



## **Audit, Risk & Assurance Committee**

**Date:** Monday 12 November 2018

**Time:** 10.00 am **Public meeting** Yes

**Venue:** Room 116, West Midlands Combined Authority, 16 Summer Lane, Birmingham, B19 3SD

### **Membership**

David Lane (Chair)

Councillor Adam Aston

Councillor Sucha Bains

Councillor Tom Baker-Price

Councillor Kerrie Carmichael

Councillor Craig Collingswood

Councillor Stephen Craddock

Sean Farnell

Councillor Michael Gough

Councillor John Kraujalis

Councillor John O'Shea

Councillor Alexander Phillips

Councillor June Tandy

Dudley Metropolitan Borough Council

Coventry City Council

Worcestershire Non-Constituent Authorities

Sandwell Metropolitan Borough Council

City of Wolverhampton Council

Walsall Metropolitan Borough Council

Coventry & Warwickshire LEP

Solihull Metropolitan Borough Council

Staffordshire Non-Constituent Authorities

Birmingham City Council

Shropshire Council

Nuneaton & Bedworth Borough Council

Quorum for this meeting shall be nine members.

If you have any queries about this meeting, please contact:

**Contact** Tanya Patel, Governance Services Officer

**Telephone** 0121 214 7689

**Email** Tanya.Patel@wmca.org.uk

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# AGENDA

No.	Item	Presenting	Pages	Time
<b>Meeting Business Items</b>				
1.	Apologies for Absence	Chair	None	10:00
2.	Declarations of Interest Members are reminded of the need to declare any disclosable pecuniary interests they have in an item being discussed during the course of the meeting. In addition, the receipt of any gift or hospitality should be declared where the value of it was thought to have exceeded £25 (gifts) or £40 (hospitality).	Chair	None	
3.	Chair's Remarks	Chair	None	
4.	Minutes of the meeting held on 21 September 2018	Chair	1 - 6	
5.	Matters Arising a) Health and Safety Update (Tim Martin) b) Police and Crime Commissioner Update (Tim Martin)	Chair	Verbal Report	
6.	Forward Plan	Chair	7 - 8	
<b>Business Items for Discussion/Understanding</b>				
7.	Mayor of the West Midlands The Mayor has been invited to the meeting to outline his plans for the forthcoming year and to answer questions from members of the committee.	Chair	None	10:15
8.	Internal Audit Update a) Health and Safety b) Asset Management	Peter Farrow	9 - 42	10:30
9.	WMCA Assurance Overview November 2018	Joti Sharma	43 - 50	10:45
10.	Health and Safety Audit Report	Ben Gittings	Verbal Report	11:00
11.	WMCA Strategic Risk Register Report - November 2018	Joti Sharma	51 - 62	11:15
12.	Conflict of Interest Policy for Non-Elected Participants in Combined Authority Governance	Tim Martin	63 - 74	11:30

13.	Transfer of Fire Service Governance - General Update and Outline of Proposed Audit Arrangements	Tim Martin	75 - 78	11:45
<b>Date of Next Meeting</b>				
14.	Monday 14 January 2019 at 10.00am	Chair	None	12:00

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## West Midlands Combined Authority

### Audit, Risk & Assurance Committee

Friday 21 September 2018 at 10.00 am

#### Minutes

#### Present

David Lane (Chair)

Councillor Tom Baker-Price

Councillor Craig Collingswood

Sean Farnell

Councillor Michael Gough

Councillor John O'Shea

Councillor Alexander Phillips

Worcestershire

Authorities

City of Wolverhampton Council

Coventry & Warwickshire LEP

Solihull Metropolitan Borough Council

Birmingham City Council

Shropshire Council

Non-Constituent

#### Item Title

#### No.

#### 90. Inquorate Meeting

The Governance Services Manager reported that, in accordance with the WMCA's constitution, the meeting was inquorate. The recommendations contained within the minutes would be submitted to the WMCA Board on 9 November 2018 for formal approval and adoption.

#### 91. Appointment of Vice-Chair for 2018/19

It be recommended to the WMCA Board:

That Councillor Craig Collingswood be appointed Vice-Chair of the committee for 2018/19.

#### 92. Apologies for Absence

Apologies for absence were received from Councillor Sucha Bains (Coventry), Councillor Kerrie Carmichael (Sandwell), Councillor Stephen Craddock (Walsall) and Councillor June Tandy (Nuneaton & Bedworth).

#### 93. Chair's Remarks

##### (1) New Committee Membership

The Chair welcomed Councillor Tom Baker-Price, Councillor Michael Gough and Councillor John O'Shea to their first meeting of the Audit, Risk & Assurance Committee.

##### (2) Agenda Planning

The Chair expressed his disappointment that the agenda for this meeting had been lighter than he might have been expecting, and stressed the need to ensure that the items of business to be

discussed were engaging and substantive, which he considered would help with encouraging member attendance.

**94. Minutes of the meeting held on 21 June 2018**

The minutes of the meeting held on 21 June 2018 were agreed as a correct record.

**95. Matters Arising**

(a) **Q&A Session with the Mayor** (minute no. 80)

The Chair requested an update on an invitation being extended to the Mayor to attend a Q&A session with members of this committee. The Director of Finance reported that the Mayor was to be invited to the next meeting of the committee on 12 November.

(b) **Strategic Risk Register** (minute no. 81)

Councillor Craig Collingswood expressed his disappointment that the strategic risk register had not been included on the agenda for this meeting, contrary to the undertaken given at the last meeting. This was concerning, given the corporate importance of the risk register and that members would not have seen the register for five months by the time it was reported to the November meeting.

The Corporate Assurance Manager apologised for this omission. Significant work had been undertaken during the summer, with further work planned for October/November, to review and refine the strategic risk register. The Director of Strategy and newly-appointed Investment Programme Risk Manager were involved in the work to strengthen risk assessment within the organisation, which would result in a more robust risk register.

Members noted this explanation and agreed that the strategic risk register should become a standing item on the agenda of all future meetings of the committee. It was further agreed that reports were no longer to be removed from meeting agendas once that had been scheduled onto the committee's forward plan.

(c) **Whistleblowing**

The Chair relayed from the Monitoring Officer that there were no matters to be brought to the attention of the committee.

(d) **Governance Update - West Midlands Fire Authority and West Midlands Police & Crime Commissioner**

The Chair relayed an update from the Monitoring Officer on recent developments relating to the proposed governance changes affecting the West Midlands Fire Authority and the West Midlands Police & Crime Commissioner.

The WMCA Board considered a report at its meeting on 14 September. It was now expected that the final draft Order would be laid before Parliament later in the month. In respect of the arrangements for the audit oversight of the fire service functions, detailed discussions were soon to commence which would involve the

Chair of this committee as appropriate.

Work was also being undertaken in respect of Police & Crime Commissioner governance, although this was at an earlier stage due to the combined role not being planned for until May 2020. It was likely that the audit arrangements would remain unchanged, which would therefore require this committee to establish a relationship with the police audit committee.

The Chair reported that he intended this committee should give further oversight to the resources allocated by the WMCA for development of the proposals connected with the Police & Crime Commissioner, to ensure that they were sufficient for the complex work being undertaken, but also did not result in resources being withdrawn from other key workstreams. This committee should also be seeking further detail on the implementation plan that would oversee the merger of the fire authority and the combined authority. Members of the committee supported these approaches.

[Councillor John O'Shea declared a personal interest in this item as he was the chair of the West Midlands Police & Crime Panel.]

(e) **Quorum Requirement for Audit and Scrutiny Committees**

The Chair reported that the unusually high quorum set for combined authority audit and scrutiny committees within secondary legislation had been raised with officials from the Ministry of Housing, Communities & Local Government. This was proving to be a difficulty for all combined authorities. Civil servants had undertaken to look at this issue again when legislative time became available.

(f) **Health and Safety Update**

The Chair reported that the Monitoring Officer had informed him that that there were no health and safety issues requiring the attention of this committee. Unfortunately, there had been one recent death at a bus station, but an inquest had recorded the death as suicide.

(g) **Standards Update** (minute no. 83)

The Chair indicated that a report would be submitted to the next meeting on 12 November on progress in developing a code of conduct for individuals not covered by a code of conduct for elected members, along with details of how this committee might seek to further promote high standards of conduct amongst its members.

**96. Forward Plan**

A forward plan of items to be reported to future meetings of the committee was noted. In respect of a report on the implications of Brexit on the combined authority that was to be submitted to the meeting on 12 November, it was agreed that this would now be considered at the meeting on 14 January 2019 when there was expected to be more clarity regarding the UK's future relationship with the European Union and the impact this would have on the WMCA.

**97. External Audit of West Midlands Rail Ltd - Briefing Note**

The committee considered a briefing note from the Head of Finance & Business Planning that provided an explanation as to why the West Midlands Rail Ltd Board agreed at a meeting on 19 June not to undertake an external audit on the company's accounts. This was due to WMR Ltd meeting all of the exemption criteria for a limited company, that it used the systems/processes of the WMCA which were already subject to external audit, and the costs of undertaking an external audit were prohibitive and did not represent value for money given the size and scope of WMR Ltd.

Councillor Alexander Phillips noted that the lack of an external audit might be viewed as unusual by some observers, although the Head of Finance & Business Planning indicated that this was due to the company starting mid-year, and it was fully expected that an external audit would take place in 12 months time. Grant Paterson, Director, Grant Thornton, confirmed that there was no legal requirement to undertake an external audit and it was a matter of judgement as to whether one was carried out.

It was recommended to the WMCA Board that:

- (1) The decision of the WMCA's s151 Officer not to undertake an audit of West Midlands Rail Ltd for 2017/18 only be noted.

**98. Annual Audit Letter - Year Ending 31 March 2018**

The committee considered the WMCA's Annual Audit Letter for the year ending 31 March 2018 that had been prepared by Grant Thornton. This summarised the key findings arising out of the work carried out at the combined authority and provided a commentary on the results of this work.

The Annual Audit Letter confirmed the unqualified opinion on the WMCA's financial statements and the unqualified opinion on the pension fund accounts of the West Midlands Integrated Transport Authority Pension Fund. However, it was not possible to certify the conclusion of the audit as it was necessary to give an opinion on the consistency of the pension fund financial statements. Grant Patterson indicated that he would confirm with the Director of Finance when this had been done.

In respect of a programme of training for committee members, Grant Patterson and Linda Horne undertook to prepare a programme of training sessions for the remainder of the year, which they would share with the Chair and then circulate it the members of committee for information.

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

**99. General Data Protection Regulation (GDPR) Update**

The committee considered a report from the Data Protection & Information Sharing Officer on an update on how the WMCA was meeting its responsibilities and compliance with the Data Protection Act 2018.

The General Data Protection Regulations (GDPR) came into force on 25 May and the report provided details of the activity that was undertaken leading up to GDPR going live, along with the post-introduction compliance.

The Data Protection & Information Sharing Officer confirmed that action points in the appendix scheduled for completion by 30 September were all expected to be concluded within that timescale. The Chair requested that a note be sent to him by this deadline confirming whether there were any actions that had not been able to be completed.

Councillor Alexander Phillips noted that within the GDPR Gap Analysis Action Plan, 36 recommendations were identified as 'high priority', suggesting that this categorisation was being over-used and not reflecting where priorities should be properly focussed. The Data Protection & Information Sharing Officer confirmed that the prioritisations were set some time ago and would benefit from being reviewed. Grant Paterson enquired as to the arrangements for subsidiary companies. The Data Protection & Information Sharing Officer explained that where these companies were wholly owned by the WMCA, he was the data protection officer for these companies too. Typically this meant that the WMCA was registered with the Information Commissioner's Officer as the data controller for companies the WMCA had a greater than 50% stake in. For companies where this was not the case, he worked closely with their officers to ensure arrangements for data sharing were adequate.

The Data Protection & Information Sharing Officer confirmed that a further update report would be submitted to the meeting of this committee on 14 January 2019.

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

#### **100. Internal Audit Update**

The committee considered a report from the Chief Audit Executive setting out the work completed by internal audit during the current year.

It was expected that audit reviews on health & safety and asset management would be submitted to the meeting of the committee on 12 November, and work was also underway on the audit of business continuity arrangements. Sean Farnell noted that a further nine audit reviews were scheduled to be submitted to the committee before the end of 2018/19. The Head of Audit confirmed that this work was scheduled and was expected to be delivered. The Chair welcomed this assurance, and stressed the importance of ensuring that the submission of the reports were evenly spread across the year wherever possible so as to enable members to give each report proper consideration.

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

#### **101. Self Assessment Exercise**

The committee considered a report from the Chief Audit Executive on proposals for members of the committee to carry out a review of its performance and effectiveness, in accordance with the Chartered Institute of Public Finance and Accountancy's guidance. The self-assessment covered three areas:

- Self-assessment of good practice

- Knowledge and skills framework
- Evaluating the effectiveness of the Audit, Risk & Assurance Committee

The results would be anonymised, summarised and presented to a future meeting, as well as helping to inform a structured future training programme.

It was recommended to the WMCA Board that members of the committee complete the documents circulated to them as part of the self-assessment exercise.

**102. Monday 12 November 2018 at 10.00am**

The date of the next meeting was noted.

The meeting ended at 12.00 pm.



**WMCA Audit, Risk & Assurance Committee - Forward Plan**

<b>Title of Report</b>	<b>Description of Purpose</b>	<b>Date of Meeting</b>	<b>Lead Officer</b>
Assurance Report Update	Corporate assurance undertaken since the last update	14 January 2019	Joti Sharma
Brexit Report	To receive a report on Brexit and the anticipated effect on finances and devolution aims. Also on the WMCA process used to cover risks.	14 January 2019	Julia Goldsworthy
Internal Audit Update	To provide an update on audits	14 January 2019	Peter Farrow
Internal Audit Plan 2019/20	To approve the Internal Audit Plan	14 January 2019	Peter Farrow
External Audit Plan	To receive the External Audit Plan	14 January 2019	Grant Patterson
Strategic Risk Register	To receive an update on the Strategic Risk Register	14 January 2019	Joti Sharma
General Data Protection Regulations	To consider an update on GDPR compliance.	14 January 2019	Gurmit Sangha
Arcadis Review	To provide an update on the Arcadis Review.	14 January 2019	Joti Sharma

Title of Report	Description of Purpose	Date of Meeting	Lead Officer
Strategic Risk Register	To receive an update on the Strategic Risk Register	15 April 2019	Lorraine Quibell
Annual Internal Audit Report	To note progress on audits	15 April 2019	Peter Farrow
Outturn Report 18/19	To approve the Outturn Report	15 April 2019	Tim Martin
Provisional Value for Money Report	To consider a report on value for money considerations	15 April 2019	Grant Patterson
WMCA Annual Governance Statement	To approve the Annual Governance Statement	15 April 2019	Tim Martin
Strategic Risk Register	To receive an update on the Strategic Risk Register	21 June 2019	Joti Sharma
WMCA Annual Accounts	To approve the WMCA Annual Accounts	21 June 2019	Linda Horne
WMCA Audit Findings	To receive an update from external audit	21 June 2019	Grant Patterson
WMITA Pension Fund - Audit Findings	To receive an update from external audit	21 June 2019	Grant Patterson/ Terry Tobin
Contingency Meeting - Accounts		15 July 2019	Linda Horne

This report is PUBLIC [NOT PROTECTIVELY MARKED]



## Audit, Risk & Assurance Committee Meeting

<b>Date</b>	12 November 2018
<b>Report title</b>	Internal Audit Update
<b>Accountable Chief Executive</b>	Deborah Cadman, OBE Chief Executive of the WMCA Email: <a href="mailto:Deborah.Cadman@wmca.org.uk">Deborah.Cadman@wmca.org.uk</a> Tel: 0121 214 7552
<b>Accountable Employee</b>	Tim Martin Chief Audit Executive Email: <a href="mailto:Tim.Martin@wmca.org.uk">Tim.Martin@wmca.org.uk</a> Tel: 0121 214 7435
<b>Report to be/has been considered by</b>	Not applicable

**Recommendation(s) for action or decision:**

**The Audit, Risk & Assurance Committee is recommended to:**

Note the contents of the latest Internal Audit Update Report.

