



Audit, Risk & Assurance Committee

Monday 14 January 2019 at 10.00 am

Minutes

Present

David Lane (Chair)

Councillor Adam Aston

Councillor Tom Baker-Price

Councillor Richard Brown

Councillor Craig Collingswood

Sean Farnell

Councillor John O'Shea

Councillor Alexander Phillips

Councillor June Tandy

Councillor Vera Waters

Dudley Metropolitan Borough Council

Worcestershire Non-Constituent
Authorities

Coventry City Council

City of Wolverhampton Council

Coventry & Warwickshire LEP

Birmingham City Council

Shropshire Council

Nuneaton & Bedworth Borough Council

Walsall Metropolitan Borough Council

In Attendance

Councillor Jackie Taylor

Peter Farrow

Grant Patterson

Linda Downes

Sandwell Metropolitan Borough Council

City of Wolverhampton Council

Grant Thornton

Nuneaton & Bedworth Borough Council

Item Title

No.

116. Apologies for Absence

Apologies for absence were received from Councillor Michael Gough (Solihull) and Councillor Kerrie Carmichael (Sandwell). Councillor Jackie Taylor (Sandwell) substituted for Councillor Kerrie Carmichael.

117. Declaration of Interest

Committee noted that Councillor Adam Aston was Chairman of the Governance and Transformation Committee at the West Midlands Fire Authority dealing with the transfer of governance and that Councillor John O'Shea was Chair of the West Midlands Police & Crime Panel.

118. Chair's Remarks

- Chair confirmed that the meeting was quorate and thanked members for their attendance.
- Chair congratulated Linda Horne on being appointed as the S151 Officer and Interim Director of Finance.
- The following points were raised at WMCA Board on 11 January regarding Committee:

- Continued issues around meeting the quorum as echoed by the Chair of Overview & Scrutiny Committee.
- The need to ensure a report was made to WMCA Board for approval on health & safety arrangements in consideration of the absorption of Fire & Rescue Service.

119. Minutes of the meeting held on 12 November 2018

The minutes of the meeting held on the 12 November 2018 were agreed as a correct record.

120. Matters Arising

a) Health & Safety

The Monitoring Officer informed members that there were no health & safety issues requiring the attention of this committee. The Monitoring Officer also informed committee that the Senior Leadership Team received accredited health & safety training.

b) Whistleblowing

The Monitoring Officer informed the committee that there were no matters to be brought to the attention of the committee, through the assurance of the current system in place, which is regularly monitored.

c) Conflict of Interest Policy for Non-Elected Participants in Combined Authority Governance

Councillor Jackie Taylor requested further information regarding the appointment of Solihull Independent Person Panel as the Designated Independent Person as previously agreed at committee. Councillor Jackie Taylor was concerned that the panel may lack diversity and asked for consideration for members to represent the different Local Authorities. The Monitoring Officer advised that the panel needed to remain independent.

Resolved:

- (1) The appointment and working of the Designated Independent Panel arrangements to be reviewed by committee in January 2020.

121. Forward Plan

The committee considered the plan of items to be reported to future meetings of the committee.

Resolved:

- (1) Items of business to be reported at future meeting be noted.

122. Internal Audit Update

Committee considered a report updating them on the work completed by the internal audit so far this financial year. Nine audits had been completed so far in the current year. The Head of Audit reported that to date that no limited reports had been issued and was currently on course to deliver a clean internal audit opinion at the end of the year. A number of audits remained to be completed and would be brought to the next committee along with the Internal Audit annual report.

The Internal Audit Business Partner provided committee with an overview of the audit undertaken on WMCA's workforce planning arrangements in support of resource planning, capacity and capability strategy. The outcome of the audit was an overall opinion of satisfactory assurance. Councillor John O'Shea requested reassurance that employees were suitably equipped with right skills to deliver the strategic objectives as the Business Planning & Budget guidance for 2019/20. The Internal Audit Business Partner highlighted that the amber recommendations indicated that this needed to be more explicitly addressed.

Both Councillor John O'Shea and Sean Farnell raised concern over the back-loading of audit reporting work to be completed and the need for the planning of audit in a sensible manner. However the Head of Audit was confident that all remaining audits would be completed on schedule. It was agreed that approval would be required from the Chair if future completion dates were to slip beyond the agreed date of completion in the remainder of 2018/19 and for future years.

