ₂) and 2008 (PM ₁₀)

2.5 WMCA Amendments and Functions Order

2.5.1 By virtue of the WMCA Amendments and Functions Order 2017- “the Mayoral Order” – the mayoral WMCA has the same air quality powers and responsibilities under the 1995 Act as the local authorities currently have. These air quality functions are to be exercised concurrently with the constituent authorities. A Memorandum of Understanding (MOU) is needed to frame the best way to manage discharging these functions. It was proposed that the MoU should be written following discussion with all relevant stakeholders and the appointment of the Mayor.

2.5.2 The Mayoral Order could allow constituent authorities to develop a joint AQMA and AQAP that crosses local authority boundaries to be formally declared by the WMCA on their behalf if it is determined appropriate to do so.

2.5.3 At this stage the MOU has not yet been completed but this work will be led by a recently appointed, senior member of staff when they take up their responsibilities. As set out above the Constituent and Non-Constituent Authorities have direct responsibility for air quality management within their areas and it is expected that they would remain the bodies best placed to undertake such action due to their local knowledge.

2.5.4 The work of the Mayoral Combined Authority is expected to be in areas where cross border or Regional measures appear likely to bring benefits that might not otherwise be realisable. The MOU will govern the manner in which these concurrent powers will be exercised by the Mayor.

2.6 Public Health Legislation

2.6.1 The UK's Health and Social Care Act 2012 puts a duty on local authorities to take such steps as considered appropriate to improve the health of citizens and have regard to guidance from the Department of Health's Public Health Outcomes Framework (PHOF) in doing so. The PHOF currently makes provision for the impact of air pollution on health through the inclusion of two indicators, one giving the annual concentration of PM2.5 and the other is the fraction of mortality attributable to fine particulate matter (PM2.5). There is currently no indicator within the PHOF relating to nitrogen dioxide, however, this is likely to be introduced.

3.0 Wider WMCA Implications

3.1 As can be seen from the above, Air Quality is an area which is heavily regulated with UK and EU legislation. At a local level all Local Authorities have duties and responsibilities for monitoring and managing Air Quality. The Constituent Authorities have been active in this area already and now the Combined Authority has been given powers to act concurrently with the Authorities to tackle this issue. What this means in practice is that a partnership approach is being adopted. There is no intention to usurp activities of each local authority who are best placed to tackle issues at their local level. Where the Combined Authority can bring added value is in creating the conditions to enable create joint working and a more joined up approach.

Obviously problems such as air quality don't stay neatly within existing Borough boundaries and will affect other areas to a greater or lesser extent depending on conditions.

4.0 Financial implications

4.1 No specific financial implications arise from the contents of this report but there are resource implications which would arise if the Mayoral Combined Authority chose to take significant action under its powers. In reality such action may well form part of other programmes and be resourced in that way.

5.0 Legal implications

5.1 The broad legal implications are outlined in the body of the report.

6.0 Equalities implications

6.1 There are clear links between poor air quality and ill health. Ill – health can lead to a wide range of deprivation and economic disadvantage and areas of housing near major roads and other areas of poor air quality are often occupied by communities already suffering from significant inequalities.

6.2 The Combined Authority has clear priorities on improving the health and well being of people in the West Midlands and its powers on air quality may be used to further this objective.

7.0 Other implications

7.1 Non applicable to this report.

8.0 Schedule of background papers

8.1 None.

9.0 Appendices

None

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Audit, Risk & Assurance Committee

Date	15 September 2017
Report title	Internal Audit Update
Accountable Chief Executive	Keith Ireland, Clerk to the Combined Authority Email: Keith.Ireland@wolverhampton.gov.uk Tel: 01902 554500
Accountable Employee	Tim Martin, Chief Audit Executive Email: Tim.Martin@wmca.org.uk Tel: 0121 214 7435
Report to be/has been considered by	Not applicable

Recommendation(s) for action or decision:

The Audit, Risk and Assurance Committee is recommended to:

Note the contents of the latest Internal Audit Reports on:

- Programme Management Office Project Appraisal and Support Functions
- TfWM Capital Programme Prioritisation
- Expenses, Gifts and Hospitality

1.0 Purpose

1.1 The purpose of this report is to present the Committee with the recent work that has been completed by internal audit.

2.0 Background

2.1 In accordance with the agreed work programme for internal audit, the reports provide an independent and objective opinion on the Combined Authority's effectiveness in managing their risk management, governance and control environment.

2.2 The reports will also feed into the Annual Internal Audit Report that will be prepared at the end of the financial year. The Annual Report will provide an overall audit opinion on the adequacy and effectiveness of the governance, risk management and internal control processes, based upon the outcome of the reviews completed during the year. This opinion can then be used to feed into the Combined Authority's Annual Governance Statement that accompanies the Annual Statement of Accounts.

3.0 Wider WMCA Implications

3.1 There are no implications

4.0 Financial implications

4.1 There are no implications

5.0 Legal implications

5.1 There are no implications

6.0 Equalities implications

6.1 There are no implications

7.0 Other implications

7.1 Not applicable

8.0 Schedule of background papers

8.1 None

9.0 Appendices

Programme Management Office Project Appraisal and Support Functions
TfWM Capital Programme Prioritisation
Expenses Gifts and Hospitality



WEST MIDLANDS
COMBINED AUTHORITY

BIRMINGHAM • COVENTRY • DUDLEY • SANDWELL • SOLIHULL • WALSALL • WOLVERHAMPTON

Internal Audit Report

Programme Management Office Project Appraisal and Support Functions - 2017/18

1. Executive summary

Introduction

An audit of the Programme Management Office project appraisal and support functions was undertaken as part of the approved internal audit plan for 2017/18.

The Programme Management Office undertakes project appraisal and support functions for both Transport for West Midlands projects and the Investment Programme, although each is subject to different funding and approval arrangements and therefore associated assurance and appraisal processes.

Transport for West Midlands related projects have been subject to established processes and include projects at different stages of the project life-cycle with a greater number of mature projects in operation. While, the Investment Programme currently includes projects that are in the earlier stages of development and/or delivery and therefore not all currently established processes or functions will necessarily have been in operation for these projects at the time of our review.

Scope and objectives of audit work

Our audit was conducted in conformance with the Public Sector Internal Audit Standards and considered the following objectives, and the potential risks to the achievement of those objectives:

Scope	Potential risks
<p>The review was conducted in two parts:</p> <ul style="list-style-type: none">• A high-level compliance review of project appraisal and support processes undertaken by the Programme Management Office for Transport for West Midlands related projects.• A health check review of project appraisal and support processes established and proposed for Investment Programme related projects, with compliance testing dependent on stages achieved by sample projects at the time of review. <p>The above reviews included coverage of the following functions undertaken by the Programme Management Office:</p> <ul style="list-style-type: none">• Assurance reviews (Tier 1 Review).• Risk and Issues support.• Change management.• Reporting and governance.	<ul style="list-style-type: none">• Appropriate and proportionate due diligence activities that support effective decision-making and project appraisal may not be undertaken and /or reported on appropriately or at all.• Potential project failure regarding delivery within time, budget and expected quality may not be promptly detected and reported on leading to a failure to take appropriate remedial action.• Project's failure to embed risk management arrangements and take appropriate mitigating actions to treat those risks may not be promptly detected and reported on leading to a failure to escalate the matter and / or take appropriate remedial action.

Limitations to the scope of our audit

This audit was limited to a high-level assurance review of the above functions undertaken by the Programme Management Office in relation to Transport for West Midlands related projects and Investment Programme related projects.

Overall conclusion

Taking account of the issues identified in this report, in our opinion the controls operating within the system, provide **satisfactory assurance** as part of the process to mitigate risks to an acceptable level.

Limited	Satisfactory	Substantial
There is a risk of objectives not being met due to serious control failings.	A framework of controls is in place, but controls need to be strengthened further.	There is a robust framework of controls which are applied continuously.

Key issues identified

We have identified four **amber** issues where improvements could be made, arising from the following:

- Individual gated assurance reviews for Investment Programme projects (both internal and external) had not yet been fully developed.
- Local assurance and endorsement processes had yet to be clearly established for Investment Programme projects led by Transport for West Midlands prior to submission to the Technical Appraisal Panel.
- Certification by project sponsors and evidencing of approvals within Department of Communities and Local Government specified templates had not been undertaken in all cases.
- Change control procedures had not been clearly developed for the Investment Programme as part of the Assurance Framework process, which were stated as requiring development in the Assurance Framework document.

In addition, we have raised two issues classified as **green** which are detailed in section two of this report. A copy of this report will be presented to the Audit, Risk and Assurance Committee.

Examples of good practice identified

During our work, we identified the following examples of good practice in the management of risk, as achieved through the effective design and application of controls:

Transport for West Midlands Projects

- Transport for West Midlands projects are project managed through a Gated Project Management Lifecycle which specifies nine key gateways starting from initiation through to completion / closure.
- The Transport for West Midlands Gated Project Management Lifecycle process clearly defines the key control documents and activities that should be undertaken at each gateway. We note that this current process has been in operation for the past 12 months and consequently some of the current projects in operation may pre-date this process and were appraised initially under previous arrangements.

- Appraisal, approval and governance arrangements for Transport for West Midlands projects have been clearly mapped and include a two-tiered appraisal process, Programme Board endorsement and Transport for West Midlands Board approval at each project gateway.
- Transport for West Midlands projects are appraised via a Tier 1 process compliance review undertaken by the Programme Management Office and a Tier 2 assurance review undertaken by Corporate Assurance. Tier 2 assurance reviews make recommendations regarding completion of activities and control documents as well as recommendations regarding progression through subsequent gates / progression to Programme Board.
- Suitable templates have been developed for undertaking both Tier 1 and Tier 2 reviews that mirror the stages within the Gated Project Management Lifecycle and include checks that cover the key control documents and activities also stipulated in the Gated Project Management Lifecycle Process.
- Endorsement processes for Transport for West Midland Projects by the relevant Programme Board and approvals by the Transport for West Midlands Board for each project are included in the process flow document.
- A forward plan is used for the scheduling of Tier 1 and Tier 2 reviews for Transport for West Midlands projects.
- The Transport for West Midlands Assurance / Approval Process flow diagram includes processes for approval of exceptions and change requests at Transport for West Midlands Board level.
- Suitable arrangements have been established for support functions such as scheduling and risk management activities undertaken by the Programme Management Office in support of the Gated Project Management Lifecycle and for tracking of project progression using the Primavera P6 project scheduling system.
- A SharePoint site has been developed for use as part of project management by individual projects (both internal and external) as well as by the Programme Management Office for monitoring project management and delivery.
- Dashboard based reports are generated monthly to report on project delivery to the relevant Programme and Governance Boards.