## **1.0 Purpose**

1.1 The purpose of this report is to present the Committee with an update on the work completed by internal audit so far, this financial year.

## **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**

This report is PUBLIC [NOT PROTECTIVELY MARKED]



## Internal Audit Update Report Quarter 2 2018-2019

Delivered by City of Wolverhampton Council – Audit Services

## 1 Introduction

The purpose of this report is to bring the Audit and Risk Assurance Committee up to date with the progress made against the delivery of the 2018 - 2019 internal audit plan.

The Audit, Risk and Assurance Committee has a responsibility to review the effectiveness of the system of internal controls and to monitor arrangements in place relating to corporate governance and risk management arrangements. Internal audit is an assurance function which provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance. This work update provides the committee with information on recent audit work that has been carried out to assist them in discharging their responsibility by giving the necessary assurances on the system of internal control.

The information included in this progress report will feed into and inform our overall opinion in our internal audit annual report issued at the year end. Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

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.

### *Year on year comparison*

Two pieces of audit work have been completed so far in the current year, where an audit opinion has been provided. A summary of the audit opinions given, with a comparison over previous years, is set out below:

Opinion	2018/19 (@ Q2)	2017/18	2016/17
Substantial	0	6	5
Satisfactory	2	7	4
Limited	0	2	2

## 2 Summary of progress at quarter two

The following audit reviews were completed by the end of the second quarter of the current year. Reports containing amber or above rated recommendations are appended to this report at Appendix 1 and Appendix 2.

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
<b>2018-2019 Audits Completed in this quarter:</b>							
Health and Safety Arrangements	High	-	2	5	7	7	Satisfactory
Asset Management Arrangements	Medium	-	1	2	3	3	Satisfactory
Expenses, Gifts and Hospitality Follow-up review	Medium	-	1	3	4	4	Recommendations fully implemented

### *Health and Safety Arrangements 2018-2019*

Further to the agreed actions within the Internal Audit report issued on 8 October 2018 (Appendix 1), the Director of Integrated Network Services and Health and Safety Manager have advised that the following actions will also be taken:

- Health and Safety governance arrangements for the West Midlands Fire Service post 1 April 2019 – presentation of proposals for review and approval by the WMCA Board, to include a specific decision to review retention of WMCA health and safety responsibility within TfWM.
- Human Resource stress and long-term sickness absence – establishment of mechanisms to facilitate monitoring, review and trend analysis as well as risk identification by the Health and Safety Team through receipt of regular updates from Human Resource and Organisation Development regarding work-related health issues. Stress and long-term absence monitoring to be a standing agenda item for the Safety, Health and Environment Strategic Committee.

Progress with implementation of the above actions as well as those within the Internal Audit report will be followed up in due course.

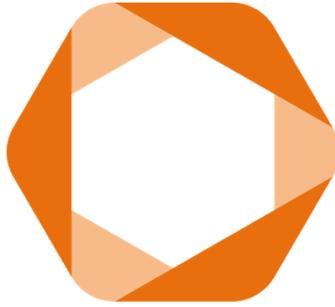
3 *Forward Plan for scheduled audits*

Auditable area	Rating	Start Date	ARAC Report Date
Business Continuity	High	Commenced	January 2019
Key Financial Systems: <ul style="list-style-type: none"> <li>• Accounts Payable</li> <li>• Accounts Receivable</li> <li>• Treasury Management</li> <li>• General Ledger</li> <li>• Budgetary Control</li> <li>• Payroll</li> </ul>	n/a	Commenced	January 2019
Budget Management Role and Responsibilities	Medium	November 2018	January 2019
Birmingham Eastside Extension Project	High	November 2018	January 2019
Joint Data Team Initiative	High	November 2018	January 2019
Human Resource Planning, Capacity and Capability Strategy	High	December 2018	April 2019
WMCA Business Planning Arrangements	High	January 2019	April 2019
Devolution Deal Objectives and Financial Assumptions	High	January 2019	April 2019
WMCA Governance Arrangements	High	February 2019	April 2019
Midland Metro Operational Transfer	High	February 2019	April 2019

4 *Follow-up of previous recommendations*

We continue to monitor the implementation of previous key recommendations, and any major issues of concern relating to their non-implementation, will be reported back to the Audit, Risk and Assurance Committee.

Auditable area	Level of assurance	Recommendations				Start Date	ARAC Report Date
		Red	Amber	Green	Total		
Transport for West Midlands Capital Programme Prioritisation	Satisfactory	-	2	1	3	In progress	November 2018
Data Security Arrangements	Limited	1	3	-	4	In Progress	January 2019
Cyber Security	Limited	1	6	-	7	In progress	January 2019
Programme Management Office Project Appraisal and Support Functions	Satisfactory	-	4	2	6	November 2018	January 2019
Establishment of the Mayoral Office	Limited	1	6	-	7	December 2018	April 2019
Recruitment and Retention Review	Limited	6	2	1	9	December 2018	April 2019
Investment Programme - Governance Arrangements for Project Appraisal and Approval	Satisfactory	-	8	-	8	January 2019	April 2019
Management of IR35	Satisfactory	-	4	3	7	February 2019	April 2019
National Fraud Initiative	Satisfactory	-	2	4	-	February 2019	April 2019



# West Midlands Combined Authority

**Final Internal Audit Report  
Health and Safety Arrangements 2018-2019  
8 October 2018**

**Delivered by City of Wolverhampton Council – Audit Services**

# 1. Executive summary

## Introduction

An audit of the Health and Safety arrangements in operation for the West Midlands Combined Authority (WMCA) was undertaken as part of the approved internal audit plan for 2018-2019.

The Health and Safety at Work Act 1974 lays down the general principles for the management of health and safety at work. The objectives of the Act include ‘securing the health, safety and welfare of persons at work and protecting persons, other than persons at work, against risks to health or safety arising out of or in connection with the activities of persons at work.’

The WMCA Health and Safety Team is situated within Transport for West Midlands (TfWM) although its remit covers the entirety of the WMCA. Organisational wide responsibility has been delegated to the TfWM Managing Director by the WMCA Chief Executive.

Currently, the management and governance arrangements are being further developed to encompass the wider remit of the WMCA and engage with the more recently established portfolios. However, it is fully recognised that most health and safety risks will continue to be concentrated within TfWM due to the nature of the services provided and the significant engagement with customers when utilising such services.

Consequently, this review considered both current arrangements and the changes that were proposed or in the process of being developed and embedded at the time of audit.

## 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 a robust health and safety management system is in operation for the West Midlands Combined Authority (WMCA) to effectively manage health and safety risks.

Scope	Potential risks
<p>The scope of the review included coverage of the following areas:</p> <ul style="list-style-type: none"><li>• Governance arrangements</li><li>• Policy</li><li>• Management structure and arrangements</li><li>• Planning</li><li>• Measuring and reviewing performance</li></ul>	<ul style="list-style-type: none"><li>• Lack of clear direction for the organisation to follow leading to a failure to manage risk.</li><li>• Failure to deliver policy due to ineffective management structure and arrangements.</li><li>• Lack of effective planning and structured approach to risk control leading to failure to mitigate risks to an acceptable level.</li><li>• Lack of application of lessons learnt and identification of areas for enhancement leading to a failure in organisational improvement.</li></ul>

### Limitations to the scope of our audit

This review was limited to a high-level review of the above scope areas. Reference was made to sources of external assurance including accreditation against relevant standards. Reference was also made to proposed changes to organisational and governance arrangements.

## 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.	<b>A framework of controls is in place, but controls need to be strengthened further.</b>	There is a robust framework of controls which are applied continuously.

## Key issues identified

We found that suitable operational Health and Safety management arrangements were evident, supported by regular reporting and an effective management system, specifically noting the continuing accreditation achieved by the WMCA Health and Safety Team.

We recognise that the WMCA has significantly developed its remit with the onboarding of several new portfolios alongside Transport for West Midlands, as well as the full establishment of the WMCA Leadership Board and appointment of new Directors.

Consequently, it is appreciated that Health and Safety arrangements are currently subject to change as the Team's remit develops to encompass and engage with the wider WMCA, albeit most risks will continue to remain within TfWM and therefore the focus of most health and safety activity.

We noted that revised governance and reporting arrangements were being consulted upon prior to approval with supporting mechanisms being developed by the Health and Safety Team in the meantime. We further noted that formal reporting to WMCA Leadership Team had recently commenced.

We have therefore made recommendations to further support and build upon the current and proposed arrangements going forward, as well as develop greater visibility across the WMCA regarding the role of the Health and Safety Team as an organisational wide function.

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

- Positioning of the proposed Safety, Health and Environment Strategic Committee and the existing Safety, Health and Environment Committee (constituted under relevant Regulations) and associated lines of accountability and reporting required clarity.
- Contracts of employment for Directors did not include reference to Health and Safety responsibilities for compliance with legislation and policy, and training was not mandatory.

In addition, we have raised five issues classified as **green** which are detailed in section two of this report. A summary 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:

- Review confirmed that current operational arrangements delivered by the Health and Safety Team ensured that the WMCA was able to meet its obligations under the Health and Safety at Work Act 1974 which requires employers to protect the health, safety and welfare at work of all their employees, as well as others on their premises.
- Although the current policy appeared to be reasonable, the proposed Health and Safety policy to be approved shortly, clearly conformed to guidance provided by the Health and Safety Executive and included the recommended sections: statement of intent, organisation and responsibilities, and arrangements for implementation.
- The proposed Health and Safety Policy now suitably reflected the current organisational structure which was established after the previous (current) policy was approved, and clearly reflects the roles and responsibilities of all WMCA employees at all levels of the organisation as well as those of the WMCA Board.
- A Safety, Health and Safety Committee had been constituted (and found to be operating) under the requirements of the Health and Safety at Work Act 1974 to consult with employees on matters of health, safety and welfare at work, and in accordance with the Safety Representatives and Safety Committees Regulations 1977.
- A suitable management system was in place and operated by the Health and Safety Team to monitor and manage Health and Safety within the organisation, which facilitated performance reporting, monitoring and management of risks, undertaking risk assessments, maintenance of records of health and safety checks undertaken, and accident and incident reporting and investigation.
- The Health and Safety Team and their management system were subject to an external review in June 2017 and November 2017 which concluded that the WMCA had achieved the required standards and therefore recommended retention of its accreditation under ISO14001-20004 for Environmental Management systems and BSOHSAS18001-2007, an international standard for Occupational Health and Safety Management Certification.
- Suitable records were maintained, and investigations undertaken regarding accidents and incidents reported, that included establishment of the cause of the accident and actions to be taken to prevent / reduce the chance of further accidents i.e. lessons learnt, and where necessary make reports to the Health and Safety Executive.
- A programme of audits of the Health and Safety arrangements was in place and undertaken by both the Health and Safety Team and TfWM Directors. The reports produced included actions to resolve issues, implementation periods and responsible officers. In addition, completion of and outcomes from audits undertaken were included in monthly Health and Safety reports. The Health and Safety Team intended to widen the range of audits to other areas of the WMCA and engage other Directors to undertake audits now that the Leadership Team had been fully appointed.

- Health and Safety arrangements had been included as a strategic risk within the WMCA Strategic Risk Register which was jointly reviewed on a regular basis by the Health and Safety Manager and Corporate Risk & Business Assurance Specialist.
- The Health and Safety Team produced regular monthly performance reports and dashboards detailing key issues and incidents as well as monitoring data referring to both TfWM and other areas of the WMCA, which were regularly presented to the Transport Operations Board and the TfWM Board and evidenced within minutes and action logs.
- Procedures had been introduced to present quarterly reports on Health and Safety to the WMCA Leadership Team, and the first report was taken in May 2018.
- The Health and Safety Team had produced an Annual Report 2017-2018 which included a Health and Safety Strategy for 2018 – 2020 and was understood to have been presented to the WMCA Leadership Team in May 2018. Going forward, an annual report will be presented to the WMCA Board.
- Health and Safety information was included as part of the induction process via the online learning and development module, available for all new starters, supported by Health and Safety training where requested.
- Training for WMCA Directors had been scheduled for September 2018 in support of their roles and responsibilities within the current and proposed Health and Safety Policy.