Resolved:

- (1) The contents of the latest Internal Audit Update report was noted.
- (2) A timescale for completion of the Internal Audits be included within the plan for 2019/20 for approval by committee.
- (3) The Chair's approval to be sought on any slippage / delay on audit completion in a timely manner on behalf of committee.
- (4) An update regarding the amber recommendations made against the workforce planning internal audit to be brought to committee in June 2019.

123. Draft Internal Audit Plan 2019 - 2020

The committee considered the draft internal audit plan for 2019/20. The draft plan was developed to achieve a balance between setting out planned audit work whilst allowing for flexibility and responsive to the changes in business needs, priorities and risks during the year.

Councillor Craig Collingswood queried the approximately 185 internal audit dates required to enable the audit plan being delivered would be resourced. The Head of Audit shared that the number of days had increased in comparison to the previous year but reflected the growth and the new areas that the WMCA was developing into. The Interim Head of Finance was comfortable with the number of days proposed.

Further to committee's request to have advance sighting of completed audit, the Head of Audit would look to introduce a process in which committee received notification of completed audits via the Chair, between meetings.

Resolved:

- (1) The current draft Internal Audit Plan for 2019/20 be noted.
- (2) The final draft Internal Audit Plan be submitted for approval at committee on the 15 April 2019.

- (3) A clear timescale for completion of the internal audits to be included within the plan for 2019/20.
- (4) Internal audits completed summary in advance of committee be circulated to members.

124. Health & Safety Internal Audit Update

Committee considered a report updating them on the progress made against recommendations identified during the Internal Audit of Health & Safety Arrangements. The Health & Safety Manager advised committee that the original target completion dates for many of the actions were overly ambitious given the wider challenges currently faced by the organisation and as such revised target dates had been provided and were more achievable. The Chair expressed disappointment that many completion commitments given in early December failed their end of December deadlines.

It was noted that the Senior Leadership Team received professional and accredited health & safety training.

Resolved:

- (1) The update on progress made against recommendations identified during the internal audit of Health & Safety Arrangements be noted.
- (2) A further update on progress on outstanding commitments made to ARAC in December 2018 to be provided at committee on the 15 April 2019 and any slippage be reported back ARAC by the accountable Director for Health & Safety.

125. Assurance Report - Arm's Length Companies: Assurance & Governance Arrangements

Committee considered a report from the Corporate Assurance Manager on the governance and assurance arrangements for WMCA arm's length companies. The four active arm's length companies were West Midlands Rail Ltd, West Midlands Development Capital Ltd, Midland Metro Ltd and West Midlands Growth Company Ltd.

Councillor Craig Collingswood requested assurance that committee had oversight on the company checklists as previously discussed. The Corporate Assurance Manager shared that the appropriate process would be to share the detailed checklists with the Chair which had been completed just prior to this committee meeting. Members were content with the Chair having oversight of the detailed checklists, with any arising concerns to be shared with committee.

Resolved:

- (1) The assurance arrangements that had been established to confirm the governance and assurance established for all WMCA's arm's length companies be noted as satisfactory.
- (2) It was noted that the WMCA Growth Company was an investment in which WMCA had a 5.3% stake and that Senior Leadership Team were currently reviewing the performance information from the Growth Company with a view to sharing the updated governance and assurance

arrangement with committee.

- (3) It was noted that WMCA had secured a bid to host a pilot of testing 5G technology with discussions taking place with Department of Culture, Media and Sport to look at delivery options and potential operating structures. Once the company has been established committee would receive information on its assurance and governance arrangements. It was expected that the arrangements for these companies will be reviewed again within the next 12 months, with an appropriate review cycle to be confirmed with the Interim Director of Finance.
- (4) That the Monitoring Officer to provide committee with a briefing on the roles and responsibilities for each board / committee at a future committee.

126. WMCA Strategic Risk Register

The committee considered a report from the Corporate Assurance Manager that supported the committee with its responsibility of providing oversight of risk management within the West Midlands Combined Authority. The report contained a detailed summary of the current status of the top three strategic risks as confirmed by the Senior Leadership Team at its meeting on 12 December 2018.

It was acknowledge that further to the report being shared with committee the risk identified for financial assumptions for exiting programmes had increased due to the funding gaps identified in the Investment Programme which continued to be monitored by the Investment Board along with work undertaken to mitigation options. The Director of Strategy highlighted that the risk towards the delivery of Commonwealth Games relating to funding had been reduced due to the confirmation of the process for drawing down funding.