West Midlands Combined Authority Investment Programme

- Corporate Assurance have commenced development of a Major Schemes Assurance review methodology and associated document that is based on best practice gated review processes as developed by the Infrastructure and Project Authority, Major Projects Authority and Office of Government Commerce.
- The Assurance Plan being developed by Corporate Assurance refers to undertaking assurance reviews during a project's lifecycle, although the format and scope of these reviews are to be determined.
- The Programme Management Office has developed an Assurance Covering Document that facilitates tracking of outcome, decisions, recommendations and approvals undertaken by the various panels and boards charged with responsibility for appraising, endorsing or approving

Investment Programme projects, as they progress through the three-stage business case assurance process defined in the Assurance Framework process.

- Processes are being developed by the Scheduling Team to track internally led Investment Programme projects through the Primavera P6 System.
- Use of the SharePoint site by Investment Programme projects (internal and external) for submission of monitoring and project delivery information has been mandated within the contract issued to such projects.

Acknowledgement

Several employees gave their time and co-operation during this review. We would like to record our thanks to all the individuals concerned.

2. Issues arising

Priority rating for issues identified:

Red

Action is imperative to ensure that the objectives for the area under review are met

Amber

Action is required to avoid exposure to significant risks in achieving objectives

Green

Action is advised to enhance risk control or operational efficiency

Action is required to avoid exposure to significant risks in achieving objectives
Amber

No	Issue arising	Agreed action including responsibility and target date
2.1	<p>Investment Programme Gated Assurance Reviews</p> <p>We noted that detailed individual gateway assurance reviews were yet to be formalised and such reviews were not undertaken for current Investment Programme projects during stages one to three of the Assurance Framework process. The Corporate Assurance Manager and Head of Programme Management Office and Projects advised that the Programme Board had approved project monitoring and assurance arrangements for each major project and the roles / responsibilities to be undertaken in the delivery stages. We are also advised that actual detail of the operational / monitoring arrangements and reports was in the process of being developed.</p> <p>Implication: If appropriate assurance reviews are not established in readiness, this may result in the need for interim measures which could lead to inconsistencies between projects.</p>	<p>The assurance process for both the development and implementation stages are in place. The WMCA Programme Board in April 2017 approved the project monitoring and assurance arrangements for each major project and the roles that the Programme Management Office, Corporate Assurance, Finance & Economic Intelligent Unit will have in the delivery stages. The actual detail of what the operational monitoring arrangements/reports will look like are currently being developed by the teams listed and the approach will be approved by the Investment Programme Director (Paul Dransfield) and will go to WMCA Programme Board/ WMCA Board on a quarterly basis. The first reports will go to the Boards in September 2017. A sample of the report back was agreed by WMCA Programme Board in April 2017 with the assurance/ monitoring approaches.</p> <p>Assurance at Major Project Gates for the Investment Programme is provided by a number of groups – local assurance, technical appraisal panel and investment advisory group. The current assurance processes are operating as requested in the WMCA Assurance Framework, however there is opportunity to strengthen the assurance processes by implementing a structured approach to the gated reviews. This could be achieved by implementing Green Book 5 business case best practice and Major Projects Authority Planned Assurance Reviews. These enhancements would need to be endorsed by the s151 Officer.</p> <p>Responsibility:</p> <p>Sarah Roche – Head of Programme Management Office and Projects</p>

No	Issue arising	Agreed action including responsibility and target date
		<p>Joti Sharma – Corporate Assurance Manager</p> <p>Target date: 31 October 2017</p>
2.2	<p>Local assurance and endorsement for internally led Investment Programme projects</p> <p>We found that local assurance and endorsement processes had not been fully established for Investment Programme projects led by Transport for West Midlands.</p> <p>The Assurance Framework process requires that all lead Authorities responsible for an Investment Programme project must provide assurance / evidence that the project had been subject to suitable local assurance and endorsement (e.g. cabinet approvals) prior to submission.</p> <p>However, Transport for West Midlands Investment Programme projects are not subject to the entire Gated Project Management Lifecycle and therefore are not subject to Tier 1 / Tier 2 type reviews that could constitute local assurance / endorsement prior to submission to the Assurance Framework process.</p> <p>We found that a Major Schemes Assurance review was instead undertaken by Corporate Assurance for the Sprint Birmingham to Sutton Coldfield Investment Programme Project. This review made several recommendations regarding establishment of suitable governance arrangements, project controls, risk management and monitoring / evaluation arrangements, two of which were categorised as critical per the RAG rating methodology developed for these reviews. We further noted that the format and content of the Major Schemes Assurance review better leant itself to supporting Investment Programme review rather than local review.</p> <p>Implication: Project failure may occur and / objectives and benefits may not be achieved within time, budget and quality due to a lack of appropriate assurance and endorsement processes.</p>	<p>This issue has been addressed by the actions already taken / in progress as detailed at 2.1 above.</p> <p>Responsibility:</p> <p>Sarah Roche – Head of Programme Management Office and Projects</p> <p>Joti Sharma – Corporate Assurance Manager</p> <p>Target date: 31 October 2017</p>

No	Issue arising	Agreed action including responsibility and target date
2.3	<p>Certification of Investment Programme business cases</p> <p>We found that the business cases for two projects had not been signed by the responsible project sponsor, although the business case for one externally led project had been signed.</p> <p>We also noted that the Certificate of Approval that endorsements / approvals by the appraisal and approval boards had not been completed or certified in all three instances.</p> <p>The Head of Programme Management Office and Projects had advised that currently there is no formal requirement for business cases and Certificate of Approval to be signed and that the Assurance Covering Document was used for tracking decisions / actions. Whilst recognising that the Assurance Covering Document provides such a mechanism, we understand that the format of the Business Case was stipulated by the Department for Communities and Local Government and any changes would require their approval.</p> <p>Implication: Business cases may be submitted for endorsement / funding decisions without the appropriate authorisations from the led Authority responsible for a project.</p>	<p>The Department of Communities and Local Government has advised that they are content with the approach taken and that it satisfies their requirements. Consequently, no further action required.</p> <p>Responsibility: Sarah Roche – Head of Programme Management Office and Projects</p> <p>Target date: Not Applicable</p>
2.4	<p>Change control</p> <p>Whilst the Transport for West Midlands Project Assurance and Approval process flow document included approval of changes / exceptions, the Investment Programme Assurance Framework process did not include appropriate change control procedures.</p> <p>We noted that the Assurance Framework document stated that change request processes and associated documentation was one area that would require development.</p> <p>We understand that the Programme Management Office are in the process of developing a revised Change Management Process. Whilst recognising that the document was at draft stage we noted that the process</p>	<p>The revised process was agreed by Transport for West Midlands / Corporate Board on 19 June 2017 and will gain final approval from Management Board on 22 June 2017.</p> <p>Responsibility: Sarah Roche – Head of Programme Management Office and Projects</p> <p>Target date: 30 June 2017</p>

Action is required to avoid exposure to significant risks in achieving objectives
Amber

No	Issue arising	Agreed action including responsibility and target date
	<p>was more aligned to the Transport for West Midlands Gated Project Management Lifecycle and associated assurance / approval process and made references to Centro.</p> <p>Implication: Changes may be made without robust challenge and / or appropriate authorisation.</p>	

Action is advised to enhance risk control or operational efficiency
Green

No	Issue arising	Agreed action including responsibility and target date
2.5	<p>Transport for West Midlands - decision / recommendations tracking We found that a process for clearly recording and tracking decisions and recommendations for Transport for West Midlands projects had not been clearly established and formalised i.e. those arising from Tier 2 reviews, presentation to governance boards and as the project progressed through the Gated Project Management Lifecycle.</p> <p>We noted from sample testing that the Tier 1 review documents did not routinely record the outcome of the subsequent Tier 2 review although the review template facilitated this.</p> <p>However, the Programme Management Office Manager had advised that this issue had been recognised and remedial action was being taken to record decisions / recommendations within the Programme Management Office SharePoint site. This would be supported by email communications which will be stored in a central location.</p> <p>Implication: Decisions and recommendations that should be considered as part of the assurance / approval process may not be actioned.</p>	<p>Processes will be further formalised for clearly recording and tracking decisions / recommendations.</p> <p>Responsibility: Sarah Roche – Head of Programme Management Office and Projects</p> <p>Target date: 31 October 2017</p>

No	Issue arising	Agreed action including responsibility and target date
2.6	<p>Completion of Gateway control documents We found from sample testing of Tier 1 compliance reviews that some of the associated project control documents (project brief, procurement strategy) to which the reviews related had not been fully completed or signed, although a full confidence score had been given. We understand that only the relevant sections may have been completed, and then checked by the Tier 1 review.</p> <p>Implication: Lack of evidence to support the confidence scores given in a review, in the event of future query or challenge.</p>	<p>Action will be taken to ensure that Tier 1 compliance reviews confirm that all control documents are fully completed and where documents / sections are not applicable this is evidenced. Certification will generally be evidenced by emails received from the submitting officer.</p> <p>Responsibility: Sarah Roche – Head of Programme Management Office and Projects</p> <p>Target date: 31 October 2017</p>

Limitations inherent to the internal auditor's work

This report has been prepared solely for the Combined Authority in accordance with the terms and conditions set out in the terms of reference. Internal audit does not accept or assume any liability of duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without prior consent. Internal audit has undertaken this review subject to the limitations outlined below.

Internal control

- Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Responsibilities of management and auditors

- It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.
- Internal audit endeavours to plan audit work so that it has a reasonable expectation of detecting significant control weakness and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.
- Accordingly, these examinations by internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist.

Date Issued: 23 June 2017

Distribution: Mark Taylor – Director of Corporate Services

Sarah Roche – Head of Programme Management Office and Projects

Joti Sharma – Corporate Assurance Manager

Claire Jones – Programme Management Office Manager

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Internal Audit Report
Transport for West Midlands Capital Programme
Prioritisation 2017/18
14 August 2017

Delivered by City of Wolverhampton Council – Audit Services

1. Executive summary

Introduction

An audit of the Transport for West Midlands Capital Programme was proposed as part of the approved internal audit plan for 2017/18.

The Transport for West Midlands Capital Programme consists of projects and asset maintenance programmes funded by Integrated Transport Block grant and aims to ensure funding is spent in accordance with strategic objectives as reflected in the Strategic Economic Plan and the West Midlands Strategic Transport Plan (Movement for Growth).

For 2017/18, £4,382,000 of Integrated Transport Block funding had been allocated to the West Midlands Combined Authority for minor works compared to £10,432,000 that was allocated in 2013/14.