## 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:

<b>Red</b> Action is imperative to ensure that the objectives for the area under review are met	<b>Amber</b> Action is required to avoid exposure to significant risks in achieving objectives	<b>Green</b> Action is advised to enhance risk control or operational efficiency
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Action is required to avoid exposure to significant risks in achieving objectives  
**Amber**

No	Issue arising	Recommendation	Agreed action including responsibility and target date
2.1 Page 21	<p><b>Safety, Health and Environment Committees</b></p> <p>As part of the proposed reporting arrangements, we note that a new Safety, Health and Environment (SHE) Strategic Committee will be established. Currently, the supporting diagram shows the SHE Strategic Committee as accountable and reporting to the Health and Safety Lead Director Integrated Network Services responsible for WMCA wide health and safety and the operational Health and Safety Team.</p> <p>Whilst the membership and terms of reference were yet to be established, the current proposed reporting structure for the SHE Strategic Committee may not facilitate an appropriate level of challenge or support delivery of strategic direction if not aligned or made directly accountable to the TfWM Managing Director as WMCA Executive</p>	<p>As part of the consultation process for the proposed health and safety arrangements, review should be included to determine at which level of the organisation the SHE Strategic Committee and SHE Committee should sit to facilitate the appropriate level of challenge, effective escalation of issues where required, and support delivery of strategic direction i.e. through alignment and accountability to the TfWM Managing Director as WMCA Executive Health and Safety Lead or directly to the WMCA Leadership Board.</p> <p>Once the proposed arrangements have been approved, appropriate terms of reference should be established for the SHE Strategic Committee and the SHE Committee that clearly reflect revised lines of reporting and accountability between the two Committees as well as to other governance boards.</p>	<p>The consultation process is ongoing. Supporting diagram in relation to the proposed reporting arrangements has been updated to show alignment and accountability of SHE Strategic Committee (SHESC) to the WMCA Leadership Board via the TfWM Managing Director as WMCA Executive Health and Safety Lead as per recommendation.</p> <p><b>Responsibility:</b> Ben Gittings – Health and Safety Manager Pete Bond - Health and Safety Lead, Director of Integrated Network Services</p> <p><b>Target date:</b> 31 December 2018</p> <p>Terms of Reference for the SHESC to be established. Terms of Reference for SHEC to be reviewed and updated to reflect revised reporting lines and accountabilities.</p>

No	Issue arising	Recommendation	Agreed action including responsibility and target date
	<p>Health and Safety Lead or to the WMCA Leadership Board.</p> <p>We noted that the existing Safety, Health and Environment Committee (SHE Committee) will report into the new SHE Strategic Committee. However, the proposed reporting structure did not clearly reflect lines of reporting and accountability between the SHE Strategic Committee and the SHE Committee.</p> <p>Considering the regulatory requirement to constitute a SHE Committee, there is a need to ensure accountability for the effective operation of the SHE Committee is clearly assigned within governance arrangements.</p> <p>We noted that not all current members of the SHE Committee had attained an appropriate level of training as required by the terms of reference (i.e. within a one-year time frame of becoming a Committee member) However, the newly appointed Health and Safety Manager had confirmed that in addition to himself, several of the current members held relevant professional qualifications. We were further advised that SHE Committee members will be required to attain Institute</p>	<p>The status of the SHE Committee as a regulatory requirement should be clearly communicated and evidenced as such within governance and policy documentation.</p> <p>The lines of independent reporting and accountability between the WMCA Health and Safety Team and the SHE Strategic Committee (as distinct from its line management reporting within TfWM) should be clearly documented within terms of reference.</p> <p>Specific responsibility for ensuring that the SHE Committee operates effectively and in accordance with all relevant Regulations should be clearly assigned to a Senior Responsible Officer.</p> <p>Once the proposed reporting arrangements have been approved and new membership appointed, action should be taken to ensure that all members of the SHE Committee have or will attain the appropriate level of training in accordance with Regulation and within one year of becoming a member.</p>	<p><b>Responsibility:</b> Ben Gittings – Health and Safety Manager</p> <p><b>Target date:</b> 31 December 2018</p> <p>Draft WMCA Safety Management System (Section SMS 4.0) and associated policies and documentation clearly outline the statutory requirements in relation to Committees, namely:</p> <ul style="list-style-type: none"> <li>▪ Safety Representatives and Safety Committees Regulations 1977 (as amended);</li> <li>▪ Health and Safety (Consultation with Employees) Regulations 1996 (as amended).</li> </ul> <p>Further review of applicable governance documentation to be undertaken and revised as necessary.</p> <p><b>Responsibility:</b> Ben Gittings – Health and Safety Manager and Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tim Martin, Head of Governance</p> <p><b>Target date:</b> 31 December 2018</p> <p>Lines of independent reporting and accountability between WMCA Health and</p>

No	Issue arising	Recommendation	Agreed action including responsibility and target date
	<p>of Occupational Safety and Health Managing Safely training as a minimum, and that training will be introduced once the review of the SHE Committee membership had been completed and all new members have been appointed.</p> <p><b>Implication:</b>                      Governance arrangements may not be fully effective in achievement of objectives if not clearly defined and established.</p>		<p>Safety Team and SHESC to be clearly defined within SHESC Terms of Reference.</p> <p><b>Responsibility:</b> Ben Gittings – Health and Safety Manager</p> <p><b>Target date:</b> 31 December 2018</p> <p>Senior Responsible Officer to be identified and appointed to ensure ongoing compliance and effective operation of SHESC/SHEC.</p> <p><b>Responsibility:</b> Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tim Martin, Head of Governance</p> <p><b>Target date:</b> 31 December 2018</p> <p>It will be ensured that all members of the revised SHE Committee membership have or will attain the appropriate level of training within one year of becoming a member.</p> <p><b>Responsibility:</b> Ben Gittings – Health and Safety Manager  <b>Target date:</b> 31 December 2018</p>

No	Issue arising	Recommendation	Agreed action including responsibility and target date
2.2	<p><b>Directors' roles and responsibilities</b>                      Whilst the current and proposed Health and Safety Policy included the roles and responsibilities of Directors, we found that contracts of employment may not make specific reference to Health and Safety.</p> <p>We further understand that a Health and Safety Overview to provide a level of Health and Safety knowledge commensurate to the roles and responsibilities of Directors had been scheduled but that this training had not been made mandatory.</p> <p><b>Implication:</b>                      Roles and responsibilities may not be fully undertaken if appropriate training has not been undertaken.</p>	<p>Contracts of employment should include reference to Health and Safety responsibilities where the post holder (i.e. Executive and Non-Executive Directors) has overall responsibility for ensuring compliance with Health and Safety legislation and policy.</p> <p>Considering the above and in accordance with the proposed Health and Safety policy, training should be made mandatory for all Directors of the WMCA.</p>	<p>To be reviewed in liaison with Human Resources and Organisation Development.</p> <p><b>Responsibility:</b> Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tracy Walters – Head of Human Resources and Organisation Development</p> <p><b>Target date:</b> 31 December 2018</p> <p>Health and Safety Overview for Directors training scheduled for 20<sup>th</sup> &amp; 25<sup>th</sup> September 2018. Attendance strongly encouraged and subject to monitoring by Head of Human Resource &amp; Organisation Development. Directors who fail to attend are to be provided with training later within the next six months.</p> <p><b>Responsibility:</b> Ben Gittings – Health and Safety Manager in liaison with Tracy Walters - Head of Human Resources and Organisation Development</p> <p><b>Target date:</b> 31 December 2018</p>

No	Issue arising	Recommendation	Agreed action including responsibility and target date
2.3	<p><b>Governance Arrangements</b> We noted that whilst roles and responsibilities across the organisation were detailed within existing and proposed policy, and current delegations were stipulated within the proposed policy, these had not been clearly referenced to date within the WMCA Constitution or the terms of reference for the various boards including the WMCA Board.</p> <p>Whilst it was clear that WMCA wide reporting was presented to the TfWM Board, the terms of reference for the TfWM Board only referred to responsibility for “oversight of transport related health &amp; safety requirements and network resilience issues”. The dual role of the TfWM Board had not been explicitly reflected within the terms of reference.</p> <p>We also noted that the proposed reporting structure whilst refers to the Executive and Non-Executive Health and Safety Lead roles, these could be made more explicit as distinct roles separate to their specific TfWM Roles both within the proposed reporting structure and TfWM Board terms of reference.</p> <p><b>Implication:</b> Governance documents may not clearly reflect the Health and Safety arrangements in operation or proposed.</p>	<p>All terms of reference should be reviewed to ensure include clear reference to roles and responsibilities as stipulated within the proposed Health and Safety Policy (once ratified), including (but not limited to):</p> <ul style="list-style-type: none"> <li>• WMCA Board</li> <li>• WMCA Leadership Board</li> <li>• All Portfolio boards (i.e. Executive Director level boards equivalent to the TfWM Board for example)</li> <li>• All Portfolio operational boards (i.e. equivalent to Transport Operations Board for example).</li> </ul> <p>Action should be taken to ensure reference to Health and Safety responsibilities and any delegations under the Health and Safety policy are included in the WMCA Constitution in liaison with Governance Services.</p> <p>The terms of reference for the TfWM Board should clearly refer to the dual role and responsibilities undertaken with specific reference to the Executive and Non-Executive Safety Lead roles, regarding both TfWM specific health and safety issues and wider organisational issues as well as any specific issues relating to other WMCA portfolios.</p>	<p>Governance Services to assist in a review of all Terms of Reference ensuring that they are aligned to the responsibilities as stipulated within the Health and Safety Policy.</p> <p><b>Responsibility:</b> Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tim Martin, Head of Governance</p> <p><b>Target date:</b> 31 December 2018</p> <p>Governance Services to ensure reference to H&amp;S responsibilities and any delegations under the Health and Safety policy are included in the WMCA Constitution.</p> <p><b>Responsibility:</b> Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tim Martin, Head of Governance Services</p> <p><b>Target date:</b> 31 December 2018</p> <p>Governance Services to assist TfWM Board in update of Terms of Reference to ensure the dual roles of Executive and Non-Executive Health and Safety Lead roles are clearly defined.</p> <p><b>Responsibility:</b> Pete Bond - Health and Safety Lead, Director of Integrated Network</p>

			<p>Services in liaison with Tim Martin, Head of Governance</p> <p><b>Target date:</b> 31 December 2018</p>
<p>2.4</p>	<p><b>Health and Safety reporting and action tracking</b></p> <p>We found that whilst regular reporting was undertaken and presented to the relevant TfWM Boards for their consideration and noting, review of TfWM Board minutes for the period January 2018 to June 2018 identified that the minutes required enhancement to more explicitly reflect the Board’s wider remit for WMCA Health and Safety, consideration of wider WMCA issues contained within Health and Safety reports and progression of actions relating to non-TfWM matters.</p> <p>We noted that the report recommended noting of TfWM dashboards only, although non-TfWM areas were covered in the report. We also found that a formal action plan to support the Health and Safety report was yet to be established. However, it was clear that TfWM related actions and issues which made up most of the report were minuted and captured as actions where required by the Transport Operations Board</p> <p><b>Implication:</b></p> <ul style="list-style-type: none"> <li>Records may not clearly evidence the governance and scrutiny undertaken and</li> </ul>	<p>Minutes or other records of meetings should clearly evidence the governance, scrutiny undertaken and review of Health and Safety reporting as demonstration that assigned roles and responsibilities are being undertaken. This should be undertaken at all relevant Board meetings throughout and at all levels of the governance arrangements for Health and Safety.</p> <p>The current format of and recommendations made within the monthly and quarterly Health and Safety reports should be reviewed to ensure that they fully support the WMCA wide Health and Safety role and can be presented to each operational and director level portfolio Board as currently undertaken for TfWM. As part of current development of engagement with all portfolios within the WMCA, the Health and Safety report should be submitted to the operational and director level boards for each portfolio to support Executive and Non-Executive Directors in fulfilling their responsibility for ensuring compliance with Health and Safety legislation and policy as specified in the proposed Health and Safety Policy.</p> <p>The reporting mechanism should be used as a vehicle to engage with new portfolios and</p>	<p>Governance Services (or those responsible for the records of each forum) to ensure minutes and other records of meetings provide sufficient documentary evidence of consideration and scrutiny of Health and Safety reporting.</p> <p><b>Responsibility:</b> Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tim Martin – Head of Governance</p> <p>Options for the structure, format, recommendations and associated action plan for monthly and quarterly Health and Safety reports are currently under review by the H&amp;S Manager. It is intended the revised report and action format will successfully implement the criteria set out in the recommendation.</p> <p><b>Responsibility:</b> Ben Gittings – Health and Safety Manager</p> <p><b>Target date:</b> 31 December 2018</p>

may be difficult to demonstrate in the event of query or challenge.

- Actions required by specific portfolios or by the organisation may not be progressed or completed.

initiate discussions of any potential Health and Safety implications of new programmes, initiatives and service development.

An action plan should be developed to accompany the Health and Safety reporting to capture:

- Actions for specific portfolios with responsible officers and target dates.
- Actions relating to Health and Safety guidance or advice that all portfolios (including TfWM) across the organisation should address.
- Actions arising from the direction provided by the TfWM Board and WMCA Leadership Board as part of their WMCA Health and Safety responsibility (including TfWM), the strategic direction provided by the proposed SHE Strategic Committee and from the work of the SHE Committee.

## 2.5 Escalation routes and exception reporting

We found that regular reporting by the Health and Safety Team included details of specific incidents, actions taken to date as part of their standard operational processes and any further actions required as well as any engagement with external organisations where relevant.

Whilst these reports were presented at Transport Operations Board through to TfWM

Escalation routes for specific incident and issues as part of exception reporting outside of regular reporting should be clearly defined and established within the proposed Health and Safety arrangements. This could include a framework of criteria or thresholds against which assessment is made to determine the reporting route for specific incidents and issues.

Draft SMS supporting document *SMS 04.5 Health and Safety Reporting* provides guidance and sets out the arrangements for Health and Safety reporting within the WMCA including annual, quarterly, monthly and exception reporting, along with the audience and methods of delivery. The draft document will be expanded to include a framework of criteria for exception reporting as recommended.

Board and more recently to WMCA Leadership, criteria or thresholds for escalating incidents required formalising.

The Health and Safety Manager advised that escalation of specific incidents outside the regular reporting undertaken would be based on an assessment of risks impacting on the WMCA and whether that required escalation as far as the WMCA Board.

We also note that the proposed reporting arrangements required clearer definition of escalation routes between operational and strategic levels of governance. The current terms of reference for the SHE Committee stated that it could make recommendations to relevant Boards and Committees on areas within its remit and determine any issues that need escalating to the Chief Executive. However, the proposed reporting structure and the proposed Health and Safety policy stated that their route for escalation of issues will be to the SHE Strategic Committee.

**Implication:**

It may be difficult to demonstrate the basis for reporting and escalation in the event of query or challenge regarding specific incidents.

Clarity regarding the routes of escalation for the Health and Safety Team, SHE Committee and SHE Strategic Committee should be sought and reflected within relevant terms of reference.

Further clarity regarding routes of escalation to be incorporated into wider review and update of relevant Terms of Reference.

**Responsibility:** Ben Gittings – Health and Safety Manager

**Target date:** 31 December 2018

Further clarity regarding routes of escalation for SHEC to be incorporated into wider review and update of relevant Terms of Reference.

**Responsibility:** Ben Gittings – Health and Safety Manager

**Target date:** 31 December 2018

## 2.6 **Communication, training and induction**

We understand that Health and Safety information was included within the mandatory induction training for new starters. Whilst Health and Safety training was available, testing found that of the 36 new starters in the last six months, only 10 had attended this training. We note that it is the responsibility of the new starter to arrangement attendance.

However, we understand that during the audit Health and Safety training had been made mandatory for all employees.

We also found that training records were kept in several places with no central record maintained.

We noted that although the Health and Safety Policy was displayed and was available via the WMCA intranet, there was no evidence that the current policy had been communicated to all employees. As Health and Safety regulations require that employees be able to raise concerns and be consulted in health and safety issues, it is imperative that employees are made aware of policy and routes for advice and assistance.

### **Implication:**

Employees may not be fully aware of their roles and responsibilities regarding health and safety.

In accordance with the proposed Health and Safety Policy, all existing and new employees should be required to undertake the mandatory Health and Safety Training.

A single centrally held training record should be maintained.

A WMCA wide communications plan should be developed to support wider engagement within the WMCA, implementation of the proposed governance and reporting arrangements and the introduction of the new Health and Safety Policy as well as increasing the visibility of the Health and Safety Team as a WMCA wide function.