Councillor John O'Shea referenced 'unplanned Corporate Services interventions' within the report and asked as to whether there were any cost implications. The Head of HR & Organisation Development shared that as a result of the organisation growing, Corporate Services was having to flex and change the way in meeting the demands. Corporate Service was being reviewed with the outcome being reported back to the Senior Leadership Team. It was also acknowledged that recruitment to specialist posts required external consultants and both the Head of HR & Organisation Development and Interim Head of Finance were aware of the cost implications. Councillor Alexander Phillips felt that the impact of a potential recession should be factored as a standing risk within the risk register.

The Chair asked that supporting evidence for significant improvements in risk/impact scoring be shared with ARAC to overcome the previous concerns of optimum bias.

Resolved:

- (1) That the top three Strategic Risks included within the Strategic Risk Register be noted.
- (2) That the status of Directorate Risk Registers be noted.

- (3) That an update on the position of the action against the strategic risk to be provided to committee in June 2019 be noted.
- (4) Committee be provided with further information surrounding the conflict of interest being identified through a specialist third party on the devolvement of Adult Education Budget.
- (5) That committee to receive copy of the report presented at WMCA Board on the devolution of the Adult Education Budget 2019/20 for information only purposes.
- (6) Committee to receive a report at a future meeting regarding the gender pay gap.
- (7) Supporting evidence for improved scoring of risks to be provided with future updates.

127. External Audit Plan

The committee considered a report from the External Auditor that provided an overview of the planned scope and timing of the statutory audits of West Midlands Combined Authority and West Midlands ITA Pension Fund.

Resolved:

- (1) That the overview provided to committee on the planned scope and timing of statutory audits of WMCA and West Midlands ITA Pension Fund for those charged with governance be noted.
- (2) That the external audit partner advised he had gone beyond the PSAA five year recommended period and he had dispensation to carry on for a further two years.

128. Investment Portfolio Governance Audit Update 2018

The committee considered a report from the Head of Strategic Programme Delivery which provided assurance that progress had been made against the original recommendations in the Internal Audit review of Investment Portfolio Governance Arrangements for Programme Approval & Appraisal.

Resolved:

- (1) That the progress made to date against the original actions in the Internal Audit Report be noted.
- (2) That the timescales for implementation of the enhanced Governance & Assurance Framework be noted.
- (3) That an update be provided to committee on the amber actions and accountability in June 2019.

129. Update on the consultation from the Transfer of West Midlands Police & Crime Commissioner Functions

The Monitoring Officer provided an update on the process for the transfer of West Midlands Police & Crime Commissioner functions.

Resolved:

- (1) The update provided on the consultation for the transfer of West Midlands Police & Crime Commissioner functions be noted.

130. Update on the Transfer of West Midlands Fire Service Governance

The Monitoring Officer informed committee of a potential delay to the implementation of the proposal of transferring governance. This was due receiving the revised order from the Home Office which proposed a change to the order necessary for any transfer and which was thought to be unacceptable to the Fire Authority. The Monitoring Officer would keep the Chair up-to-date as matters became clearer.

Councillor Craig Collingswood highlighted the current issues with meeting quorum and was concerned that meeting quorum for the proposed sub-committee may also not be met. He also referenced 4.2 of the report whereby no allowances would be paid in relation to attendance at the sub-committee. It was the Monitoring Officers intention to review allowances within the next finance year but confirmed no allowances would be paid for attendance at the proposal sub-committee.

Resolved:

- (1) The update provided in the report and endorsement of progress made to date be noted.
- (2) That the delegation of any final arrangements were to be agreed with the Chair and Vice-Chair of committee before presenting to WMCA Board.

131. Financial Monitoring Report 2018/19

The Interim Director of Finance provided committee with an update on WMCA's consolidated revenue budget monitoring position as at 30 November 2018.

The Interim Director of Finance highlighted that the Transport Delivery Committee monitored the position of the expenditure on travel concessions as this showed as under budget but was due to lower bus patronage than budgeted.

Councillor Craig Collingswood queried as to which member group scrutinised the financial monitoring position. The Interim Director of Finance confirmed that responsibility sits with the WMCA Board and was scrutinised by the budget working group of Overview & Scrutiny Committee.

Resolved:

- (1) That the consolidated revenue budget monitoring position as at 30 November 2018 as set out in the Financial Monitoring Report for November 2018 be noted.
- (2) That the Chair be informed immediately if there were significant variances within the budget.

132. Monday 15 April 2019 at 2.00pm

Date of the next meeting was noted.

The meeting ended at 12.00 pm.