As the 2017/18 allocation is expected to fund continuation of 2016/17 schemes relating to asset maintenance, it is understood that there will be limited resource for development of new projects in 2017/18 and that 2017/18 will be used as a transitional year to complete existing schemes and going forward focus on development of new projects.

The West Midlands Combined Authority recognises the necessity for prioritisation of potential projects in the context of constrained resources and strategic objectives and has developed a prioritisation model for scoring and ranking projects to address these issues.

Scope and objectives of audit work

Our audit was conducted in conformance with the Public Sector Internal Audit Standards and considered the following objectives, and the potential risks to the achievement of those objectives:

- To provide an audit assurance opinion on the adequacy and effectiveness of the appraisal and prioritisation of projects within the Transport for West Midlands Capital Programme (non-asset management).

Scope	Potential risks
<p>The scope of this audit included high level review of the following areas:</p> <ul style="list-style-type: none">• Appraisal and prioritisation of capital projects to assist in allocation of resource to individual projects, decision making and formal approval of projects into the Capital Programme.• Use of key factors and weightings within the prioritisation process such as strategic fit, value for money, affordability, resources, and deliverability.• Use of prioritisation within project pipeline development and management.	<ul style="list-style-type: none">• The prioritisation process may not ensure that allocation of scarce capital resources to individual schemes is suitably aligned to strategic objectives and priorities.• The Capital Programme may not be developed or decisions may not be undertaken on an equitable, transparent and consistent basis in an environment where resources for competing projects are constrained.

Limitations to the scope of our audit

This audit was limited to coverage of the above scope in relation to Transport for West Midlands capital projects eligible for funding from the Integrated Transport Block monies allocated to the Combined Authority only.

It should be noted that although the tool was used as part of the development of the 2017/2018 Integrated Transport Block Capital Programme (Capital Programme), due to resource constraints as detailed above, projects included in the ranking exercise were not put forward for Integrated Transport Block capital funding. However, we understand some projects may have been put forward for other sources of funding (i.e. borrowing) due to issues such as health and safety or impact on / interdependencies with other projects that had already been allocated other funding / were in progress.

Therefore, we have reviewed the prioritisation process in the context of its effectiveness in supporting future funding decisions should sufficient Integrated Transport Block capital resources be available that require prioritisation in its allocation amongst competing projects.

Overall conclusion

Taking account of the issues identified in this report, in our opinion the controls operating within the system, provide **satisfactory assurance** as part of the process to mitigate risks to an acceptable level.

Limited	Satisfactory	Substantial
There is a risk of objectives not being met due to serious control failings.	A framework of controls is in place, but controls need to be strengthened further.	There is a robust framework of controls which are applied continuously.

Key issues identified

We have found that the prioritisation and ranking mechanism that had been developed clearly demonstrated a robust basis for supporting allocation of resources amongst competing concepts within constrained resources based on best practice and Department for Transport guidance, and can be adapted to reflect emerging priorities and strategic direction.

However, whilst recognising that development of the 2017/18 Capital Programme involved a one-off call out for Problem / Opportunity Statements for ranking, we have identified two **amber** issues where improvements could be made going forward, arising from the following:

- A pipeline development and management approach to Problem / Opportunity Statements submitted for ranking as well as alignment to the Transport for West Midlands Gated Project Lifecycle Process had not yet been developed, within which the prioritisation process could be used in future.
- Endorsement and full review of Problem / Opportunity Statements was not undertaken prior to submission to the ranking process as part of the one-off exercise in 2016/17 in support of development of the 2017/18 Capital Programme, noting that the relevant Boards may only have been recently established prior to the call-out exercise.

In addition, we have raised one issue classified as **green** which is detailed in section two of this report. A copy of this report will be presented to the Audit, Risk and Assurance Committee.

Examples of good practice identified

During our work, we identified the following examples of good practice in the management of risk, as achieved through the effective design and application of controls.

- A prioritisation process utilising a ranking tool had been developed for the Integrated Transport Block Capital Programme which could be effectively used to facilitate allocation of scarce capital resources to individual schemes in accordance with strategic objectives.
- Use of the prioritisation process as part of developing the Capital Programme in the future should help support programme development and decision making on an equitable, transparent and consistent yet proportionate basis where resources for competing projects (differing in funding requirements and complexity) are constrained.
- The prioritisation process can facilitate a proportionate assessment of several diverse projects with differing funding requirements, strategic aims, economic and management factors, and levels of complexity.
- The prioritisation process is understood to be based on the Transport Appraisal Guidance developed by the Department for Transport. This Guidance is for transport specific interventions and is based on HM Treasury Green Book Guidance (Appraisal and Evaluation of Policies, Programme and Projects).
- The ranking tool within the prioritisation process included scoring against three cases from the Green Book Five Case Model approach to programme / project appraisal: Strategic, Economic and Management. This is on the basis that these are the most appropriate cases to demonstrate at entry point to the Transport for West Midlands Gated Project Lifecycle Process (with the Financial and Commercial Cases being developed at later stages).
- The Strategic Case within the ranking tool included network resilience and capacity as the two key strategic objectives. These objectives are reflected in the two key strategic documents: West Midlands Combined Authority Strategic Economic Plan and the Movement for Growth – West Midlands Strategic Transport Plan. The Strategic Case could also be easily amended to reflect any changes in future strategic direction.
- Criterion used within the Economic and Management Cases were based on those included in the standard Appraisal Summary Document used by the Department for Transport as detailed in the Transport Appraisal Guidance.
- Weightings were used in the ranking tool: 33% for each of the three cases. These can be altered as required.
- The prioritisation process was used to rank Problem / Opportunity Statements submitted as part of a one-off exercise in 2016/17 to support the development of the 2017/18 Transport Capital Programme and although funding constraints did not allow for allocation of Integrated Transport Block funding to any of these projects, the ranking outcomes were reported as part of the 2017/18 Programme.
- The Principal Transport Planner could clearly and explicitly demonstrate the basis and rationale for the scorings awarded against criterion, for the sample of Statements reviewed.

- Governance arrangements within which the prioritisation process should operate had been established consisting of the Transport Strategy Board and the Transport for West Midlands Leadership Board. Terms of reference for these boards clearly evidenced responsibility for projects and the Capital Programme (including the Integrated Transport Block grant element).

Acknowledgement

Several employees gave their time and co-operation during this review. We would like to record our thanks to all the individuals concerned.

2. Issues arising

Priority rating for issues identified:

Red

Action is imperative to ensure that the objectives for the area under review are met

Amber

Action is required to avoid exposure to significant risks in achieving objectives

Green

Action is advised to enhance risk control or operational efficiency

Action is required to avoid exposure to significant risks in achieving objectives
Amber

No	Issue arising	Agreed action including responsibility and target date
2.1	<p>Prioritisation within project pipeline development and management</p> <p>Although the prioritisation process was used as part of the development of the 2017/18 Transport Capital Programme, this was as part of a one-off call out for Problem / Opportunity Statements that were then ranked. However, a pipeline approach to receipt of Statements had not yet been developed. Consequently, the ranking tool had not yet been utilised on a periodic / reiterative basis through the year for ranking previously received (but unfunded) Statements against subsequently received Statements to ensure rankings remain valid and reflective of current objectives / strategic direction.</p> <p>Implication: Projects that present the optimum level of contribution to achievement of strategic objectives may not be identified and / or ranked accordingly.</p>	<p>Agreed. As part of validation of continuing strategic alignment as an idea progresses through to the Project Lifecycle, the prioritisation process will be used as part of quarterly review of all submitted concepts (once endorsed and reviewed at Tier 1 and 2) to determine whether rankings at any point in time remain valid and reflective of current strategic direction and specifically alignment with the Movement for Growth Strategy.</p> <p>Responsibility: Sandeep Shingadia – Head of Programme Development</p> <p>Joti Sharma – Corporate Assurance Manager</p> <p>Target Date: 31 December 2017</p>
2.2	<p>Endorsement and review of Problem / Opportunity Statements</p> <p>We understand that the one-off call out exercise in 2016/17 was undertaken at a time when the Boards where endorsement would have been sought, had only recently been established. Consequently, the Statements may not have been endorsed prior to inclusion on that occasion.</p> <p>The Problem / Opportunity Statements specify the requirement for endorsement</p>	<p>Agreed. Confirmation that Problem / Opportunity Statements have been fully completed, appropriately endorsed and reviewed at Tier 1 and Tier 2 (in accordance with the Transport for West Midlands Project Lifecycle Process) will be sought prior to acceptance into the prioritisation process. The mechanism by which confirmation will be sought / provided and then retained as evidence will be established in liaison with the Programme Management Office and Corporate Assurance.</p>

No	Issue arising	Agreed action including responsibility and target date
	<p>prior to submission to the Transport for West Midlands Gated Project Lifecycle Process but were found to include reference to previous governance arrangements. We understand that the Statement format is currently under review by the Programme Management Office. However, we note that two ranked projects that were subsequently allocated alternative funding were presented for endorsement.</p> <p>In addition, we understand that due to the volume received as part of the call out and the resultant resource implications / timescales relevant at that time, only Tier 1 reviews were undertaken.</p> <p>Sample review of three Problem / Opportunity Statements also identified that the format and content of the Statements did not easily facilitate clear and explicit alignment with the ranking criterion, although alignment with strategic objectives was included. We also noted that risks had only been clearly detailed in one Statement even though evaluation of one of the ranking criterion is based on the stated risks. In another, the benefits had been reiterated rather than risks in the risk section.</p> <p>Implications:</p> <ul style="list-style-type: none"> • Problem / Opportunity Statements that have not been endorsed and / or reviewed may be inequitably ranked against endorsed / reviewed Statements. • Statements may not be consistently entered into the prioritisation process at the most appropriate point in the Gated Project Lifecycle Process. 	<p>Responsibility: Sandeep Shingadia – Head of Programme Development</p> <p>Joti Sharma – Corporate Assurance Manager</p> <p>Claire Jones – Programme Management Office Manager</p> <p>Target Date: 31 December 2017</p>

No	Issue arising	Agreed action including responsibility and target date
2.3	<p>Communication of ranking criteria We found that the categorisation / scoring against each criterion within the ranking tool were clearly and fully demonstrated through explanations provided by the Principal Transport Planner. However, we understand that when the one-off call out for Statements was undertaken, the criterion used within the ranking tool were not communicated to project sponsors for their consideration when completing the Statements.</p> <p>Implication: Consideration may not be given to demonstrating how key objectives and criteria may be met within the Problem / Opportunity Statements.</p>	<p>Agreed. Key objectives and criterion used within the ranking tool will be developed as guidance for project sponsors to consider when completing Problem / Opportunity Statements and will be communicated to officers.</p> <p>Responsibility: Sandeep Shingadia – Head of Head of Programme Development</p> <p>Target date: 31 December 2017</p>

Limitations inherent to the internal auditor's work

This report has been prepared solely for the Combined Authority in accordance with the terms and conditions set out in the terms of reference. Internal audit does not accept or assume any liability of duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without prior consent. Internal audit has undertaken this review subject to the limitations outlined below.