Monthly Health and Safety Induction courses are conducted by the Health and Safety Team. Further discussions between Health and Safety Manager and Head of Human Resources & Organisation Development to be undertaken to identify route of escalation for repeated non-attendance by employees.

The majority of Health and Safety related training records are held by the Health and Safety Team. However, it is acknowledged that there are improvements which could be made and will hopefully be addressed via the introduction of an online e-learning platform which incorporates a training record function.

Health and Safety Manager to liaise with Internal Communications to develop communications plan to support wider engagement within the WMCA and enhance delivery of new policy, reporting arrangements and overall visibility.

**Responsibility:** Ben Gittings – Health and Safety Manager

**Target date:** 31 December 2018

2.7

**Events**

We understand that a process had been in operation for the Health and Safety Team to be consulted and engaged within risk assessments for external events, largely planned through the Marketing Team.

However, the process was yet to be formalised and documented, and required further action to ensure process clearly extended and communicated to cover the newer areas of the WMCA.

**Implication:**

The wider organisation may not be clearly aware of the need to engage the Health and Safety Team during event planning.

Processes to ensure all WMCA events (external and internal) are suitably risk assessed by Health and Safety prior to being undertaken should be formalised and documented.

The necessity to ensure the Health and Safety Team are consulted within events planning should be communicated to all areas of the organisation.

SMS supporting guidance document to be produced to formalise and document procedure for Events to supplement existing draft SMS supporting documents *SMS 8.1 Event Management – Pre-Event Checklist* and *SMS 8.2 Event Management – Emergency Action Plan*.

Process to be communicated to all areas of the organisation by most appropriate means e.g. PING.

**Responsibility:** Ben Gittings – Health and Safety Manager

**Target date:** 31 December 2018

## 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 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.

### Report distribution:

Laura Shoaf – Managing Director, Transport for West Midlands  
Pete Bond – Director of Integrated Network Services  
Ben Gittings – Health and Safety Manager  
Sean Pearce – Director of Finance, Corporate Services  
Tim Martin – Head of Governance  
Tracy Walters – Head of Human Resources and Organisation Development

### Date:

8 October 2018



# West Midlands Combined Authority

Final Internal Audit Report  
Asset Management 2018-2019  
8 October 2018

Delivered by City of Wolverhampton Council – Audit Services

# 1. Executive Summary

## Introduction

An audit of policies and procedures in respect of asset management was undertaken as part of the approved internal audit plan for 2018-2019.

The Asset Management Team sits within the West Midlands Combined Authority's (WMCA) Corporate Services division. The current Strategic Asset Manager was appointed during May 2017, the Team's responsibilities include leading on the establishment and implementation of WMCA's environmental strategy and facilities management which includes ensuring the safe and efficient operation of 16 Summer Lane as well as asset management.

At the time of our review the majority of WMCA's assets were transport based, alongside the head office (16 Summer Lane) and some areas of land that will potentially be used for future development opportunities.

## 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 robust asset management arrangements have been developed for WMCA that reflect best practice and support achievement of the organisation's strategic objectives.

Scope	Potential risks
<p>The scope of the review included the following areas as part of asset management arrangements:</p> <ul style="list-style-type: none"><li>• Asset management strategy and plan</li><li>• Governance arrangements</li><li>• Risk management</li><li>• Monitoring and reporting</li><li>• Asset management records and reconciliation to financial records.</li></ul>	<ul style="list-style-type: none"><li>• Asset management arrangements may not align with and therefore support achievement of the organisation's strategic objectives.</li><li>• Asset management records may be inaccurate, incomplete and may not support delivery of the strategic plan and decision making.</li></ul>
Limitations to the scope of our audit	
The review was limited to the above areas.	

## 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.	<b>A framework of controls is in place, but controls need to be strengthened further.</b>	There is a robust framework of controls which are applied continuously.

## Areas of current good practice

We found that at the time of our review the arrangements in place for the management of assets were operating effectively. We noted the following areas of good practice with regards to current operating arrangements:

- A draft asset management policy had been established. Examination of the draft policy identified that it suitably reflected the WMCA's 2018-2019 Business Plan objectives and the Asset Management Team's individual objectives that had been set by the Head of Governance. We also noted that the policy adequately detailed how success would be measured. Measures had been broken down into five key performance areas and included details of who will be responsible for each measure.
- Except for Public Art, named asset owners had been established for each class of asset. Asset owners were responsible for the day to day management of individual assets. From discussions with the Strategic Asset Manager and the Asset Development Officer we understood that asset owners were aware of their responsibilities with regards to asset management.
- Sufficient asset management records (Access Databases and Excel Spreadsheets) had been established for each class of asset and are maintained by the Asset Development Officer. The Access Databases could be used to create bespoke asset reports, this was demonstrated by the Asset Development Officer at the time of our review.
- The Asset Development Officer held monthly meetings with asset owners to discuss issues and review asset information. We noted that the Asset Development Officer had spent a significant amount of time reviewing existing records to ensure that information held is adequate and that any anomalies in the information held was discussed and resolved with asset owners.
- The Finance Team used the fixed assets module within Business World to record asset values, and the Financial Accountant confirmed that assets were valued in accordance with CIPFA guidelines. Quarterly meetings were undertaken between the Financial Accountant and the Asset Development Officer to discuss changes to assets and any issues that could affect the information held in Business World. These meetings were also used to resolve any differences between the information in Business World and the Asset Management Team's records. It was noted that this issue was raised during the previous audit review.
- As part of managing risk asset owners were responsible for assigning condition scores to each asset to monitor which assets needed remedial work or could potentially need replacing.

These scores were recorded within asset registers and then used to inform asset expenditure plans that were included within the WMCA's capital expenditure plan.

- The WMCA project brief had been amended to include asset handover documentation, this had been included in the gateway process to ensure that asset management requirements are considered during the project management process.
- It was noted that the Asset Development Officer attended a Building Information Modelling (BIM) conference during the audit, the Development Officer confirmed that BIM was a new process which was continually being developed and used by the WMCA for asset management purposes.

## Proposed arrangements

We noted that due to the necessity to undertake priority work i.e. the establishment of the statutory environmental policy, building improvements and changes to building layouts made under the direction of senior management, asset management policies and strategies to support the operational activities detailed were yet to be finalised and approved at the time of our review. The Strategic Asset Manager also highlighted several proposed developments that the Team were planning to implement throughout the remainder of the 2018-2019 financial year, including:

- Approval of the draft asset management policy during August 2018.
- Establishment of individual asset management strategies for each class of asset, including asset owner's roles and responsibilities, objectives and key performance indicators, supported by monitoring by the Asset Management team of implementation of asset management strategies.
- Development of strategies for maintenance, information system(s) and communications to support delivery of the asset management policy.
- Purchase of an asset management solution to allow centralization of asset management. Discussions with the Asset Development Officer at the time of our review confirmed that he was in the process of identifying potential solutions.
- Establishment of an asset management working group following approval of the asset management policy.
- Establishment and reporting of relevant monitoring information regards asset management activities to relevant officers through tableau dashboards.
- Review of procedures for the disposal of assets and re-approval where necessary.
- Adherence to best practice guidance i.e. ISO 55000:2014 (an international Asset Management standard) and ISO 14001:2015 (an Environmental Management standard).

## Key issues identified

Whilst we appreciate that action was being taken and has been proposed to further develop asset management arrangements and address the issues previously reported in the follow-up review undertaken in March 2018, we have identified a further **amber** issue where improvements could be made, arising from the following:

- An action plan with specific timescales to fully establish an asset management policy (including a disposal policy) and supporting strategies that covered all assets and ensure proposed developments were implemented on a timely basis, was yet to be established.

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

## 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:

<b>Red</b> Action is imperative to ensure that the objectives for the area under review are met	<b>Amber</b> Action is required to avoid exposure to significant risks in achieving objectives	<b>Green</b> Action is advised to enhance risk control or operational efficiency
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Action is required to avoid exposure to significant risks in achieving objectives  
**Amber**

No	Issue arising	Recommendation	Agreed action including responsibility and target date
2.1  Page 37	<p><b>Asset Management policy and strategies</b> We noted that the draft asset management policy was due be approved during August 2018.</p> <p>We understand that the draft policy had yet to be been approved due to the Asset Management Team’s necessity to prioritise work to address statutory requirements and specific facilities management issues, due to the significant structural and layout changes taking place at 16 Summer Lane.</p> <p>However, the draft policy only referred to a portfolio of transport infrastructure assets across the West Midlands, with no reference to other assets i.e. 16 Summer Lane at the time of audit.</p> <p>We understand that several actions were proposed to further develop asset management arrangements including</p>	<p>A robust and detailed action plan, including achievable target dates, for the completion of the proposed developments regarding asset management arrangements should be developed and agreed. Completion of the action plan should be monitored at an appropriate level.</p> <p>The draft policy should be reviewed and amended to ensure that it includes reference to all assets where ownership or liability is within the remit of the WMCA.</p> <p>The above action plan should be managed and monitored through appropriate line management arrangements.</p> <p>The asset disposal policy should be reviewed and revised to ensure reflects the disposal regulations set out in the Constitution and covers all assets that the WMCA is responsible for.</p>	<p>Agreed. Action will be taken to address the issue raised by development of an appropriately detailed action plan and will be monitored as part of current line management arrangements in liaison with the Head of Governance. The plan will be developed by 31 October 2018 with a view to complete the actions included by 31 March 2019.</p> <p><b>Responsibility:</b> Tim Martin – Head of Governance Jemma Hodgson – Strategic Asset Manager</p> <p><b>Target date:</b> 31 March 2019</p>

No	Issue arising	Recommendation	Agreed action including responsibility and target date
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 38</p>	<p>development of supporting strategies once the draft asset management policy had been approved. However, a detailed action plan including timescales for the completion of this work had not been developed or agreed.</p> <p>In addition, we noted that the asset disposal policy and process had not been reviewed since 2015 and was established prior to the formation of WMCA. However, we noted that the Constitution included disposal regulations.</p> <p><b>Implication:</b></p> <ul style="list-style-type: none"> <li>• Sufficient progress with development of supporting asset management arrangements may not be made or completed on a timely basis.</li> <li>• The draft policy may not fully reflect the extent of the WMCA’s asset management responsibilities and liabilities.</li> </ul>	<p>Subsequently, all policies should be reviewed annually and evidenced as reviewed.</p>	

No	Issue arising	Recommendation	Agreed action including responsibility and target date
2.2	<p><b>Asset Owners</b> We noted that a named asset owner had not been appointed for Public Art. The Strategic Asset Manager advised that they would be responsible for this area until an asset owner was identified.</p> <p><b>Implication:</b> Accountability for specific assets may not be suitably assigned.</p>	An appropriate asset owner for Public Art should be identified at the earliest opportunity.	<p>Agreed. The Strategic Asset Manager will take responsibility in liaison with the asset owner responsible for the location within which the item of art is physically situated.</p> <p><b>Responsibility:</b> Jemma Hodgson – Strategic Asset Manager</p> <p><b>Target date:</b> 31 October 2018</p>
2.3	<p><b>Disposal of office furniture</b> We noted that arrangements for the disposal of surplus office furniture were yet to be formalised and documented. Discussions with the Strategic Asset Manager identified that items in working order that were no longer required were offered to staff and proceeds from sales were donated to the WMCA's selected charity, on a periodic basis.</p> <p>However, if items could not be sold, these were returned to the WMCA's furniture supplier for recycling at a fee, for which a disposal certificate was received.</p> <p><b>Implication</b> It may be difficult to demonstrate actions taken in the event of query or challenge.</p>	Formal arrangements should be established for the disposal of surplus office equipment.	<p>Agreed. Arrangements are in place for disposal and in support of these a log of stock items is now maintained. A review will be undertaken regarding recording disposals and accounting for any income received in accordance with the WMCA's financial procedures. As part of developing the asset disposal policy will be formalised and will include arrangements for disposal of surplus items.</p> <p><b>Responsibility:</b> Jemma Hodgson – Strategic Asset Manager</p> <p><b>Target date:</b> 31 March 2019</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 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.

### Report distribution:

Sean Pearce – Director of Finance  
Tim Martin – Head of Governance  
Jemma Hodgson – Strategic Asset Manager

### Date Issued:

8 October 2018

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**West Midlands  
Combined Authority**

## Audit, Risk & Assurance Committee

<b>Date</b>	12 November 2018
<b>Report title</b>	WMCA Assurance Overview November 2018
<b>Accountable Chief Executive</b>	Deborah Cadman, OBE Chief Executive of the WMCA Email: Deborah.Cadman@wmca.org.uk Tel: 0121 214 7552
<b>Accountable Employee</b>	Sean Pearce, WMCA Director of Finance Email Sean.Pearce@wmca.org.uk Tel (0121) 214 7936
<b>Report to be/has been considered by</b>	None

### Recommendation(s) for action or decision:

#### Audit, Risk & Assurance Committee is recommended to:

- a) Note the assurance reviews and activities that have been undertaken since the last reporting period (paragraphs 4-35).
- b) Confirm that ARAC are satisfied with the assurance activity April – October 2018.

#### Purpose of Report

1. The report provides members the views of WMCA's Corporate Assurance Manager's opinion this reporting period April 2018 - October 2018 on the Authority's systems for:
  - a. Project & Programme Assurance
  - b. Business Assurance (including Risk Management, Internal Audit and Business Continuity & resilience)
  - c. Performance Assurance

## **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 25 project assurance reviews have been undertaken by the Programme Assurance Team in this period, (April – October 2018) covering 21 different projects.
5. These projects generally follow the WMCA Gated Project Management Life Cycle for minor projects however recent projects have been reviewed against the Treasury Five Case Business Case model. These have included a review of the project to define a Regional Transport Co-ordination Centre and a separate project to rebuild University Rail Station as a precursor to the location being used as a venue for the 2022 Commonwealth Games.
6. Of the remaining reviews, three considered projects which are in excess of the £5m threshold normally applied to minor projects. These were UK Connected Autonomous Vehicles (for which a Health Check review was undertaken), Real Time Information upgrade and Perry Barr Station (where formal assurance reviews at Gateway -3, Problem/Opportunity Statement were undertaken in line with process).
7. It is recognised that WMCA's Project & Programme portfolio will become more complex and will require working with different delivery partners. Work will need to be initiated with the Programme Management Office to ensure that the project methodology, governance, assurance and appraisal mechanisms are in place and are effective to meet changing organisational requirements.
8. All future reviews will be in line with a revised way of working for Programme Assurance. Assurance reviews will be in line with industry best practice and proportionate to the complexity and risk posed by the project to the WMCA. The detail of this new way of working is being developed and will require a collaborative approach with Programme Management Office to operationalise the change. The revised Programme Assurance Operating Model principles have been endorsed by the Director of Finance and is currently being tested and expect to be launched in January 2019.
9. The TfWM Capital Programme 2018/19 was approved by the WMCA Board on 9<sup>th</sup> February 2018. Within the programme a total of 3 reviews have been undertaken relating to 'Keeping the Key Route Network Safer', Bradley Lane Park and Ride; and Walsall Bus Station Mid-life refresh. The Transport Delivery Committee (TDC)

undertake an assurance role for the progression of minor work transport capital funded projects/ programmes. A programme delivery progress report is scheduled to be reviewed by TDC in November 2018.