Internal control

- Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Responsibilities of management and auditors

- It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.
- Internal audit endeavours to plan audit work so that it has a reasonable expectation of detecting significant control weakness and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.
- Accordingly, these examinations by internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist.

Date Issued: 14 August 2017

Report distribution: Laura Shoaf – Managing Director, Transport for West Midlands
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Internal Audit Report
Expenses, Gifts and Hospitality 2017/18
28 July 2017

1. Executive summary

Introduction

An audit of the arrangements in place for the payment of expenses, (including travel) and the acceptance of gifts and hospitality in relation to employees, the Mayor, Members and Councillors was undertaken as part of the approved internal audit plan for 2017/2018.

The West Midlands Combined Authority Travel and Expenses policy sets out the procedures for claiming business expenses incurred. The Travel and Expenses policy was introduced on 3 July 2017. Under the new policy expenses will be submitted, processed and approved via the Agresso system instead of via current manual processes. However, claims relating to mileage and credit card payments will remain a manual process. In addition, expenses will no longer be paid in petty cash.

The Code of conduct in the Constitution includes procedures for making declarations regarding gifts & hospitality.

Scope and objectives of audit work

Our audit was conducted in conformance with the Public Sector Internal Audit Standards and considered the following objectives, and the potential risks to the achievement of those objectives:

- To seek assurance that expenses are claimed and paid in accordance with the West Midlands Combined Authority Constitution and Travel and Expenses policy and that gifts and hospitality are dealt with in accordance with the Constitution.

Scope	Potential risks
<p>The scope of this review included the following:</p> <ul style="list-style-type: none">• Submission authorisation and payment of expenses;• Treatment of gifts and hospitality. <p>The above areas were reviewed to confirm compliance with the Constitution and the Travel and Expenses Policy.</p>	<ul style="list-style-type: none">• Ineligible expenses may be paid.• Unauthorised, incorrect or unsupported expenses are paid.• Non-compliant treatment of gifts and hospitality may lead to allegations of a conflict of interest.

Limitations to the scope of our audit

The scope of the audit was limited to coverage of the above areas with sample testing undertaken of expenses from 1 June 2016 onwards. However, as the Travel and Expenses Policy only recently came into effect on 3 July 2017, no coverage of expenses claimed post 3 July 2017 was undertaken. Limited coverage of previous payment of expenses via petty cash was undertaken. The register held by Legal Services for declared gifts and hospitality was reviewed.

Overall conclusion

Taking account of the issues identified in this report, in our opinion the controls operating within the system, provide **satisfactory assurance** as part of the process to mitigate risks to an acceptable level.

Limited	Satisfactory	Substantial
There is a risk of objectives not being met due to serious control failings.	A framework of controls is in place, but controls need to be strengthened further.	There is a robust framework of controls which are applied continuously.

Key issues identified

We have identified one **amber** issue where improvements could be made, arising from the following:

- Gifts and hospitality declaration forms had not been fully completed in all cases to state explicitly the reasons for the offer and whether accepted or declined. Further, a mechanism had not been established to evidence the review and decision making undertaken.

In addition, we have raised three issues classified as **green** which are detailed in section two of this report. A copy of this report will be presented to the Audit and Standards Committee.

Examples of good practice identified

During our work, we identified the following examples of good practice in the management of risk, as achieved through the effective design and application of controls:

Travel and Expenses

- A Travel and Expenses Policy was approved by the Management Board on 25 May 2017 and introduced on the 3 July 2017.
- Processes for checking payroll expense claims had been established and evidenced by certification of the claims.
- Sample testing of travel and expenses paid via payroll and credit card was found to be eligible, certified by the claimant, appropriately authorised and supported with accompanying evidence.
- Payments had been paid correctly in accordance with the claim with one minor exception. This has been discussed with the Payroll Manager for resolution.
- Sample testing also showed that expenses claimed fell in line with the new policy.

Gifts and Hospitality

- The treatment of gifts and hospitality for employees is covered in the Constitution and is further included in the West Midlands Combined Authority Travel and Expenses policy.
- The treatment of gifts and hospitality is included in the code of conduct for the Mayor and Members.
- An electronic declaration of gifts and hospitality form is available for employees and the Mayor to make declarations.
- A gifts and hospitality register is maintained for employees and the Mayor or members.

Acknowledgement

Several employees gave their time and co-operation during this review. We would like to record our thanks to all the individuals concerned.

2. Issues arising

Priority rating for issues identified:

Red

Action is imperative to ensure that the objectives for the area under review are met

Amber

Action is required to avoid exposure to significant risks in achieving objectives

Green

Action is advised to enhance risk control or operational efficiency

Action is required to avoid exposure to significant risks in achieving objectives
Amber

No	Issue arising	Agreed action including responsibility and target date
2.1	<p>A review of the gifts and hospitality register identified that for all 21 entries included, the description had been clearly stated. However, we noted that in 14 cases the reason for the offer had not been clearly stated. In five cases, it was not stated if the offer had been accepted or declined. Of the two highest value entries (£200 and £198), we noted that in one instance the reason for the offer and whether accepted / declined had not been stated. In the remaining instance, which was declined the register was fully completed.</p> <p>We understand Legal Services review the register each time it is updated. However, there is no mechanism for recording the outcome of their review.</p> <p>Implication: In the event of query, challenge or fraud it may be difficult to demonstrate actions or decisions.</p>	<p>Declaration forms have now been amended to include separate fields for stating the reason for the offer, acceptance or declining to help ensure that they are fully completed. Action will also be taken to facilitate evidencing of review, especially where any exceptions are identified.</p> <p>Responsibility: Anthony Bowater – OD Systems and Management Information Partner</p> <p>Target date: Implemented</p> <p>Whilst Legal Services currently undertake review, assignment of this responsibility per the organisational structure within the Combined Authority will be reviewed.</p> <p>Responsibility: Tim Martin – Head of Governance</p> <p>Target date: 31 December 2017</p>

No	Issue arising	Agreed action including responsibility and target date
2.2	<p>We understand that Members and Councillors are expected to make declarations of gifts and hospitality when attending meetings. However, the standing agenda item covering declarations does not refer to gifts and hospitality explicitly.</p> <p>Whilst any declarations would be minuted, there is no mechanism to record these centrally.</p> <p>Implication: Ambiguity around expectations of what is included in declarations of interests may result in any gifts and hospitality received not being declared.</p>	<p>The wording of the standing agenda item, regarding declarations of interests will be made more explicit regarding declarations of gifts and hospitality received. Any declarations made at meetings will be included in the existing register.</p> <p>Responsibility: Tim Martin – Head of Governance</p> <p>Target date: 31 August 2017</p>
2.3	<p>Currently the Combined Authority does not reclaim VAT on the fuel element of employee mileage claims. This VAT would generate additional funds.</p> <p>Implication: Income is not received from VAT recovered on mileage claims.</p>	<p>A feasibility review will be undertaken to determine if it would be cost effective to recover VAT on mileage claims based on current levels of mileage undertaken. If it is decided to recover VAT, employees will be advised to submit supporting VAT receipts with mileage claim forms.</p> <p>Responsibility: Kate Ketteringham – Payroll and Pensions Manager</p> <p>Target date: 30 September 2017</p>
2.4	<p>The Combined Authority Travel and Expenses Policy was approved by Management Board on 25 May 2017. The Policy has been communicated to employees of the Combined Authority using a corporate e mail and is also available on the intranet site. The Mayor has also been provided with the Policy. However, it has not yet been communicated to the wider Membership.</p> <p>Implication: Members may not be aware of the Combined Authority’s Travel and Expenses Policy.</p>	<p>The Combined Authority’s Travel and Expenses Policy will be formally communicated and made available to Members.</p> <p>Responsibility: Kate Ketteringham – Payroll and Pensions Manager</p> <p>Target date: 31 October 2017</p>

Limitations inherent to the internal auditor's work

This report has been prepared solely for the Combined Authority in accordance with the terms and conditions set out in the terms of reference. Internal audit does not accept or assume any liability of duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without prior consent. Internal audit has undertaken this review subject to the limitations outlined below.

Internal control

- Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Responsibilities of management and auditors

- It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.
- Internal audit endeavours to plan audit work so that it has a reasonable expectation of detecting significant control weakness and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.
- Accordingly, these examinations by internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist.

Date Issued: 28 July 2017

Report distribution: Mark Taylor – Director of Corporate Services
Tim Martin – Head of Governance
Linda Horne – Head of Finance
Kate Ketteringham – Payroll and Pensions Manager
Anthony Bowater – OD Systems and Management Information Partner

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Audit, Risk & Assurance Committee

Date	15 September 2017
Report title	Strategic Risk Register
Accountable Chief Executive	Keith Ireland, Clerk to the Combined Authority Email: Keith.Ireland@wolverhampton.gov.uk Tel: 01902 554 500
Accountable Employee	Mark Taylor, Finance Director Email: Mark.Taylor@wolverhampton.gov.uk Tel: 01902 556 609
Report to be/has been considered by	None

Recommendation(s) for action or decision:

The Audit, Risk and Assurance Committee is recommended to:

1. Consider and comment on the contents of the Strategic Risk Register (Appendix 1 and 2).

1.0 Purpose

1.1 This report is provided to support the Audit, Risk and Assurance Committee with their responsibility of providing oversight of Risk Management within the West Midlands Combined Authority (WMCA).

2.0 Background

2.1 Robust Risk identification and management arrangements have been established with regular monitoring in place between Senior Managers, Programme Management and Commission representatives, following the principles of the Corporate Risk Management Strategy.

2.2 The current status of the key risks are presented to this Committee within the balanced scorecard as provided in Appendix 1. The heat maps contained within the scorecard reflect the varying levels of risk tolerance set within the risk profiling, with an 'Open' risk environment considered for Financial, Programme Delivery, and Benefits realisation risks, a Cautious risk environment for operational risks and an Averse risk environment for those risks categorised as Political or Governance in nature. A description of the approaches given to the tolerances is provided in the table below.

Tolerance	Risk Environment	Description
Open	Financial Programme Delivery Benefits realisation	We are open to taking some risk in order to ensure we remain focussed on the achievement of future delivery.
Cautious	Operations	We will take a moderate risk approach in an effort to improve services.
Averse	Political Governance	A very low tolerance is set for these risks to ensure delivery meets defined governance obligations.

2.3 There is an anticipation the corporate risk register will continue to undergo continuous revisions over the coming months, capturing the approach of the new WMCA senior management team.

3.0 Strategic Risk Register

3.1 20 risks are currently contained within the strategic risk register. Full details of these risks including remedial actions are provided in the risk register as Appendix 2. A further 7 issues have been identified as part of the Internal Audit activity and are presented separately to this committee.

3.2 Three risks have been introduced to the register during this period, and include:

3.2.1 There is a risk that the current pension valuation may be insufficient to meet future liabilities of the fund. The current tri-annual valuation has reduced the deficit until 2020 however the valuation and WMCA contributions may require an increase in future years. This has been set as a low risk with ongoing monitoring of the fund in place to provide early warnings of risk escalation.

3.2.2 There is a risk the assumptions made to inform the medium term financial plan are not valid to meet expectations, resulting in insufficient budgets and unachievable objectives being set. This has been set as a medium risk with continued engagement with all parties being maintained to ensure the financial plan remains effective.

3.2.3 There is a risk the WMCA contribution and mayoral support provided for the Commonwealth Games bid will create a perception that WMCA is leading the development and delivery of the programme resulting in political, financial and reputational challenges being incorrectly perceived and directed towards the organisation. This is set as a low risk with the programme being led by Birmingham City Council.

3.3 All risks continue to be effectively managed with the risk trend worsening on only one risk, 'Financial Assumptions of the Devolution deal' (ref. WMCA-0012). This is because the Finance Bill 2017 has not yet been considered by Parliament due to the Parliamentary timetable being disrupted by the snap General Election. So the mayor does not yet have powers to levy supplementary business rates which had previously been included within the financial assumptions. This will now be considered as part of 'Devolution 2' discussions.

3.4 6 risks have been removed from the corporate risk register during this period, with these having been either de-escalated to the respective management team risk register or closed. This includes:

- Delivery of the Sprint programme
- Metro operations
- Sustainable transport initiatives
- Awareness and Appetite for Intelligent Mobility
- Commission Governance, and
- Commission recruitment

3.5 No Programme risks have been escalated to the corporate register during this period however it is recognised risk CS-002 (Information Governance) and WMCA-0014 (Information Security) have the potential to impact on the successful delivery of the Archiving project and includes compliance of the General Data Protection Act in advance of its law enforcement in May 2018.

4.0 Wider WMCA Implications

4.1 The effective identification and management of strategic risks is essential in ensuring wider WMCA implications are successfully removed, managed or adopted as appropriate.

5.0 Financial implications

5.1 There are no direct financial implications arising from this report.

6.0 Legal implications

6.1 There are no direct legal implications arising from this report.

7.0 Equalities implications

7.1 Equality considerations are taken into account in the assessment of individual risks. There are currently no direct implications arising from the risks contained in the corporate risk register or the contents of this report.

7.0 Appendices

Appendix 1 – Strategic Risk Scorecard

Appendix 2 – Strategic Risk Register

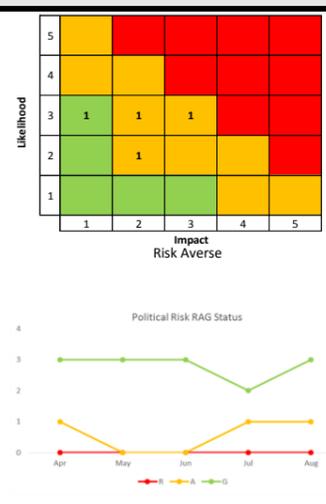
Political

The Political risk position has increased with a new risk being added regarding WMCA engagement with the Commonwealth Games bid.

WMCA-001- Stakeholder and Political Relations
The devolution of new powers and budgets from government to the Authority under a reformed governance model will increase pressures on financial, operational, governance and scrutiny functions and this may impact adversely on the Authority, reducing its capacity to deliver its objectives.

WMCA-011- Impact of Brexit
The outcome and impacts of the EU referendum, including role changes within Government and the potential withdrawal of EU funding streams will result in financial uncertainty and economic instability that affect the trajectory of national policy in relation to devolution and regionalism with a consequent impact on the

Risk trend 



Likelihood	1	2	3	4	5
5	Green	Yellow	Red	Red	Red
4	Green	Yellow	Red	Red	Red
3	Green	Yellow	Yellow	Red	Red
2	Green	Yellow	Yellow	Yellow	Yellow
1	Green	Green	Green	Green	Green

Political Risk RAG Status

Month	R	A	G
Apr	0	1	3
May	0	1	3
Jun	0	1	3
Jul	0	1	2
Aug	0	1	3

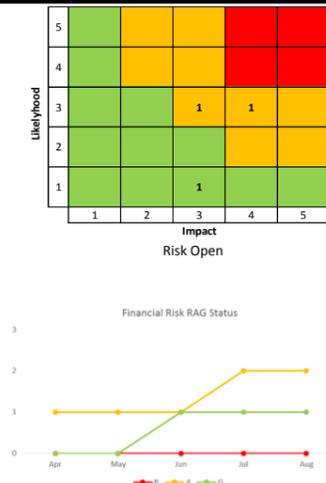
Financial

The Financial risk position has increased due to an additional 2 risks being identified and the worsening trend of risk WMCA-0012.

WMCA-0012 - Financial assumptions of the Devolution deal
Assumptions of the medium term financial plan and devolution deal have been made against economic growth, local precepts, business rates retention and interest levels. If proven to be incorrect, the model will not meet financial expectations and a number of delivery schemes will become unachievable.

WMCA-017- Medium Term Financial Plan and Levy
The risk that the assumptions made to inform the medium term financial plan are not valid to meet expectations, resulting in insufficient budgets and unachievable objectives being set.

Risk trend 



Likelihood	1	2	3	4	5
5	Green	Yellow	Red	Red	Red
4	Green	Yellow	Red	Red	Red
3	Green	Yellow	Yellow	Red	Red
2	Green	Green	Green	Yellow	Yellow
1	Green	Green	Green	Green	Green

Financial Risk RAG Status

Month	R	A	G
Apr	0	1	2
May	0	1	2
Jun	0	1	2
Jul	0	1	2
Aug	0	2	2

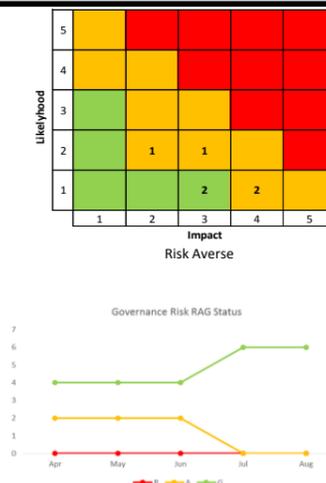
Governance

The Governance risk position has reduced following the continued activity to mitigate information security threats. Progress continues in preparation of launch of GDPR.

CS-004 -Cyber threats
The risk that if the WMCA does not have the ability to respond effectively to an increase in cyber security attacks against organisational ICT systems, it will result in the disruption or loss of ICT systems, and financial and reputational damage where attacks impinge on personal data.

CS-002 - Information Governance
If WMCA does not put appropriate policies, procedures and technology in place to ensure the handling and protection of data is undertaken in a secure manner and consistent with the Data Protection Act and Freedom of Information, then it may lead to the loss of confidential information and be subject to regulatory action including financial penalties and reputational damage.

Risk trend 



Likelihood	1	2	3	4	5
5	Green	Yellow	Red	Red	Red
4	Green	Yellow	Red	Red	Red
3	Green	Yellow	Yellow	Red	Red
2	Green	Yellow	Yellow	Yellow	Yellow
1	Green	Green	Green	Green	Green

Governance Risk RAG Status

Month	R	A	G
Apr	0	2	4
May	0	2	4
Jun	0	2	4
Jul	0	1	6
Aug	0	1	6

Benefits Realisation & Performance Management

The Benefits Realisation and Performance Management risk position remains unchanged with 2 amber and 2 green risks, the key risks being recorded as:

SEP-002 -Ability to meet WMCA SEP ambitions on a timely basis.
The understanding and reporting of KPI's across localities and themes is required, without which we will be unable to understand or ensure a spread of benefits has been realised across all areas of WMCA.

Sep-004 - Gainshare monitoring and evaluation
In order to drawdown future devo allocations a Monitoring and Evaluation framework is required to assess the impact of the Investment Programme, without which further devolution funding will not be achievable.

Risk trend 



Likelihood	1	2	3	4	5
5	Green	Yellow	Red	Red	Red
4	Green	Yellow	Red	Red	Red
3	Green	Green	Yellow	Yellow	Yellow
2	Green	Green	Yellow	Yellow	Yellow
1	Green	Green	Green	Green	Green

Benefits Realisation & Performance Management Risk RAG Status

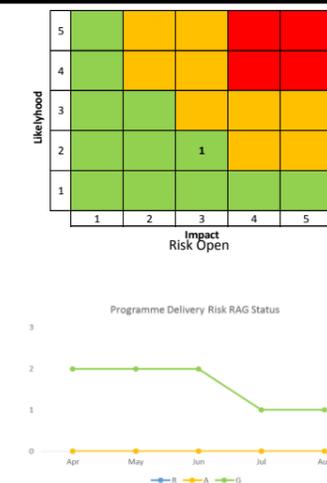
Month	R	A	G
Apr	0	2	3
May	0	2	3
Jun	0	2	3
Jul	0	2	3
Aug	0	2	3

Programme Delivery (Including Commissions)

The Programme Delivery risk position has reduced with the previous 2 risks being merged together. Commission risks have been de-escalated, to be managed by the departmental management Board.

WMCA-006 - Delivery of Capital & Revenue Activities
The complexity of portfolios and the different nature of capital and revenue activities requires appropriate control measures in place for funding, prioritisation and resourcing to ensure full visibility, non compliance with the obligations of the DCLG Assurance framework or not realising its full potential and could be subject to financial or reputational impacts.

Risk trend 



Likelihood	1	2	3	4	5
5	Green	Yellow	Red	Red	Red
4	Green	Yellow	Red	Red	Red
3	Green	Yellow	Yellow	Red	Red
2	Green	Green	Yellow	Yellow	Yellow
1	Green	Green	Green	Green	Green

Programme Delivery Risk RAG Status

Month	R	A	G
Apr	0	2	3
May	0	2	3
Jun	0	2	3
Jul	0	1	3
Aug	0	1	3

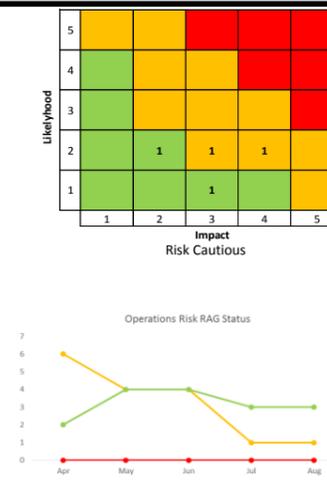
Operations

The Operations risk position has reduced following 4 transport related risks being closed or de-escalated to the TfWM risk register. The risk status of WMCA-004 (Resources) has improved following the appointment of key members of the senior management team.