10. From February 2018, the approach of Programme Assurance has changed to become much more holistic for projects that fall into the 'Minor' works category. This means that a greater level of insight is provided for the overall performance of the project. This is down to a change in the way that a project is assessed based on the control document being submitted relative to the overall project life-cycle rather than the control document in isolation, as was the case historically. The impact of results in a more accurate and enriched picture can be seen and shared with the Business. The former approach provided a snapshot at any point in the project life-cycle where the new approach takes into account the overall performance of the project, throughout its life-cycle providing a richer picture / insight for performance.

#### WMCA Investment Programme Major Project Assurance Summary

11. 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 provide initial assurance on submission of business cases for funding for Investment Programme funding.
12. Programme Assurance aim to deliver a best-in-class service that will enable proactive assurance insights that will promote a preventative approach to project, programme and portfolio risks, issues and challenges. As stated above, Programme Assurance team has recently reviewed it's operating model and the will change the way it operates in order to ensure that public funds are being spent responsibly in the development and delivery of projects, programmes and portfolios. The key principles that underpin the way that Programme Assurance will operate include:
  - Impartiality
  - Proactive and evidence based
  - Complexity driven (ensuring that the level of assurance sought is proportionate to the level of risk associated with the Project, Programme or Portfolio)
  - Aligned with industry best practice (and responsive to differing project/programme life-cycle requirements)
13. Covering the period April – October 2018, 8 business cases have been reviewed by Technical Appraisal Panel (TAP) for the Investment Programme. Namely;
  - Coventry UKC+ Coventry City Centre First (SOC) - £600k
  - UKC Infrastructure – Solihull Town Centre Access Improvements (SOC) - £911k
  - UKC Infrastructure A34 Enhancements (SOC) - £782k
  - UKC Infrastructure A452 Enhancements (SOC) - £881k
  - Innovation 5G (SOC) - £250k
  - A45 to Town Centre & UKC Hub Strategy Cycle Link (FBC) - £2m
  - Coventry UKC+ A46 Link Road p1 (FBC) - £6.6m

- Coventry UKC+ Coventry City Centre First (FBC) - £61m

14. 6 change requests were received in Investment Programme in this period:
  - a. Approved: 1
  - b. Withdrawn: 2
  - c. Pending: 3
15. The change request approved within this period for the Investment Programme was in relation to the WMCA New Stations Programme, change approval request value is £1.3m and was approved by Investment Board with assurance provided by the Technical Appraisal Panel.

#### WMCA Investment Programme – Programme Prioritisation Exercise

16. In relation to the Investment Programme funding gap, the challenge of £200m remains. A number of strategies are being developed in partnership with Senior Leadership Team and Investment Board along with Chief Executives and Leaders of Local Authorities. Strategy owners have been identified and have been tasked with developing a solution by March 2019. The Investment Board with the Director of Finance are continuing to take a lead on this and assurances are being provided by the Finance team and Programme Management Office to support the decision making process.

#### WMCA Investment Programme – Appointed Resources

17. The resources supporting the Investment Programme have been further strengthened with the appointments of Head of Strategic Programme Delivery, 2 Programme Officers, Programme Benefits Manager and Programme Risk Manager. An independent Major Programme Assurance Specialist consultancy has been appointed in the Corporate Assurance Team.

#### WMCA Investment Programme – Programme Activity

18. The Programme Management Office Risk Manager is developing the Investment Programme risk management processes. An Investment Programme Risk Register has now been implemented. The revised mechanism will be developed to interface with the strategic and corporate risk management processes.
19. The most significant risks highlighted on the Investment Programme Risk Register are in relation to funding sources and funding gaps in the programme. These risks have remained steady since their last review and have allocated leads for mitigation plans.
20. New high risks have been added in relation to monitoring and evaluation and SQW gainshare review. Assurance on the SQW Gainshare work has been received. Through discussions with WMCA and SQW, the scope of the review is being determined together. Performance reporting for interventions in scope proposed and will start in November 2018. This will allow WMCA to receive internal assurance confidence on the current performance of these projects.

## **Business Assurance**

### WMCA Business Continuity & Resilience:

21. In September 2018, the 16 Summer Corporate On Call arrangements were launched with a new Silver and Gold Command On Call. This helped to strengthen the arrangements that were in place to support Transport On Call. An internal audit has been initiated to review the arrangements in place for both teams. This will be presented to the next ARAC in January 2019. No significant business continuity arrangements have been initiated during this reporting period that resulted in a full incident management team being established.

### Risk Management:

22. 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.
23. An extensive review of operational risk registers was initiated with all existing and emerging directorates in September 2018. The Corporate Assurance team supports the development and review cycle of 6 Operational Risk Registers as well as the WMCA Strategic Risk Register.
24. Risk discussions have been facilitated with each of the directorates and operational risk registers have now been established for the new departments. The risk governance arrangements and integration of risk management within performance management arrangement is also being developed
25. A detailed Strategic Risk Report is being presented to the Audit, Risk & Assurance Committee separately for further information.

### Internal Audit:

26. For the period April – September 2018, a total of 2 internal audits were undertaken: The audits covered:
  - Asset Management - Satisfactory
  - Health & Safety - Satisfactory
27. 3 audits at the time of producing this assurance report are still in draft form and are awaiting final sign off. Further information is to be provided in the Internal Audit summary at Audit, Risk & Assurance Committee in November 2018.

## **Arm's Length Companies**

28. Work has initiated to review the governance and assurance arrangements for WMCA's relationship with the arm's length companies. There are 4 active live companies that WMCA has a connected relationship with, these being:
  - a. West Midlands Rail

- b. Midland Metro Ltd
- c. West Midlands Growth Company
- d. Capital Development Ltd

29. WMCA have requested assurance and governance information from all the organisations and internal specialist officers from across WMCA will be reviewing the information provided. A joint report from Corporate Assurance Manager, Head of Governance and Head of Finance will be presented to the Audit, Risk & Assurance Committee in January 2019 with the output and considered opinion on whether satisfactory assurance arrangements are in place.

## **Performance Assurance**

### Business Plan 2018/19 Progress:

30. The Annual Business Plan 2018/19 commenced in April 2018. The Business Plan for this current year covers the annual priorities for both TfWM and Corporate Services (as the new directorates had not been established at the time this plan was initiated). The Annual Business Plan is monitored monthly by internal Management Boards with key risks impacting on its delivery, being escalated to the corporate risk register.

31. At a midway point review, at the end of September 2018 the reporting confirmed the following trends for mid-level objectives achievement;

- 41% - Green (On track to complete within target date)
- 33% - Amber (On track but at risk)
- 26% - Red (Behind schedule)

32. Development of the 2019/20 Annual Business Plan has been initiated and expected to be finalised and commence in April 2019. The 2019/20 Annual Business Plan will cover all WMCA directorates.

### WMCA Transition:

33. Almost all Directors have now been appointed and commenced their roles with WMCA. One last appointment is Director of Communications who will be commencing their role shortly. The new directorates are mobilising with the appointments of their new teams. Significant recruitment drive has taken place for both the Productivity & Skills directorate and Housing & Regeneration. Transport of West Midlands are also expanding to meet the demand of new transport programmes, Metro and Sprint.

34. The WMCA has secured further devolved funding 5G and with the Housing Programme. Adult Education Budget funding will devolve to the WMCA from 1 August 2019. It is expected that the West Midlands Fire Service Governance will transfer to WMCA on 1<sup>st</sup> April 2019. The WMCA will be held accountable for demonstrating and operating effective systems of internal control, governance and assurance for further devolved funding. Assurance Frameworks and Governance structures are specially being developed for Adult Education Budget and Housing/ Land Remediation. The Assurance requirements will be incorporated into the West Midlands Combined Authority Framework. Internal audit committee arrangements are also being

developed and will be discussed with Audit, Risk & Assurance Committee at appropriate timeframes to engage views.

35. The formal Annual Conversation with the WMCA Chief Executive and the Leadership team with BEIS (Department for Business, Energy and Industrial Strategy) was held in April 2018. The Annual conversation will cover providing assurance to BEIS against progress of devolution actions, strategy, governance and capacity. A positive response was received back from the department for the work that had been undertaken to date.

## **Conclusion**

36. Since the last Assurance Report update, stability has been introduced to the West Midlands Combined Authority with the appointment of the permanent Senior Leadership Team.
37. The West Midlands Combined Authority is going through substantial growth and change. Through discussion at the Senior Leadership Team, it is recognised that the West Midlands Combined Authority has set off on an ambitious programme to deliver devolution and the mayoral priorities. In the next few years there will be increased scrutiny and increased pressure to deliver on a number of high profile commitments.
38. It is an assuring sign that with the permanent Senior Leadership Team that are now developing good governance practices by strengthening risk management practices and implementing an organisation-wide performance management framework to cover all directorates. This will allow WMCA to keep a breath with pressures that could impact the successful achievement of wider strategic objectives.

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**West Midlands  
Combined Authority**

## Audit, Risk & Assurance Committee

<b>Date</b>	12 November 2018
<b>Report title</b>	WMCA Strategic Risk Register Report – November 2018
<b>Accountable Chief Executive</b>	Deborah Cadman, OBE Chief Executive of the WMCA Email: Deborah.Cadman@wmca.org.uk Tel: 0121 214 7552
<b>Accountable Employee</b>	Sean Pearce, WMCA Director of Finance Email Sean.Pearce@wmca.org.uk Tel (0121) 214 7936
<b>Report has been considered by</b>	Senior Leadership Team

### Recommendation(s) for action or decision:

#### The WMCA Audit, Risk & Assurance Committee is recommended to:

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

### Purpose

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).

### Background

2. An extensive review of operational risk registers was initiated with all existing and emerging directorates in September 2018. The Corporate Assurance Team supports the development and review cycle of 6 Operational Risk Registers as well as the WMCA Strategic Risk Register.
3. The operational risk review has worked with all directorates to re-establish/ confirm:
  - Risk positions for each directorate
  - Understand any emerging risks for new directorates

- This supported in validating assumptions in the WMCA Strategic Risk Register
4. In conjunction, the permanent Programme Management Office (PMO) Risk Manager has now been appointed into post. This risk review allowed, the PMO Risk Manager to take a lead in reviewing risk registers in the Programme and Project environment to confirm risks that needed to be escalated for the attention of either the Corporate or Strategic Risk Register.

### **Aligning Risk Management/ Business Planning & Performance Management**

5. During this review, an opportunity has been taken with Corporate Risk & Assurance team working closer with Finance and the Director of Strategy to align risk management within the business planning cycle and performance management framework.
6. With the established directorates, Annual Business Plan performance data was also reviewed with the teams as part of the risk review and challenge. At present, the Annual Business Plan currently only reports on mid-levels for TfWM & Corporate Services. As at the end of September 2018, this showed that Mid-levels were:
  - 26% Red, behind schedule
  - 33% - Amber, at risk of slippage
  - 41% - Green, on track
7. The Annual Business Planning cycle 2019/20 has now been initiated and will cover all directorates. It has now been agreed that risk management needs to be embedded into the business planning and performance reporting. The 3 will be synchronised and performance management reports produced for each directorate illustrating performance of key mid-levels and KPIs for each directorate with operational and strategic level risks. See Appendix 3 – Risk Governance

### **Outcome of Operational – Level Risk Review**

8. A positive outcome of the risk review is that directorate-level operational risk registers have now been developed for each new directorate. The established TfWM risk register and Corporate Services risk register underwent a detailed challenge and refresh.
9. The operational risk review did however highlight a number of inconsistencies between risk ratings across the directorates and some examples of potential optimism bias with the risk scoring. This is more evident in the emerging parts of the organisation. Established risk registers and risk governance has been embedded for both TfWM and Corporate Services risk registers since WMCA was formed. This has only recently been developed for the new directorates and the risks captured need to be challenged further to ensure that they are the right risks and confirmed risk scores. Most of the staff in the new directorates have only recently been appointed.
10. The key themes that are emerging from the operational risk review is that there are pressures on:
  - *Operations – Core Functions* – WMCA’s ability to continue to deliver BAU from a people and resource or funding perspective.
  - *Governance* – As the WMCA has expanded there is a requirement to integrate various devolution governance and assurance requirement to the existing governance. As well as a requirement to operate in a complex environment with multiple funders/ partners and their governance

- *Programme Delivery – Devolution Commitments* – there are a high number of high profile programmes that the WMCA will be required to deliver as part of devolution requirements
- *Financial* – This risk relates to external uncertainty and devolution funding has come with certain conditions etc.

11. It has therefore been agreed by the Senior Leadership Team (October 2018) that the risk review continues and a repeated in-depth operational risk review cycle is undertaken again with each directorate with the support of the associated Director. This will enable a more accurate directorate-level risk registers to be established and inconsistencies reduced.

### **Integrated Risk & Assurance – Amended Risk Categories**

12. The outcome of the Operational Risk Register review helped to inform changes to the Strategic Risk Register. For the WMCA Strategic Risk Register, risks have tended to fall into two main categories:

- Risk affecting the established part of the organisation (business as usual operations)
- Risk affecting the devolution and mayoral priorities (new emerging directorates and programmes to deliver devolution commitments).

13. Through discussion at the Senior Leadership Team, it is recognised that the West Midlands Combined Authority has set off on an ambitious programme to deliver devolution and the mayoral priorities. In the next few years there will be:

- Increased Scrutiny** - Due to the next mayoral elections in May 2020 and the preceding campaigning year, SQW Review and increased focus by National Audit Office on the performance of Combined Authorities
- Increased External Uncertainty** – Due to Brexit, Industrial Strategy which could impact WMCA to meet commitments and timeframes
- Reputational Risk of High Profile Programmes** – Due to the requirement for WMCA to deliver Investment Programme targets, Housing & Regeneration targets, 5G Pilot, WMCA work packages for the Commonwealth Games, Transport Programme – (Sprint, New Stations, Cycling and Metro Expansion Programme), Transfer of Governance from WMFS, and PCC.
- Increased dependency on External Delivery Partners** – Many of WMCA’s delivery targets will be delivered jointly with partners or with connected companies. WMCA will need to be confident that the delivery organisations are able to meet the ambitious targets that WMCA will be held accountable for.

14. Due to the above, the Senior Leadership Team has confirmed amendment to the Strategic Risk Categories. The Strategic Risk Categories were originally signed off by WMCA Board in 2016. The Senior Leadership Team has amended the risk categories and re-confirmed the risk appetite for these risk areas. See Appendix 2 – Risk Categories & Risk Appetite.