WMCA-014 -Information Security
The risk that an inability to follow data protection requirements or maintain secure ICT systems will cause the loss or misuse of personal data and ICT systems including opportunities for cyber crime, resulting in legal challenges and inability to maintain operations.

WMCA-002-Delivery Objectives of WMCA
There is a risk that the reputation of the WMCA will come into disrepute if the body does not deliver a successful devolution programme in line with those set out in the Parliamentary Order or of the mayoral Renewal Plan.

Risk trend 



Likelihood	1	2	3	4	5
5	Green	Yellow	Red	Red	Red
4	Green	Yellow	Red	Red	Red
3	Green	Yellow	Yellow	Red	Red
2	Green	Yellow	Yellow	Yellow	Yellow
1	Green	Green	Green	Green	Green

Operations Risk RAG Status

Month	R	A	G
Apr	0	4	2
May	0	4	2
Jun	0	4	2
Jul	0	1	6
Aug	0	1	6

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Unique Risk ID	Area of Risk	Date Raised	Raised by	Risk owner	Risk Title	Risk Description	Status	Risk Trend	Category	Controls and measures already in place	Inherent Risk Score			Further actions required to mitigate risk	Residual Risk Score			Timescales for completion	Date Closed
											Likelihood	Impact	Inherent Score		Likelihood	Impact	Residual Risk		
WMCA-001	WMCA Management	01/01/17	Unknown	WMCA Chief Executive - Martin Reeves	Stakeholder and Political relations	The devolution of new powers and budgets from government to the Authority under a reformed governance model will increase pressures on financial, operational, governance and scrutiny functions and this may impact adversely on the Authority, reducing its capacity to deliver its objectives.	Open	No Change	Political	Ongoing close working with LEP's, Constituent and non-constituent members with regular communications in place to ensure all parties are fully engaged. Collaborative working to be maintained and extended where opportunities allow. The expectations of all members is to be clearly understood and shared with ongoing engagement with all partners and businesses at all stages of the Portfolio delivery.	3	4	12	Regular communication does already exist and maintained at various levels. Wide representation at Governance Boards are to be maintained. New further opportunities are being identified. Additionally work is being conducted for next years budget, part of this will be the alignment of the powers, budgets and the processes to ensure there is an accurate budget	3	4	12		
WMCA-002	WMCA Management	01/01/17	Unknown	WMCA Chief Executive - Martin Reeves	Delivery of Objectives of the WMCA	There is a risk that the reputation of the WMCA will come into disrepute if the body does not deliver a successful devolution programme in line with those set out in the Parliamentary Order or of the mayoral Renewal Plan.	Open	No Change	Operations	WMCA Board undertakes overall responsibility for delivery of the Strategic Economic Plan, future devolution deal development, investment decisions and for allocating resources. Clear governance structures have been developed and approved by WMCA Board to provide direction and roles and responsibilities for individuals, boards and committees. These will remain under regular review to ensure they remain fit for purpose as the WMCA evolves. The Devolution Agreement Strategic Implementation Plan (DASIP) has been agreed by DCLG and provides regular KPI reporting to Government.	3	4	12	Development, Finance and Investment plans included in budget. Draft Strategic Economic Plan has been approved by Management Board and is to be presented to WMCA Board for approval in June '17. There is a piece of work being undertaken in order to resolve how a potential shortfall in Investment Programme funding can be reduced/managed.	2	3	6		
WMCA-003	WMCA Management	01/01/17	Unknown	WMCA Chief Executive - Martin Reeves	Extent of the WMCA Statutory Powers	A lack of understanding on the extent of, and limitations to the Authority's legal and constitutional powers following devolution may mean expectations are not managed, statutory duties are not discharged and their exercise may be legally challenged or scarce time and resources spent on objectives which the Authority is not empowered to deliver.	Open	No Change	Political	The Mayoral Order for Parliament has been approved by WMCA board and Government which defines the Mayoral scope on decision making arrangements. The Constitution sets out the Code of Corporate Governance, roles and responsibilities of the Board and the WMCA committees including Overview & Scrutiny and Audit, Risk & Assurance committees.	2	3	6	Working arrangements have been established with the Mayor's office to ensure successful delivery of WMCA obligations. Work is ongoing to ensure alignment of policies and processes.	1	3	3		
WMCA-004	WMCA Management	01/01/17	Unknown	WMCA Chief Executive - Martin Reeves	WMCA Staff Resources	If capacity amongst WMCA senior managers, Members and Officers are insufficient, or conflicts with other priorities, this may impact on the ability to deliver the transition programme and implementation of the WMCA strategic economic plan. Additionally there is currently uncertainty on vision and direction. This will lead to reduced staff engagement and an inability to recruit for existing vacant posts.	Open	Improved	Operations	Retention of high quality resources is a focus of WMCA Board and resource structures are regularly monitored at a local and board level. Governance structure and monitoring provides for early warning of possible pressures and required interventions to be sourced. Regular communications in place with all staff to maintain engagement across all levels of the organisation.	3	4	12	Recent appointment of Chief Executive, Director of Finance together with other posts indicates good progress towards finalising the senior management team. Organisation to participate in the 2017 Best Companies evaluation to re-measure levels of staff engagement.	2	2	4	Q4 2017/18	
WMCA-005	WMCA Management	01/01/17	Unknown	Interim Finance Director - Mark Taylor	Governance and Assurance Structures	In order to allow effective and efficient delivery of objectives then WMCA requires clear governance and assurance structures. This will provide clarity where decisions can be made, allowing approvals to be made in a timely manner.	Open	No Change	Governance	The Head of Governance has direct access to the Board and responsibility for oversight of all assurance activities, including Audit. Audit, Risk & Assurance committee in place with an Independent Lead and membership of all constituent and non-constituent members to ensure appropriate scrutiny is maintained. WMCA Assurance Framework has been signed off by DCLG. WMCA Governance Structure and committee Terms of References have been approved by WMCA board. The Internal Governance structure was approved by WMCA Management Board in August 2016.	1	3	3	Confirmation of delegations are required for appropriate delivery boards	1	3	3		
WMCA-006	WMCA Management	01/01/17	Unknown	WMCA Chief Executive - Martin Reeves	Delivery of Capital and Revenue Activities	The complexity of portfolios and the different nature of capital and revenue activities requires appropriate control measures in place for funding, prioritisation and resourcing to ensure full visibility, otherwise the CA may be at risk of duplicating effort, non compliance with the obligations of the DCLG Assurance framework or not realising its full potential and could be subject to financial or reputational impacts.	Open	No Change	Programme Delivery	A Steering group has been created to develop an investable proposition for prospective WMCA delivery partners and will consider: Strategic priorities to be clearly understood and assigned to Programme Boards for monitoring purposes. Mapping out existing delivery arrangements and how these can be aligned or gaps can be filled through delivery partners, and as such, the sharing of risk. Sharing of delivery responsibilities with 3rd parties.	2	3	6		2	3	6		
WMCA-008	WMCA Management	01/01/17	Unknown	WMCA Chief Executive - Martin Reeves	Performance management framework	If the WMCA Strategic performance management framework is ineffective, or does not take into account information from WMCA partners and stakeholders, it may not adequately support the Authority's ability to make effective or timely decisions	Open	No Change	Governance	A Performance management framework is in place to ensure effective monitoring and decision making is achieved. Annual Performance monitoring reports will be prepared and provided to WMCA Board and DCLG in line with the DASIP.	1	4	4	Ongoing development and monitoring of Corporate KPI's to be established and maintained.	1	4	4		
WMCA-009	WMCA Management	01/01/17	Unknown	Interim Finance Director - Mark Taylor	Project appraisal and project management	There needs to be surety that projects are effectively and fairly appraised using consistent evaluation tools and adhere to project controls and relevant frameworks. This will confirm that projects that will most greatly contribute to the achievement of WMCA objectives will be selected.	Open	No Change	Governance	Project controls and methodologies have been aligned to the WMCA Assurance Framework to ensure adherence of all requirements. Projects are assessed using the evaluation appraisal tool DEIM Model. Technical Appraisal Panel in place to undertake detailed review of business cases in advance of a formal investment decision being made. Programme Management Office in place to support monitoring, reporting mechanisms and delivery of the Investment Plan.	1	3	3	Project Assurance process has been rolled out across WMCA and is being monitored for further development.	1	3	3		
WMCA-010	WMCA Management	01/01/17	Unknown	WMCA Management Board	External Environment factors affecting the Combined Authority	If external challenges or changes in policy from global, EU, or government / political or financial change are not factored into Combined Authority plans, the delivery ambitions of the WMCA may become unachievable.	Open	No Change	Benefits Realisation & Performance Management	All parties to remain cognisant of external factors including the short, medium and long term effects of the exit from Europe. Maintaining awareness of existing and new legal and environmental regulations to ensure compliance at all times. Midlands Engine in place and led by TFWM to ensure the CA agenda is compatible with the aspirations of the wider Midlands region. Innovative programme delivery mechanisms to be sourced, working towards joint venture modelling (similar to the Metro Alliance) working collectively with the private sector on sharing of risk and costs with partners. Close liaison with HS2 Board to deliver synergies across programmes and providing a collective investment vehicle for growth to local residents and businesses.	2	3	6	working continually with the Department for Business, Energy and Industry Strategy (BEIS) to ensure the government agenda is met	1	3	3		
WMCA-011	WMCA Management	01/01/17	Unknown	WMCA Management Board	Impact of Brexit	The outcome and impacts of the EU referendum, including role changes within Government and the potential withdrawal of EU funding streams will result in financial uncertainty and economic instability that affect the trajectory of national policy in relation to devolution and regionalism with a consequent impact on the ability to progress the WMCA devolution strategy as originally planned.	Open	No Change	Political	Ongoing engagement is being maintained with Leaders, members and government departments to monitor and respond to Brexit changes. Focus on continuing delivery of the WMCA objectives and strategic plan.	2	3	6	Brexit implications continue to be monitored at a number of levels to remain cognisant of it's developments.	2	3	6		
WMCA-012	WMCA Management	01/01/17	Unknown	Interim Corporate Services Director - Mark Taylor	Financial Assumptions of the Devolution Deal	Assumptions of the Medium Term Financial plan and Devolution deal have been made against economic growth, local precepts, business rate retention and interest rate levels. If these assumptions and the Medium Term Financial Strategy are not regularly monitored and reviewed to ensure assumptions and budgets remain valid, then should these prove to be incorrect, insufficient funds will be available or the model will not meet financial expectations and a number of delivery schemes will be unachievable, or members of the Combined Authority will be liable for outstanding financial commitments.	Open	Worsened	Financial	Medium term financial strategy and Treasury management strategy in place and approved at Board level. The financial team is working with Government to understand the devolution rates and its effects on the region including the: Ownership and accountability of funding sources. Borrowing powers of the WMCA and/or mayor for regeneration. Ownership of Local Growth funds. Risks and implications of any existing Enterprise Zone business rate income commitments. Exploring with EU banks on opportunities for various funding sources and models. Agreement required between all constituent and non-constituent members on a response strategy in the event of financial expectations not being achieved.	3	4	12	Continuation of working with Government and constituent authorities regarding the assumptions relating to business rates. The West Midlands is part of the initial rates pilot and we are working closely with the team. 03.07.17 - There is an imminent commitment and funding risk review to be reported. The Finance Bill 2017 has not been considered by Parliament without which, the Mayor does not have the power and is unable to levy supplementary business rates. This will now be considered as part of Devo 2 discussions. 25/7/17 - Funding for Growth programme set up to look at alternative funding streams.	3	4	12		

Unique Risk ID	Area of Risk	Date Raised	Raised by	Risk owner	Risk Title	Risk Description	Status	Risk Trend	Category	Controls and measures already in place	Likelihood	Impact	Inherent Score	Further actions required to mitigate risk	Likelihood	Impact	Residual Risk	Timescales for completion	Date Closed
WMCA-013	WMCA Management	01/01/17	Unknown	WMCA Chief Executive -Martin Reeves	Health & Safety	Health & Safety procedures need to be maintained to ensure safe working conditions for staff, visitors and users of all WMCA facilities. Failure to provide a safe environment for all users will result in an unsafe, or unreliable infrastructure particularly on the Metro Network and at Bus and Rail Stations.	Open	No Change	Operations	Health & safety duties are delivered to ISO18001 standard with ongoing compliance externally assessed 6 monthly. Quarterly inspections of all assets undertaken to ensure H&S compliance is maintained including review of accident reports. Monthly H&S position statement provided. Health & safety obligations are considered in the development of all projects and programmes progressing through Gateway.	1	4	4	Realignment of H&S within organisational structure is under review to meet ISO standards.	1	3	3		
WMCA-014	WMCA Management	01/01/17	Unknown	Interim Finance Director - Mark Taylor	Information Security	An inability to follow data protection requirements or to maintain secure ICT systems will cause the loss or misuse of personal data and ICT systems including opportunities for cyber crime and will result in legal challenges and an inability to maintain operations.	Open	No Change	Operations	A Retention and Disposal policy is in place and follows the 9 principles of the Data Protection Act. A suite of security systems are in place and regularly assessed to ensure they continue to meet cyber security challenges. Membership of the police Cyber Security Information Sharing Partnership initiative. Organisational communication programme in place to maintain focus and protect against cyber threats.	3	4	12	Preparation underway to ensure compliance with the EU General Data Protection law before formal enforcement in 2018. Delivery of, and external certification of Cyber Essentials Plus standard during 17/18.	2	4	8		
WMCA-016	WMCA Management	15/06/17	Linda Horne	Interim Finance Director - Mark Taylor	Pension Fund Valuation	There is a risk that the current pension valuation may be insufficient to meet future liabilities of the fund. The current tri-annual valuation has reduced the deficit until 2020 however the valuation and WMCA contributions may require an increase in future years.	Open	No Change	Financial	Continued engagement with 7 district council Finance Directors. Monitoring and regular liaison with Pension Fund administrators. (Wolverhampton CC) Regular review of WMCA employment position.	1	4	4	Early engagement in advance of tri-annual valuation due in 2020.	1	3	3	12/07/05	
WMCA-017	WMCA Management	11/08/17	Linda Horne	Interim Finance Director - Mark Taylor	Medium Term Financial Plan and Levy	There is a risk the assumptions made to inform the medium term financial plan are not valid to meet expectations, resulting in insufficient budgets and unachievable objectives being set.	Open	New	Financial	Regular and continued engagement to be maintained with districts and stakeholders.	3	3	9	Regular and continued engagement to be maintained with districts and stakeholders.	3	3	9		
WMCA-018	WMCA Management	18/08/17	Tim Martin	WMCA Chief Executive -Martin Reeves	Commonwealth Games	There is a risk the WMCA contribution and mayoral support provided for the Commonwealth Games bid will create a perception that WMCA is leading the development and delivery of the programme resulting in political, financial and reputational challenges being incorrectly perceived and directed towards the organisation.	Open	New	Political	WMCA involvement will be limited to a contribution to Birmingham City Council towards the cost of the programme only and will be subject to the standard due diligence requirements as set out in the Assurance framework for all Investment Programme funding.	2	2	4						
CS-004	Corporate Services	01/01/17	Unknown	Head of ICT	Cyber threats	If the WMCA does not have the ability to respond effectively to an increase in cyber security attacks against organisational ICT systems, it will result in the disruption or loss of ICT systems, and financial and reputational damage where attacks impinge on personal data.	Open	No Change	Governance	Security systems, services and processes have been reviewed to ensure customers' data is secure and can withstand any threats to all ICT systems. ICT security systems are in place and are to be enhanced to manage the increasing challenges from cyber threats. Investment in ICT systems to achieve external certification of Cyber Essentials Plus and Information Security Management (IS27001) standard to demonstrate data security with all stakeholders. Following EU data protection guidelines with an Data Protection officer currently in place. Membership of the Cyber-security Information Sharing Partnership to monitor and respond to cyber crime threats.	3	4	12	Delivery of the recommendations identified during the audit of Information Security remain on track. A full anti-virus scan has been undertaken in response to the national impact of WannaCry malware. Focus continues on the monitoring and staff awareness of cyber risks. Procurement of cyber security systems is in progress with implementation due in 2017. Existing cyber security is in line with best practice and continually being reviewed and improved.	2	3	6		
CS-001	Corporate Services	01/01/17	Unknown	Head of Governance	Business Continuity (BCP)	There is a risk if we fail to develop, exercise and maintain robust emergency and disaster recovery plans that will result in our inability to continue business critical operations in the event of loss of ICT services and / or access to buildings.	Open	No Change	Governance	Disaster recovery arrangements are in place for ICT services and include a replica data centre and generator to ensure operations can be maintained within the data centre and CCTV operations. All previous incidents successfully resolved without detriment to the organisation or its customers. Organisational and network BCP arrangements under regular review and testing to ensure incident management and business recovery arrangements are fit for purpose. Resilience working group in place to consider and respond to external security threats. 24 hour on call arrangements in place with TWIM to provide an immediate response to potential incidents.	2	4	8	Corporate Services to establish 24/7 On call arrangements to support TWIM and respond to corporate issues. Arrangements are currently under consultation with proposed team. Increased focus being given to business continuity and organisational resilience following increased national exposure and security levels.	1	4	4		
CS-002	Corporate Services	01/01/17	Unknown	Head of Governance	Information governance	If the WMCA does not put in place appropriate policies, procedures and technologies to ensure that the handling and protection of its data is undertaken in a secure manner and is consistent with the provision of the Data Protection Act and also complies with the FOI Act and Environmental Information Regulations, then it may lead to the loss of confidential information and be subject to regulatory action, financial penalties and reputational damage.	Open	No Change	Governance	All policies have been reviewed and updated as part of the transition to WMCA. Governance activities are managed centrally to ensure robust arrangements remain in place and conform to all legal requirements. Intermittent data protection 'sweeps' are carried out across the organisation to monitor and maintain compliance of the Data protection Act.	2	4	8	ICT policies have been reviewed and are under consultation as part of the approval process. Development and delivery of receipt acknowledgement and the mandatory training of key policies is in progress for all staff to formally adopt. Preparation for GDPR compliance is underway with a gap analysis being undertaken to determine the required work programme prior to law enforcement in May 2018.	2	2	4		
SEP-001	SEP	21/02/17	Sarah Middleton	WMCA Chief Executive - Martin Reeves	Ability to meet WMCA SEP ambitions on a timely basis.	An inability to measure progress towards delivery of our SEP Ambitions and ensuring performance is on track will impact on our ability to demonstrate effective delivery of the Strategic Economic Plan.	Open	No Change	Benefits Realisation & Performance Management	Production of an annual Performance Management Framework report will enable a measurement of progress towards delivering our ambitions; A Monitoring and Evaluation plan has been developed for the WMCA; Dynamic Economic Impact Model will measure economic impact; Logic chains have been developed to review alignment of investment; Performance group in place and meets fortnightly to ensure alignment of the investment programme and WMCA SEP Objectives. WMCA SEP Board meets monthly to oversee the WMCA SEP.	3	3	9	Understanding of the dashboard reporting and timing of the activities to deliver the WMCA SEP. Activities include: 1(a) Direct investment via the Devo Deal £ and investment package 1 (b) Devo Deal 1 other activities and 2. Aligned Activities and the impact of these activities on achievement of our collective ambitions. Insight into future activity to deliver any identified gaps including outcomes from the Productivity and Skills, Land, Mental Health Commission and Growth company including effective commissioning of any research activity via universities etc to bridge any knowledge gaps around the 8 strategic priorities.	2	3	6	TBC	
SEP-002	SEP	21/02/17	Sarah Middleton	WMCA Chief Executive - Martin Reeves	Ability to deliver balanced outcomes that matter to local people	The understanding and reporting of KPIs across localities and themes is required, without which we will be unable to understand or ensure a spread of benefits has been realised across all areas of the WMCA.	Open	No Change	Benefits Realisation & Performance Management	Performance Management Framework indicators are reported spatially and thematically	3	3	9	Understanding of the dashboard reporting and timing of the activities to deliver the WMCA SEP. Activities include: 1(a) Direct investment via the Devo Deal £ and investment package 1 (b) Devo Deal 1 other activities and 2. Aligned Activities and the impact of these activities on achievement of our collective ambitions. Insight into future activity to deliver any identified gaps including outcomes from the Productivity and Skills, Land, Mental Health Commission and Growth company including effective commissioning of any research activity via universities etc to bridge any knowledge gaps around the 8 strategic priorities.	3	3	9	01/01/21	
SEP-004	SEP	21/02/17	Sarah Middleton	WMCA Chief Executive - Martin Reeves	Gainshare Monitoring and Evaluation	In order to drawdown future devo allocations a Monitoring & Evaluation framework is being developed to assess the impact of the investment programme. The process is in development so currently unclear on measures that will be used but without it there is a risk the next devolution funding will not be achievable.	Open	No Change	Benefits Realisation & Performance Management	Delma Dwight and Sarah Middleton sit on the National Steering group and are working with SQW to ensure we have a single Monitoring & Evaluation framework for the areas	3	3	9	Understanding of the WMCA funding including: (a) £36m pa devo 1 funding - pre and post 5 year gateway review risk with M&E report in 2021/22 and (b) securing the 'unsecured' funds including £955m Supplementary Business Rates; £609 Business rates growth; Mayoral Precept £222m and the interdependencies of projects in securing the required levels of investments.	3	3	9	01/01/21	