15. The Senior Leadership Team confirmed that:

- The correct strategic risks were captured on the Strategic Risk Register (see Appendix 1). However

- b. The team were not confident that sufficient evidence had been presented to reduce the Inherent Risk Score down to the Residual Risk Score at this stage. Therefore for now, the residual score should be considered the 'predictive score'
- c. Due to the level of risk, the number of initiatives that have commenced and doubled with external uncertainties, it was agreed that:
  - i. The frequency of Strategic Risk Review by Senior Leadership Team will increase whilst the organisation is undergoing considerable change and growth
  - ii. The Inherent Risk Score would only be reduced if clear evidence is provided to substantiate the reduction
- d. Directorate-level performance dashboards will be produced and the directorate level risk scorecard needs to be signed off by each Director before inclusion into the Senior Leadership Team reporting pack
- e. The 'Delivery' Risk will be further broken down into sub-categories to allow WMCA Senior Leadership team to monitor the risk against the most high profile delivery targets.
- f. A further refined and updated Strategic Risk Register will be presented to Audit, Risk & Assurance Committee in January 2019

### **Financial Implications**

None.

### **Legal Implications**

None.

### **Equalities Implications**

None.

### **Inclusive Growth Implications**

None.

### **Geographical Area of Report's Implications**

None.

### **Other Implications**

None.

### **Conclusion**

In conclusion, there is significant work being undertaken to strengthen both the operational and strategic risk register processes and governance. This review exercise has enabled the Senior Leadership Team to validate whether the assumptions captured in the Strategic Risk Register are correct.

Future reviews of the Strategic Risk Register are going to increase by the Senior Leadership whilst the WMCA is undergoing a period of significant change. A balanced-score card approach that integrates performance reporting and risk management will be introduced to support risk discussions.

**Schedule of Background Papers**

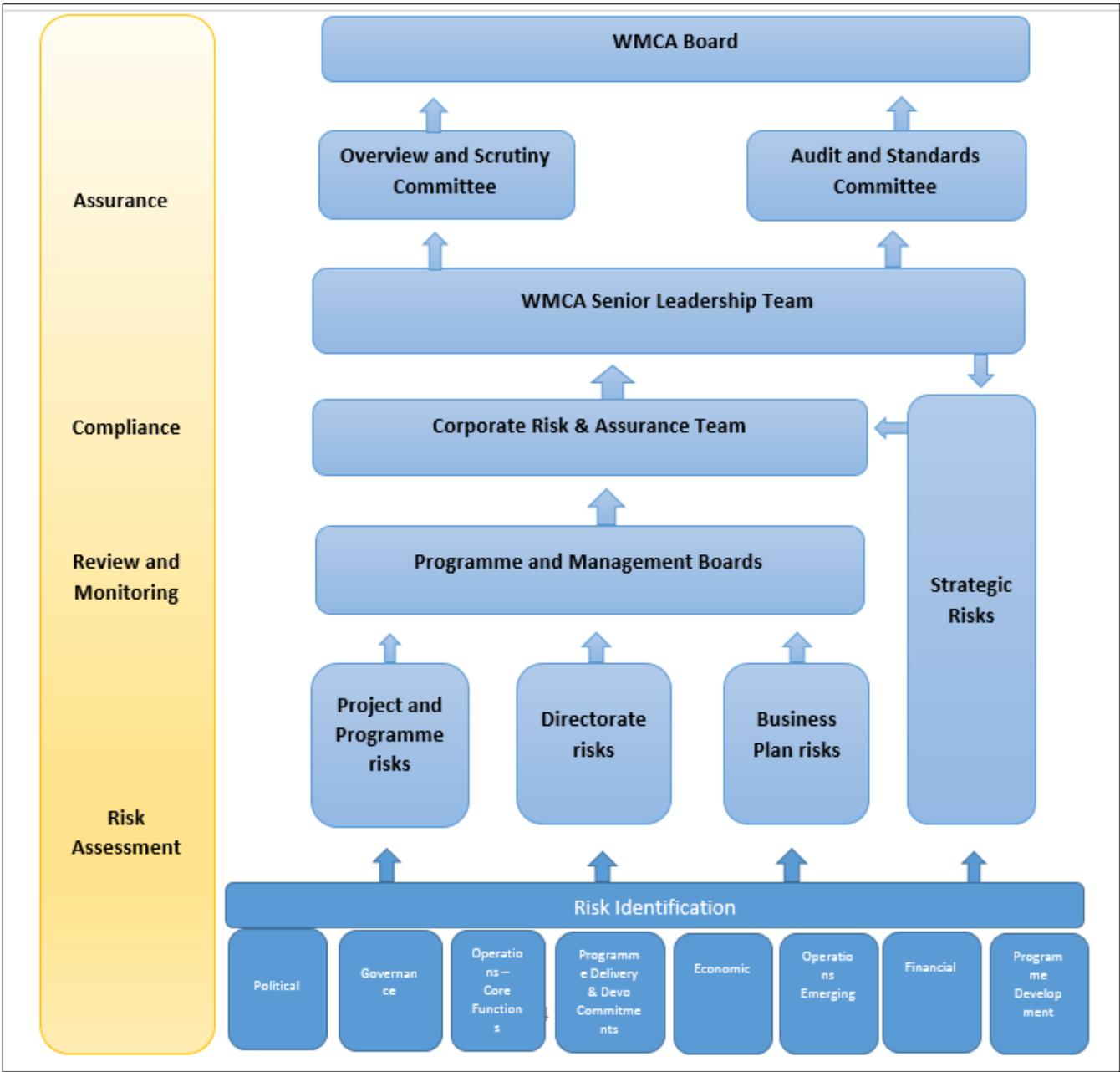
- Appendix 1 – Strategic Risk Register
- Appendix 2 – Risk Categories and Risk Appetite
- Appendix 3 – Risk Governance

## Appendix 2 – Risk Categories & Risk Appetite

Strategic Risk	Appetite	What this means?
<b>Political</b>	<b>AVERSE</b>	We will have a very low tolerance to risks to Political relations. This is because WMCA need to be able to demonstrate to Central Government that WMCA is able to work as a collective to deliver the Strategic Economic Plan for the West Midlands.
<b>Governance</b>	<b>AVERSE</b>	Funding to the WMCA must be spent in accordance to agreed terms and conditions and abide by public sector procurement requirements and devolved funding assurance frameworks as approved by Central Government.
<b>Operations Core Functions</b>	<b>AVERSE</b>	This means WMCA will have a very low tolerance to threats that would cause disruption to be able to deliver key business functions that support the wider business operations.
<b>Programme Delivery &amp; Devolution Commitments</b>	<b>AVERSE</b>	WMCA is averse to taking risk in this area and WMCA & the Mayor will be judged on performance to deliver these commitments.
<b>Economic</b>	<b>CAUTIOUS</b>	WMCA is currently cautious to taking risks in this area because of the uncertainty with external factors.
<b>Operations Emerging</b>	<b>CAUTIOUS</b>	This means we are willing to take some moderate risk in an effort to improve our services, but core business functions and approved business priorities need to be the focus.
<b>Financial</b>	<b>OPEN</b>	This means we are willing to take moderate risks to financial obligations, for example borrowing in order to progress with commitments in the initiation of WMCA Investment Programme.
<b>Programme Development</b>	<b>OPEN</b>	WMCA is open to new programme development opportunities where additional benefits can be delivered/ complementary to existing worksteams in finances and resources permit additions

### Appendix 3 – Risk Categories & Risk Appetite

The current Risk & Assurance Process is illustrated below:



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WMCA Strategic Risk Register - October 2018

STRATEGIC RISK REGISTER				Inherent Risk Score			Predicted Residual Risk Score					
Risk ID	Risk Owner	Category	Status & Risk Trend	Risk Description	Likelihood	Impact	Inherent Score	Controls and measures already in place	Likelihood	Impact	Residual Risk	Further actions required to mitigate risk
S01	Director of Finance	Financial	OPEN ↕	<p><b>Financial Assumptions for Existing Programmes</b></p> <p>The risk that assumptions of the Devolution deal, that have been made against expected economic growth, local precepts, business rate retention and interest rate levels, do not prove to be achievable (they have not to date).</p> <p>If these assumptions 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 to meet the Investment Programme funding requirements or the model will not meet financial expectations and a number of delivery schemes will not be achievable, or members of the Combined Authority will be liable for outstanding financial commitments.</p> <p>The accumulation of multiple funding regimes and gateway/assurance requirements to different government departments are also adding pressures to internal resources to support this.</p>	5	4	20	<p>Medium term financial strategy and Treasury management strategy in place, monitored and approved at Board level.</p> <p>Close working with Government to understand the ongoing financial position and its effects on the region including the:</p> <ul style="list-style-type: none"> <li>Ownership and accountability of funding sources</li> <li>Borrowing powers of the WMCA and/or mayor for regeneration</li> <li>Ownership of Local Growth funds</li> <li>Risks and implications of any existing Enterprise Zone business rate income commitments</li> </ul> <p>Streamlining conversations are required with government to reduce duplication of different performance requirements and different timetables for different funding streams.</p>	3	4	12	<p>Continuation of working with Government and constituent authorities regarding the assumptions relating to business rates. Mayoral rights to levy supplementary business rates has been incorporated into 2017 Devolution deal together with some capacity funding.</p> <p>Funding for Growth programme set up to look at alternative funding streams.</p> <p>Agreement required between all constituent and non-constituent members on a response strategy in the event of financial expectations not being achieved.</p> <p>Preparation for 2018/19 budget includes the alignment of the powers, budgets and the processes to ensure there is an accurate budget.</p> <p>Due to the funding gap in the programme, a ranking and sequencing exercise is going to be undertaken by Q2 of 2018</p>
S02	Senior Leadership Team	Operations Core Functions	OPEN ↑	<p><b>Human Resources</b></p> <p>The risk that capacity and skills amongst WMCA senior managers and Officers are insufficient, or conflicts with other priorities, which will impact on the ability to deliver the WMCA Strategic Economic plan or the Mayor's Renewal plan and impinge on the organisation's ability to secure future funding opportunities.</p> <p>There is currently a great deal of change in WMCA with new projects and initiatives. This is placing additional pressure on existing staff, while vacancies remain unfilled, potentially impacting staff morale and stress levels.</p>	4	5	20	<p>Recruitment and retention of high quality resources is a focus of WMCA Board and resource structures are regularly monitored at departmental, Leadership and board level. With a growing remit of new and additional priorities, the pressures on staff requirements needs close monitoring and planning to deliver these new ambitions.</p> <p>Governance structure and monitoring provides for early warning of possible pressures and required interventions to be sourced.</p> <p>Regular communications in place with all staff to maintain engagement across all levels of the organisation.</p> <p>Regular monitoring of the Annual Business Plan provides early warning of non-achievement in expected deliverables.</p>	3	3	9	<p>Leadership team is reviewing the organisational structure to ensure its capability continues to meet the future aspirations of the organisation.</p> <p>A newly appointed Head of HR and a new Organisational Development Manager, the focus with the Director of Strategy and Head of Finance will be to align the business planning process with organisational resources and budgets to meet existing and emerging priorities.</p> <p>Corporate Risk Management will also be embedded into the Performance Management Framework to ascertain early indicator on changing risk profiles so risk mitigation plans can be put into place.</p> <p>Staff Personal Objectives and Development Plans will be aligned to organisational business plan requirements.</p>
S07	Senior Leadership Team	Programme Delivery & Devolution Commitments	OPEN Updated 24/10/18 ↑	<p><b>Delivery</b></p> <p>The risk that the WMCA will come into disrepute if the organisation is unable to effectively deliver its obligations and aspirations as detailed in the Devolution programmes, the Strategic Economic and Mayoral Renewal plans or the Transport Act 2000, Housing Deal, AEB, 5G, Commonwealth Games Transport Programme. Failure to deliver these commitments will also impact confidence in the Mayor</p> <p>(a) Delivery - WMFS (b) Delivery - PCC (c) Delivery - AEB (d) Delivery - 5G (e) Delivery - Commonwealth Games (CA-Led) (f) Delivery - Housing</p>	4	5	20	<p>WMCA Board undertakes overall responsibility for delivery of the Strategic Economic Plan, future devolution deal development, investment decisions and for allocating resources.</p> <p>The Devolution Agreement Strategic Implementation Plan (DASIP) has been agreed by DCLG and provides regular KPI reporting to Government.</p> <p>Robust assurance arrangements in place to ensure delivery meets all governance requirements including the DCLG Assurance Framework. There is a issue with numerous non-aligned assurance and performance requirements specified by Central Government that causes additional pressures on Delivery timeframes. Newly initiated programme would also add additional resource pressure to deliver all commitments .</p>	3	4	12	<p>WMCA Board and Leadership team providing oversight of any shortfalls in Investment Programme funding and opportunities for investment from stakeholders.</p> <p>The availability of sufficient capacity and appropriate skills in the marketplace to deliver the forward agenda is key to delivery and is on the Leadership agenda.</p> <p>A review of investment programme governance and appraisal processes has been commissioned to ensure effective arrangements are in place to support the delivery of the Investment Programme</p> <p>Aligned business planning and performance reporting will provide greater earlier insights into deliver areas at risk so mitigations can be developed.</p>