WEST MIDLANDS
COMBINED AUTHORITY

Audit, Risk & Assurance Committee

Date	15 September 2017
Report title	WMCA Assurance Overview September 2017
Accountable Chief Executive	Keith Ireland, Clerk to the Combined Authority Email: Keith.Ireland@wolverhampton.gov.uk Tel: 01902 554 500
Accountable Employee	Mark Taylor, s151 Officer WMCA Email Mark.Taylor@wolverhampton.gov.uk Tel 01902 556 609
Report to be/has been considered by	None

Recommendation(s) for action or decision:

The Audit, Risk & Assurance Committee is recommended to:

- a. Note the assurance reviews and activities that have been undertaken in the last quarter (paragraphs 4-18)
- b. Confirm that ARAC are satisfied with the assurance activity April – August 2017
- c. Note that the risk and assurance processes and reporting will be reviewed again once the WMCA leadership team is appointed.

Purpose of Report

1. The report provides Members the views of WMCA's Corporate Assurance Manager's opinion on the Authority's systems of Project & Programme Assurance and Business Assurance (including Risk Management, Internal Audit and Business Continuity & resilience) for this reporting period April 2017 – August 2017.

Background

2. The intention of the report is to summarise the assurance activity since the last reporting period and highlight any matters that are of concern that require further consideration or additional assurance activity.
3. Since the last update and supporting the transitional arrangements to WMCA, the Corporate Assurance team have continued to develop and refine appropriate assurance processes for the West Midlands Combined Authority. A brief summary of this activity is also provided in this report for note at this point in time.

Project & Programme Assurance

TfWM/ Corporate Services Minor Project Assurance Summary

4. A total of 20 project assurance reviews have been undertaken by the Corporate Assurance Team in this period. These projects follow the WMCA Gateway Project Methodology for minor projects. Of these, two reviews considered projects which are likely to be in excess of the £5m threshold normally applied to minor projects. These were Longbridge Park and Ride and University Station redevelopment. These projects are in the definition and planning stages and once in delivery a more detailed assurance review will be undertaken.
5. Of the 20 project assurance reviews undertaken since the last update, just under half were for new proposed projects to initiate some development activity (8/20). A similar proportion were undertaken to continue development activity to the next gateway stage (8/20). The assurance reviews recommended that all these proposed projects progress to the next gateway stage. There was no area of significant risk identified with these assurance reviews. A smaller number (3/20) of the project completed project delivery and captured lessons learned. Finally in accordance with established assurance criteria a Health Check review (1/20) was undertaken for a project which had fallen behind its delivery schedule.
6. In accordance with the position reported to the last meeting of this committee, there have been reviews on capital projects which are funded through the Integrated Transport Block approved in March 2017. The main focus of these has been managing the existing asset base with respect to replacement and, or renewal of life expired/obsolete equipment, in order to endeavour to maintain a steady state of asset condition across the estate.
7. As a consequence of the quarterly assurance, the project/programme governance arrangements for the Minor Works projects have also been reviewed and a recommendation report presented to the joint TfWM/ Corporate Services Board for consideration. The revised arrangements resulting from this review should strengthen both the assurance and governance arrangements for the minor works projects.

WMCA Investment Programme Major Project Assurance Summary

8. Programme Assurance arrangements for major projects within the Investment Programme have continued to be undertaken in accordance to the approved WMCA Assurance Framework and project investment process. Technical Appraisal Panel has been initiated which is made up of independent subject matter experts to provide initial assurance on submission of business cases for funding for Investment Programme funding.
9. Covering the period April – August 2017, 9 business cases have been reviewed by Technical Appraisal Panel (TAP). Namely;
 - Coventry UKC Plus A46 Link Road Phase 1 - (Outline Business Case)
 - Coventry UKC Plus A46 Link Road Phase 2 - (Outline Business Case)
 - Coventry UKC Plus A46 Link Road Phase 3 - (Outline Business Case)
 - Coventry UKC Plus Binley and Walsgrave Junction - (Outline Business Case)
 - Coventry UKC Plus Coventry South Interchange - (Outline Business Case)
 - Coventry South Tile Hill Station Improvements - (Outline Business Case)
 - Sprint A34 Walsall to Birmingham - (Outline Business Case)
 - Sprint Birmingham to Longbridge - (Strategic Outline Business Case)
 - Metro Wednesbury to Brierley Hill Extension - (Outline Business Case)
10. With the projects in the earlier development stages (strategic/outline business case stage), there were no significant risks raised. All projects were proposed as part of the Investment Programme at the initiation of WMCA and the development funding request at these stages is in line with forecast. These projects will be reviewed at Technical Appraisal Panel at the next business case submission stage. If any significant risks are highlighted at that stage further assurance reviews will be undertaken to provide further surety. These projects have now progressed onto the next assurance stage and are requesting financial assurance from the Investment Advisory Group prior to approval progression from the WMCA Management Board.
11. Of the business cases reviewed above, only the projects listed next have drawn down development funding to develop subsequent business cases further – Coventry UKC Plus, A46 Link Road Phase 2 (£100,000), Coventry UKC Plus A46 Link road Phase 3, (£100,000), UKC Plus Coventry South Interchange (£40,000), Coventry UKC Plus Tile Hill Station Improvements (£200,000), Sprint A34 Birmingham to Walsall (£300,000) and Sprint Birmingham to Walsall (£300,000). The funding awarded to these projects support the development of these projects to the next business case stage.
12. Metro – Wednesbury to Brierley Hill Extension. Outline Business Case submission was reviewed by Technical Appraisal Panel. The recommendation from TAP was that the Outline Business Case to progress to Investment Advisory Group on 08/05/17 with the caveat that an independent audit be undertaken once the Metro Alliance appoint an independent auditor. The findings will be reported back into the assurance process at a later date.

Business Assurance

Business Plan 2017/18 Progress:

13. Progress of the 2017/18 annual business plan is monitored monthly by internal Management Boards with key risks impacting on its delivery, being escalated to the corporate risk register. The current status of deliverables within the plan are all set at a satisfactory level and any risks are contained at management level, providing assurance that full delivery is expected to be achieved within the timescales set. The 2018/19 business planning cycle will commence in October 2017.

WMCA Business Continuity & Resilience:

14. Business Continuity arrangements continue to be refined to meet the demands of the business. Following the introduction of management On-Call arrangements, a number of issues have been successfully resolved with limited impact to the business including the public transport response to the extended evacuation following the discovery of a WW2 bomb in Birmingham. The Disaster Recovery facilities are also being refreshed. A separate report providing further details on business continuity arrangements is to be provided to Audit, Risk and Assurance committee.

Risk Management:

15. Regular risk management review meetings are now in place across all WMCA activities including Commissions to enable full visibility of key risks having the potential to impact on the organisation. A separate report is to be presented to this committee providing a detailed summary of the current risk position and provides confirmation that there is currently no high level risk exposure at the present time.
16. There are a total of 11 Operational Risk Registers feeding into the WMCA Strategic Corporate Risk Register. Meetings continue to be held with the TfWM Director, Corporate Services Director, Economic Intelligent Unit Director and each of the Commissions to ascertain the level of risk exposure in each of these areas to determine the assurance conclusions.
17. 3 new risks have been added onto the Strategic Risk Register related to Pensions, the Commonwealth Games and Funding. None of these risks are red and further detail is provided in the separate risk report being presented to the Committee.
18. A view has been expressed by Overview and Scrutiny Committee over whether WMCA are considering Strategic as opposed to Operational risks. At the present, the senior management team are content with the risk reporting but this will be reviewed once the new WMCA leadership team are appointed.

Internal Audit:

19. A total of 3 internal audits were undertaken during the reporting period. The audits covered Programme Management appraisal and support functions; the TfWM Capital Programme Prioritisation process; and the management of Expenses, Gifts and Hospitality. Each of these areas were issued with a satisfactory rating providing assurance that robust controls are in place. Details of these audits are presented separately to this meeting.

20. A number of issues were identified as part of these audits and recommendations have been provided and will be followed up by the respective management teams. The completion of all actions has been set for December 2017, after which Internal Audit will further test these arrangements as part of their follow-on review activity that is undertaken for all audits findings.

WMCA Transition:

21. Since the last Audit, Risk & Assurance Committee, Deborah Cadman OBE has been appointed as the new West Midlands Combined Authority Chief Executive. Sean Pearce has been appointed the Director of Finance for the Combined Authority and will commence the new position in October 2017. Julia Goldsworthy is to join the West Midlands Combined Authority (WMCA) as the Director of Strategy. The WMCA is also currently recruiting a Strategic Director of Housing & Regeneration and a Director of Skills & Productivity. Once the WMCA Senior Leadership have been appointed, they will need to give a view regarding assurance processes and risk reporting arrangements.
22. In this period, the Corporate Assurance Manager has met each of the Commission's leads as well to understand the assurance arrangements and risks for each of these areas. The Mental Health Commission and Productivity & Skills Commissions are now commencing into implementation. Adult Education has been awarded £1m by central government, the Education Support Pilot has been awarded £4.7m again by central government as part of devolution. The Mental Health Programme will deliver 21 projects over 5 areas. The Commission has been awarded £8m as part of devolution to deliver the Individual Placement & Support Programme.
23. Governance and reporting arrangements for the commissions will be reviewed once the new leadership team is appointed. There is no significant risk to raise at this point with either of these commissions. Both have funding in place to appoint resources to deliver the programmes. Recruitment and resources risk will be escalated to the strategic level if appointments are not successful or within required timescales.
24. Public Service Reform (PSR) Commission is still in the development stages and are determining with the PSR Board its key focus and priorities. There are no risks to raise from this area to the strategic risk register.

Conclusion

25. There has been substantial assurance activity in the last period covering the project, programme and business assurance environments. The Corporate Assurance Team have been instrumental in these reviews to identify and reduce the Combined Authority's risk exposure in these areas. Assurance activity continues to review WMCA's wider remit including the Investment Programme which is progressing as expected at the current time.

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