WMCA Strategic Risk Register - October 2018

Risk ID	Risk Owner	Category	Status & Risk Trend	Risk Description	Likelihood	Impact	Inherent Score	Controls and measures already in place	Likelihood	Impact	Residual Risk	Further actions required to mitigate risk
S13	Director of Finance & Strategic Director of Transport	Operations Core Functions	NEW 24/10/18	<p><b>WMCA Resilience</b></p> <p>The risk that WMCA cannot respond in an effective and timely manner to events that disrupt operations and activities, which could lead to financial loss (or failure to realise expected benefits or funding) reputational damage, legal/regulatory breach etc.</p>	4	5	20	A business Continuity framework and programme exist and continues to be developed to ensure that WMCA can respond to any business disruption. An incident management team and out of hours on call arrangements are in place and alternative work space is identified.	3	5	15	Raising business continuity awareness and embedding the programme needs to continue. A separate ICT disaster recovery plan should be documented and differences/gaps between ICT deliverables and business/operational requirements need to be identified for consideration/resolution.
S03	Director of Finance	Operations Core Functions	OPEN ↔	<p><b>Data Protection &amp; Information Security</b></p> <p>The risk that data protection requirements and/or ICT system security are not maintained, causing 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.</p> <p>The WMCA's remit is also increasing and we will become a more data rich organisation working more closely with varied stakeholders/delivery partners and other 3rd parties. There is a growing risk that WMCA will be unable to ensure compliance with regulations.</p>	4	4	16	<p>An Information Assurance framework is in place supported by a suite of information protection policies.</p> <p>Information governance roles have been created, and responsibilities defined. The Data Protection Officer and Cyber Security Specialist lead a rolling programme of information governance</p> <p>Governance activities are managed centrally to ensure robust arrangements are in place and conform to all legal requirements. Comprehensive suite of ICT security systems and monitoring in place to maintain secure ICT systems and protect against potential cybercrime structured in line with the 10 Steps to Cyber Security' as set by the National Cyber Security Centre.</p> <p>Issues identified by a gap analysis of WMCA compliance with GDPR have been addressed to ensure compliance with new legislation</p> <p>Further assurances will be to be sought to confirm the data management arrangements with WMCA Stakeholders.</p>	3	3	9	Increasing organisational and staff awareness of data protection by embedding newly established policies, Information Assurance Framework, and principles of new GDPR across WMCA
S04	Senior Leadership Team	Political	OPEN ↔ Updated 8/10/18	<p><b>Stakeholder &amp; Political Relations</b></p> <p>The risk that as WMCA continues to expand and absorb new remits &amp; accountabilities that WMCA's stakeholder &amp; political relations become more pressured, threatening WMCA's ambitions. WMCA is dependent on positive stakeholder &amp; political relations to deliver the ambitions of the organisation.</p> <p>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. There may be challenges in maintaining the relationships across the Region which helped to deliver the WMCA.</p> <p>Additional political pressure is also likely due to the impending changes associated with WMFS, PCC and Mayoral elections.</p>	4	4	16	<p>Ongoing close working with LEP's, Constituent and non-constituent members with regular communications in place to ensure all parties are fully engaged.</p> <p>Collaborative working to be maintained and extended where opportunities allow.</p> <p>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.</p> <p>WMCA are developing more regular stakeholder and political liaison and engagement to discuss both inflight and emerging opportunities for the wider benefit of the region.</p>	3	4	12	<p>Regular communication exists and is maintained at various levels.</p> <p>Wide representation at Governance Boards are to be maintained.</p> <p>New opportunities being identified by Leadership Team to maintain and improve relations.</p>
S05	Director of Finance	Operations Core Functions	OPEN ↔	<p><b>Governance Arrangements</b></p> <p>The risk that a lack of, or non-adherence to, formal governance arrangements will result in a risk of ineffective or unsuccessful delivery of WMCA objectives and possible legal challenge, impacting on the WMCA's ability to meet its obligations and future aspirations.</p> <p>As the WMCA is going through a period of growth with absorption of new and emerging priorities there is a risk that existing governance arrangements to not support the delivery of the organisation's objectives. With new devolved budgets, different government departments have specified</p>	4	4	16	<p>Comprehensive governance arrangements are in place and contained in the WMCA constitution, approved by the Board.</p> <p>The Head of Governance and Monitoring officer has direct access to the Leadership Team and WMCA Board, and responsibility for oversight of all assurance activities, including Audit.</p> <p>WMCA assurance framework developed in conjunction with, and approved by DCLG, this is currently under review. Governance requirement for Adult Education Budget, Police Crime Commission, West Midlands Fire Service, Housing and 5G are all being reviewed to ensure adoption streamlined approaches wherever possible. Currently this is</p>	3	4	12	<p>Ongoing programme of Internal audits undertaken to provide an independent review that governance arrangements and internal policies are adhered to and remain effective.</p> <p>Corporate Assurance Team and Governance are liaising with the various new teams to develop appropriate assurance frameworks and governance arrangements.</p> <p>Resource requirements will need to be assessed to support the more complex areas.</p>

WMCA Strategic Risk Register - October 2018

Risk ID	Risk Owner	Category	Status & Risk Trend	Risk Description	Likelihood	Impact	Inherent Score	Controls and measures already in place	Likelihood	Impact	Residual Risk	Further actions required to mitigate risk
S09	Chief Executive	Operations Core Functions	OPEN Updated 8/10/18 ↑	<p><b>Leadership Team</b></p> <p>The risk that the capacity of the Leadership team is not sufficient to enable business decisions to be made in a timely manner, for instance due to difficulties in recruitment or excessive workloads. This risk is heightened as not all teams/directorates have recruited to vacant posts to deliver priorities. Finances are constraining budget availability for all required resources.</p>	4	4	16	<p>Leadership team has been established with key individuals who have an expertise in their specific field and have established relations with key stakeholders to support the continued delivery of WMCA agenda.</p> <p>Continued oversight of all functions is maintained by the CEO with weekly review meetings to enable early intervention.</p> <p>Business Planning/ Resourcing Planning is being undertaken to confirm resources required by SLT. This has become more pressured lately due to expanding priorities.</p>	3	4	12	<p>Close working arrangements in place with member authorities in order for all parties to provide mutual support as required.</p> <p>Business Planning/ Priorities/ Resource Requirements and budget availability all requires alignment. Director of Strategy is developing a integrated performance management framework to support this.</p>
S11	Senior Leadership Team	Economic	OPEN Updated 8/10/18 ↔	<p><b>External Factors</b></p> <p>The risk that external challenges or changes in policy from global, EU or government / political or financial change are not factored into WMCA plans, which could make delivery ambitions unachievable.</p> <p>There is a lot of external uncertainty - there is a risk that instability in the external economic environment could adversely impact WMCA.</p>	3	5	15	<p>All parties remaining cognisant of external factors including the short, medium and long term effects of the exit from Europe.</p> <p>Maintaining awareness of existing and new legal and environmental regulations to ensure compliance at all times.</p> <p>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.</p> <p>Close liaison with HS2 Board to deliver synergies across programmes and providing a collective investment vehicle for growth to local residents and businesses.</p> <p>WMCA is part of wider regional brexit discussions to understand how this can impact our commitments.</p>	3	4	12	<p>Working continually with the Department for Business, Energy and Industry Strategy (BEIS) to ensure the government agenda is met</p> <p>Brexit implications continue to be monitored and the organisation remains cognisant of it's developments and the emerging risks.</p>
S12	Senior Leadership Team	Programme Delivery & Devolution Commitments	NEW 24/10/18	<p><b>Project/Programme Appraisal &amp; Assurance</b></p> <p>The risk that new project and programme proposals are not effectively appraised or assured. This will lead to poor investment decisions and failure to realise anticipated benefits or value for money, hence it will have adverse financial and reputational impact.</p>	3	5	15	<p>WMCA Assurance framework is in place. An improvement is being developed to further enhance the supporting processes.</p>	2	5	10	<p>Implement:</p> <ul style="list-style-type: none"> <li>- Clear governance framework and evidence based assurance processes</li> <li>- Clear appraisal</li> <li>- Learning &amp; embedding knowledge &amp; lessons learned from other projects</li> </ul>
S08	Senior Leadership Team	Programme Delivery & Devolution Commitments	OPEN Updated 8/10/18	<p><b>Reputation</b></p> <p>The risk that the reputation of the WMCA will be compromised if the organisation does not present itself as, or deliver an effective and efficient organisation resulting in negative media coverage and an inability to deliver expectations.</p> <p>Where the WMCA has significant monetary investment and/or where the Mayor is heavily involved in projects/proposals run by partners, for example the Commonwealth Games, the operation of Arms Length Companies or high profile sporting or cultural events in the region; the WMCA needs to manage</p>	3	4	12	<p>Communications engaged in all business activity, providing regular liaison with the Mayor's office to ensure a pro-active and consistent message is delivered by all, at all times.</p> <p>WMCA spokespersons provided with media training.</p> <p>Regional Communications Group established ensuring access to media facilities for all WMCA members and stakeholders have access to media facilities.</p> <p>Progress of financial contributions monitored to enable coverage of all WMCA successes or early intervention of possible challenges.</p> <p>Close engagement with wider organisations.</p> <p>WMCA is heavily dependent of a positive relationship with all partners.</p>	2	4	8	<p>Ensure regular review of Communication issues including forward planning Communications Grid.</p> <p>Ensure that major Regional initiatives e.g. Commonwealth Games have clear and transparent governance arrangements in place.</p>

WMCA Strategic Risk Register - October 2018

Risk ID	Risk Owner	Category	Status & Risk Trend	Risk Description	Likelihood	Impact	Inherent Score	Controls and measures already in place	Likelihood	Impact	Residual Risk	Further actions required to mitigate risk
S06	Director of Finance	Financial	OPEN ↕	<b>Commerciality</b> The risk that, having chosen to use commercial company delivery models in some areas, challenging economic conditions and/or material loss of revenue from investments may result in commercial income streams not being able to deliver commercial revenue targets and/or the services which are contracted to be provided.	2	4	8	Formal governance structures in place between WMCA and commercial bodies. CA directors appointed to companies providing regular interface between parties. Compliance of all financial accounting arrangements. Assurance & Governance checklist in place to review and confirm satisfactory arrangements are in place for all 'Arms Length companies'	2	4	8	Adopting commercial models will allow the WMCA to become less dependent on government as it can diversify funding income.
S10	Director of Finance & Strategic Director of Transport	Operations Core Functions	OPEN Updated 8/10/18 ⬆	<b>Health &amp; Safety</b> The risk that Health & Safety procedures to ensure safe working conditions exist for staff, visitors and users of all WMCA facilities are absent or inadequate. Failure to provide a safe environment for all users will result in potential legal challenges and reputational damage due to unsafe, or	2	4	8	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.	2	3	6	Ongoing engagement with all WMCA departments to ensure adherence of H&S policies by all. Immediate engagement with emergency services and /or HSE to provide pro-active management of H&S incidents.
S14	Senior Leadership Team	Operations Core Functions	NEW 24/10/18	<b>Media intrusion</b> The risk that an event attracts high profile media attention which the Authority fails to manage or influence, which could result in significant reputational damage and subsequent adverse financial impact.								New Director of Communications is due to commence role imminently and these controls need to be developed: Establish and implement an approved Media Strategy to ensure an effective, professional and timely response. The strategy will cover aspects such as media training, nominated spokesperson(s), strategy owner, media statements etc. The business continuity programme also refers to media and seeks to ensure adequate training, awareness and planning are in place.



**West Midlands  
Combined Authority**

## Audit, Risk & Assurance Committee

<b>Date</b>	12 <sup>th</sup> November 2018
<b>Report title</b>	Conflict of Interest Policy for Non-Elected Participants in Combined Authority Governance
<b>Accountable Chief Executive</b>	Deborah Cadman, West Midlands Combined Authority Email: <a href="mailto:Deborah.Cadman@wmca.org.uk">Deborah.Cadman@wmca.org.uk</a> Tel: 0121 214 7552
<b>Accountable Employee</b>	Tim Martin Head of Governance, Clerk and Monitoring Officer Email: <a href="mailto:Tim.martin@wmca.org.uk">Tim.martin@wmca.org.uk</a> Tel: 0121 214 7435
<b>Report has been considered by</b>	None

### Recommendation(s) for action or decision:

#### ARAC is recommended to:

1. Approve the enclosed Conflict of Interest Policy for non-elected participants in WMCA governance processes and request that this is agreed by the Combined Authority Board.
2. Agree to appoint the Solihull Independent Person Panel as the means of discharging the requirement for the Combined Authority to have access to a Designated Independent Person for dealing with any complaints under the Code of Conduct for Elected Members

## 1. Purpose

This Report deals with two issues. The need to agree a policy covering conflicts of interest for non-elected participants in the Combined Authority and the appointment of a Designated Independent Person under the Localism Act 2011 in relation to the investigation of any complaints under the Code of Conduct for Elected Members.

## 2. Background

- 2.1 The Combined Authority was first established in 2016 and confirmed as a Mayoral Combined Authority in April 2017. Much work was done at that stage by the Officers and Members of the Constituent and Non-Constituent Authorities, working with existing staff of the then Centro Transport Body to complete all the necessary actions to ensure that the Authority was up and running and in good shape to meet its new responsibilities.
- 2.2 Although not a Local Authority in the traditional sense of the word many of the basic legislative checks and balances which apply to such bodies also apply to the Combined Authority. As a public authority whose main decision-makers are in the main, local democratically elected politicians, the local government provisions around standards and conduct are applied to the Combined Authority by the Localism Act 2011.
- 2.3 Members of the Committee will no doubt be familiar with provisions for Standards and conduct in their own authorities and following the changes imposed by the Localism Act, there is now a degree of local choice in how these responsibilities are discharged so long as certain requirements are met. The principle that all public bodies should be able to demonstrate high standards of conduct for all parties who are involved in their governance and operations is one that is strongly supported by the Combined Authority. Measures have been put in place to ensure that the legal requirements of the Localism Act 2011 are met. The responsibilities of acting as a Standards Committee are included in the terms of reference for ARAC. A Code of conduct for elected members and the Mayor is in place together with arrangements for the registration of interests and appropriate declarations at meetings. A separate code of conduct is in place for employees of the Authority.
- 2.4 As well as elected councillors who are appointed to serve on WMCA Boards and Committees and who are covered by the existing “statutory” Code of Conduct there are other non-elected individuals who are asked to become involved in the work of the Combined Authority either as co-optees or in another capacity. This is dealt with further at paragraph 4.3 below however the Committee is asked to endorse the principle that these persons will also be covered by a policy which subscribes to the common standards set out by the seven principles of public life, even where there are some statutory provisions under the Localism Act that do not strictly apply.

### **3. Conflict of Interest Policy**

- 3.1 As highlighted above it is accepted that non-elected participants should have guidance in terms of the standards of conduct they are required to follow and in particular how to deal with conflicts of interest. It is particularly important that the integrity of the Combined Authority's decision-making processes are safeguarded against the perception that conflicts of interest are being ignored or that persons may be placed in positions where they can make decisions which benefit their own interests.
- 3.2 The attached Conflict of Interest policy sets out the standards of conduct which will be expected of such non-elected participants. These are based on the Seven Principles of public life and also the requirements for the registration and declaration of interests. The policy also sets out the expectation of non-participation in any discussions or decisions where such interests may be engaged. Having this policy in place will ensure that the same high standards as apply to elected Members are also expected of non-elected participants in WMCA processes.
- 3.3 Once the policy is in place the Monitoring Officer will ensure that a full list of all relevant persons is maintained and ensure that they are aware of the policy. The Monitoring Officer would also have a discretion to treat this policy as engaged where individuals are acting in an advisory capacity rather than a decision-making role.

### **4. Designated Independent Persons for Standards Complaints**

- 4.1 Under the Localism Act 2011 there is a requirement to have in place at least one Designated Independent Person (DIP) who may be consulted in relation to the investigation of any complaints under the Code of Conduct for Members. The DIP must be consulted before any penalty is imposed on an elected member as a result of an investigation into a complaint. It is good practice to have more than one DIP to cover eventualities such as absence, sickness and conflict of interest.
- 4.2 Since all constituent Authorities currently have appointed persons to fulfil this role it is recommended that we look to this pool to ensure that the Combined Authority can satisfy this requirement. Currently, Solihull maintain a panel approach with around 10 potential DIPs who can be called upon as appropriate. This panel covers Solihull, Nuneaton and Bedworth and Rugby. Since it is a legal requirement to have a DIP it is recommended that the Combined Authority joins this Panel and that the efficacy of these arrangements are reviewed after 12 months to ensure it is meeting the needs of the organisation. The services of a DIP have not been required during the first 18 months of the WMCA's operation and there are no pending complaints.

## **5. Financial Implications**

There are no specific financial implications arising from this report. There might be a requirement to pay expenses in the event that the services of a DIP was required but these would be marginal in terms of existing budgetary provision.

## **6. Legal Implications**

The legal implications are as set out in this report and arise from the Localism Act 2011.

## **7. Equalities Implications**

The Panel approach should ensure that an appropriate DIP can be selected should there be a need to invoke these requirements.

## **8. Inclusive Growth Implications**

There are no specific implications for inclusive growth.

## **9. Geographical Area of Report's Implications**

The provisions in this report will apply to all elected members or non-elected participants whether from Constituent or non-Constituent authority areas.

## **10. Other Implications**

None.

## **11. Schedule of Background Papers**

None.

## WEST MIDLANDS COMBINED AUTHORITY.

### CONFLICT OF INTEREST POLICY FOR NON-ELECTED PARTICIPANTS IN COMBINED AUTHORITY GOVERNANCE.

This Conflict of Interest Policy applies to individuals who have been appointed to participatory roles within the governance structures of the West Midlands Combined Authority (WMCA) As a Participant in the WMCA governance structures you will bear in mind at all times the need to maintain public confidence in the transparency and objectivity of the decision-making process of the WMCA and to this end you will avoid situations where it may be considered that your decision-making ability may be affected by a conflict of interest, however that arises. You shall have regard to the following seven principles of public life – selflessness, integrity, objectivity, accountability, openness, honesty and leadership which will inform your conduct in relation to all activities undertaken on behalf of the WMCA. This Policy will apply at all times when you might reasonably be perceived to be acting on behalf of or representing the WMCA but not otherwise.

Accordingly, when acting in your capacity as a Participant in WMCA:

- You must act in a manner consistent with WMCA's equality and diversity strategy and treat your fellow Participants, Members, Officers and others, including the public, who you come into contact with when working in your role, with respect and courtesy at all times.
- You must act solely in the public interest and should not take part in discussions or decisions where you have a financial interest or other conflict of interest or where such a circumstance applies to your immediate family, a friend or close associate.
- You must not place yourself under a financial or other obligation to outside individuals or organisations that might be reasonably considered as an influence upon you in the performance of your duties to the WMCA.
- When participating in WMCA activities you must make all choices, such as appointments, awarding contracts, and allocating funding, based on evidence and having due regard to any professional advice given by Officers or others.
- You are accountable for your decisions and you must co-operate fully with whatever scrutiny is appropriate to your position.
- You must declare and register any private interests, both financial and non-financial, including membership of any body, organisation or political party that relates to your participation in WMCA activities.
- Where you have an interest in any item of business at a relevant meeting of the WMCA you must declare that interest and withdraw from the meeting, taking no further part in the discussion or any vote. All such declarations and the reasons for them will be recorded in the minutes.
- You must, when using or authorising the use by others of the resources of WMCA, ensure that such resources are not used improperly for party political or personal purposes.
- You must promote and support high standards of conduct when acting as a Participant, in particular as characterised by the above requirements, by your leadership and by example.

## **Registering and declaring pecuniary and non-pecuniary interests**

You must, prior to acting as a Participant, notify the WMCA Monitoring Officer of any financial interest, where that interest is yours, your spouse's or civil partner's, or somebody with whom you are living with as a spouse, or as if you were civil partners.

In addition, you must, prior to acting as a Participant, notify the WMCA Monitoring Officer of any non-financial interest which WMCA has decided should be included in the register or which you consider should be included if you are to fulfil your duty to act in conformity with the Seven Principles of Public Life.

Participants must register within 28 days of receipt any gifts or hospitality which have been offered in connection with their participation in WMCA.

Participants should review their individual register of interest on a regular basis and update the information as appropriate so that it remains accurate.

Unless dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a financial interest.

For the purposes of this policy, the definitions of financial (pecuniary) interests are as those set out in the Localism Act 2011 and The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.

## **Dispensations**

The grounds upon which WMCA may grant a dispensation relieving a Participant from restrictions on participating or in a matter in which they have a disclosable interest are set out below. A Participant may make an application to the Monitoring Officer to be relieved of the restriction on participation.

The circumstances in which dispensation may be granted are:

- That so many Participants, Members and/or Officers have disclosable pecuniary interests in a matter that it would impede the transaction of business.
- That the dispensation is in the interests of persons living in the Area of the combined Authority.
- That it is otherwise appropriate to grant a dispensation

Any dispensations granted must be formally recorded.

**WMCA: Register of [Participants'] Interests**

June 2018 to June 2019

As a Participant in the [business activities] [meetings] decision making] of WMCA, I declare that I have the following disclosable pecuniary and/or non-pecuniary interests. (Please state 'None' where appropriate, do not leave any boxes blank).

<b>SECTION 1</b>	<b>ANY EMPLOYMENT, OFFICE, TRADE, PROFESSION OR VOCATION CARRIED ON FOR PROFIT OR GAIN</b>	<b>MYSELF</b>	<b>SPOUSE/PARTNER*</b>
1.1	Name of: - your employer(s) - any business carried on by you - any other role in which you receive remuneration (this includes remunerated roles such as councillors)		
1.2	Description of employment or business activity		
1.3	The name of any firm in which you are a partner.		
1.4	The name of any company for which you are a remunerated director		
<b>SECTION 2</b>	<b>SPONSORSHIP</b>	<b>MYSELF</b>	<b>SPOUSE/PARTNER</b>
	Any financial benefit obtained (other than from WMCA) which is paid as a result of carrying out duties as a [Participant].  This includes any payment or financial benefit from a Trade Union within the meaning of the		

	Trade Union and Labour Relations (Consolidation) Act 1992		
<b>SECTION 3</b>	<b>CONTRACTS</b>	<b>MYSELF</b>	<b>SPOUSE/PARTNER</b>
3.1	Any contract for goods, works or services with WMCA which has not been fully discharged by any organisation named at 1.1.		
3.2	Any contract for goods, works or services entered into by any organisation named at 1.1 where either party is likely to have a commercial interest in the outcome of the business being decided by WMCA in the forthcoming meeting.		
<b>SECTION 4</b>	<b>LAND OR PROPERTY</b>	<b>MYSELF</b>	<b>SPOUSE/PARTNER</b>
	<p>Any beneficial interest you or any organisation listed at 1.1 may have in land or property which is likely to be affected by a decision made by WMCA in the forthcoming meeting.</p> <p>This would include, within the Area of the Combined Authority [and/or Non-Constituent Councils] :</p> <ul style="list-style-type: none"> <li>• Any beneficial interest in any land in the Area of the Combined Authority (and/or Non-Constituent Councils], including your place(s) of residency</li> <li>• Any tenancy where the landlord is the WMCA and the tenant is a body in which relevant person has a beneficial interest</li> </ul>		

	<ul style="list-style-type: none"> <li>Any licence for a month or longer to occupy land owned by WMCA</li> </ul> <p>For property interests, please state the first part of the postcode and the local authority where the property resides. If you own/lease more than one property in a single postcode area, please state this.</p>		
<b>SECTION 5</b>	<b>SECURITIES</b>	<b>MYSELF</b>	<b>SPOUSE/PARTNER</b>
	<p>Any beneficial interest in securities of an organisation under 1.1 where:-</p> <p>(a) that body (to my knowledge) has a place of business or land in the Area of the combined authority (and/or Non-Constituent Councils]; and</p> <p>(b) either –</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which has a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p>		

SECTION 6	GIFTS AND HOSPITALITY	MYSELF	SPOUSE/PARTNER
	Any gifts and/or hospitality received as a result of participation in WMCA (above the value of £25)		

## **OTHER INTERESTS**

### **Membership of Organisations**

I am a member of, or I am in a position of general control, a trustee of, or participate in the management of:

1. Any body to which I have been appointed or nominated by WMCA:
  
2. Any body exercising functions of a public nature (eg school governing body or another Combined Authority):
  
3. Any body directed to charitable purposes:
  
4. Any body, one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union):
  
5. Any local authority (please state any interests you hold as LA leaders/cabinet members for LA land, resources and the LA's commercial interests):
  
6. Any other interest which I hold which might reasonably be likely to be perceived as affecting my conduct or influencing my actions in relation to my role.

**[PARTICIPANT’S] DECLARATION AND SIGNATURE**

I confirm that having carried out reasonable investigation, the information given above is a true and accurate record of my relevant interests, given in good faith and to the best of my knowledge;

Date	
[Participant’s Name] (Capitals – in full)	
Signature	

**RECEIPT BY WMCA**

Date received by WMCA	
Signature of WMCA Monitoring Officer	



**West Midlands**  
Combined Authority

## Audit, Risk & Assurance Committee

<b>Date</b>	12 <sup>th</sup> November 2018
<b>Report title</b>	Transfer of Fire Service Governance – General Update and Outline of Proposed Audit Arrangements.
<b>Accountable Chief Executive</b>	Deborah Cadman, West Midlands Combined Authority Email: <a href="mailto:Deborah.Cadman@wmca.org.uk">Deborah.Cadman@wmca.org.uk</a> Tel: 0121 214 7552
<b>Accountable Employee</b>	Tim Martin Head of Governance, Clerk and Monitoring Officer. Email: <a href="mailto:Tim.martin@wmca.org.uk">Tim.martin@wmca.org.uk</a> Tel: 0121 214 7435
<b>Report has been considered by</b>	None

**Recommendation(s) for action or decision:**

**ARAC is recommended to:**

1. Note the update on progress towards the transfer of governance from West Midlands Fire Authority to the WMCA
2. Note the emerging proposals with regard to the handling of audit, risk and assurance arrangements

## **1. Purpose**

- 1.1 This report provides a general update on progress towards the transfer of governance for the Fire Service to the combined authority and the work that is being carried out to ensure that this completes successfully by the beginning of April.
- 1.2 The report goes on to outline proposals as to how the work of ARAC could be structured to ensure that the new responsibilities in respect of the West Midlands Fire Service are accommodated.

## **2. Background**

- 2.1 West Midlands Fire Service (WMFS) have been engaged in a governance review over the last two years looking at options for the future of the service. This has been instigated partly as a result of Government Policy towards greater collaboration between blue light services and the continuing need to respond to funding pressures and the need for efficiencies.
- 2.2 WMFS are already an efficient and well governed service and they can demonstrate many areas of good practice. The review process was initiated by looking at a number of options for future governance which were eventually narrowed down to the preferred option of joining with the Combined Authority with the Mayor taking responsibility for the Fire Service as a Mayoral function. The process and the various decisions leading up to the current position have been reported through the WMCA Board and have been subject to consultation both with Constituent Authorities and with the public.
- 2.3 In May 2018 the Combined Authority Board agreed to submit the proposals to the Home Secretary to commence the Parliamentary process leading to an Order being made. In September, Board considered a further report regarding the progress of the Order and the issues arising from process of drafting and it is expected that the Order will be confirmed early in the New Year.
- 2.4 The process of transferring governance will involve the winding up of the existing Fire Authority as an entity and the transfer of all responsibility for governance and accountability to the Mayor of the Combined Authority. Property, assets and liabilities will transfer to the WMCA which will also become the employer of all staff currently employed by the Fire Authority. The Mayor will be responsible for the Fire Service as a Mayoral function and the Chief Fire Officer will retain operational independence and accountability for the service on an independent basis in a similar way to the way the relationship operates between the PCC and the Chief Constable.
- 2.5 Detailed planning is underway for the transfer as set out above and a joint implementation team has been established with Officers from both the Fire Service and the WMCA. Meetings have been taking place with the implementation team and a detailed project plan with risk register, communications plan and other milestones has been produced. The process/progress is also being monitored by the senior leadership teams of both Authorities.

### **3. Governance Structures**

- 3.1 As outlined, after the transfer of Governance the Mayor will become responsible for the Fire Service as a Mayoral Function. The proposals include the abolition of the existing Fire Authority which is the mechanism whereby the organisation is governed at the moment. The WMCA governance structures will become the default vehicle for managing these processes but the following proposals are being worked up at the moment. At the WMFA a Governance and Transformation Committee is considering the proposals and the WMCA Monitoring Officer has been invited to participate. It was one of the principal objectives of the governance review was to reduce bureaucracy and process whilst still maintaining proper governance. Any new proposed structures need to be considered against this benchmark which at the same time providing a proper basis for (in the case of ARAC) securing proper audit risk and assurance arrangements are put in place.
- 3.2 The draft Order provides that there will be a Mayoral Fire Committee comprising a maximum of 18 members (15 elected members and the PCC together with two nominated by the Mayor in consultation with the Chair of the Committee) The elected members will be drawn from the existing Metropolitan Authorities proportionally based on political control and population. The Fire Committee will not have any executive decision-making power but will have the role of advising the Mayor on the discharge of his functions, maintaining the existing s41 arrangements (local liaison with individual authorities on Fire Service matters) and reviewing the operation. The Chair will be appointed by the Mayor in consultation with the Met Leaders.
- 3.3 The existing Fire Service Audit and Scrutiny arrangements will cease to exist after April. The responsibility for discharging these functions will devolve on the WMCA and consideration is being given as to the best way to ensure these important functions are given the time and space to develop. As highlighted above, the WMFS Governance and Transformation Committee is also considering these issues and has not yet made recommendations however one of the main options will be to establish an ARAC Fire Sub-Committee to ensure integration into existing programmes and also detailed consideration of this new agenda. This will give the opportunity for fuller consideration of Fire related issues and the development of expertise in these areas. The sub-committee will obviously be part of ARAC as parent committee and will report in to ARAC on a regular basis. Obviously any issues that merit wider attention may be escalated to the main committee as required. Consideration is being given to the possibility of co-opting some existing Fire Audit members onto the sub-committee in order to give continuity and expertise. In order to provide the same level of assurance as required by the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 then the sub-committee would be chaired by the Independent Audit Chair. It is also proposed that whatever model is adopted that the effectiveness of the arrangements be reviewed after 12 months.
- 3.4 At present Grant Thornton who are the WMCA's external auditors also perform the same role for the Fire Authority and this will facilitate a smooth transition in terms of external assurance.

### **4. Financial Implications**

- 4.1 The work on the transfer of Fire Service Governance is currently being jointly funded by the two Authorities. Due diligence work has been and continues to be done in relation to Fire Service assets and liabilities. The Fire Service will become part of the budget setting

process of the Combined Authority in due course. There are no other direct implications arising from this report

## **5. Legal Implications**

- 5.1 The legal implications are set out elsewhere in this report. In the event that the Order is confirmed by Parliament then the Fire Service governance will transfer to the WMCA as a matter of secondary legislation. The same Audit requirements will apply to the Fire Service aspects of the WMCA/Mayoral functions as any other functions.

## **6. Equalities Implications**

- 6.1 There are no specific equalities implications arising out of this report.

## **7. Inclusive Growth Implications**

- 7.1 The transfer of governance for WMFA and the alignment of the services with the Mayoral/WMCA will provide opportunities for public sector reform and closer working between previously separate public authorities. The Fire Service will of course retain their important statutory and policy objectives but there will be areas where new avenues for cooperation can be explored.

## **8. Geographical Area of Report's Implications**

- 8.1 The services of the WMFA only cover the metropolitan area and are only of specific relevance to the Constituent Authorities.

## **9. Other Implications**

Nil.

## **10. Schedule of Background Papers**

Nil.