



Audit, Risk & Assurance Committee

Friday 21 June 2019 at 10.00 am

Minutes

Present

David Lane (Chair)	
Councillor Ahmad Bostan	Sandwell Metropolitan Borough Council
Councillor Alan Butt	City of Wolverhampton Council
Sean Farnell	Coventry & Warwickshire LEP
Councillor Michael Gough	Solihull Metropolitan Borough Council
Councillor Ram Lakha	Coventry City Council
Councillor Alexander Phillips	Shropshire Council
Councillor June Tandy	Nuneaton & Bedworth Borough Council
Councillor Alan Taylor	Dudley Metropolitan Borough Council
Councillor David Thain	Worcestershire Non-Constituent Local Authorities
Councillor Vera Waters	Walsall Metropolitan Borough Council

In Attendance

Deborah Cadman	Chief Executive, West Midlands Combined Authority
Nicola Coombe	Grant Thornton
Grant Patterson	Grant Thornton
Terry Tobin	Grant Thornton

Item Title
No.

- 149. Apologies for Absence**
Apologies for absence were received from Councillor Fred Grindrod (Birmingham City Council).
- 150. Minutes of the meeting held on 15 April 2019**
The minutes of the meeting held on the 15 April 2019 were agreed as a correct record.
- 151. Chair's Remarks**
- **Appointment as Independent Chair of Audit for Midland Metro Ltd**
The Chair informed committee that he had been appointed as the independent Chair of the Audit Committee for Midland Metro Ltd and would therefore declare any appropriate interests in items at this committee as necessary.

- **Appointment of WMCA Director of Finance**
The Chair congratulated Linda Horne on being appointed the WMCA's Director of Finance.
- The Chair also informed the committee of his attendance at meetings relating to the annual accounts, Senior Leadership Team meeting and other various sessions held by the Overview & Scrutiny Committee.

152. Matters Arising

- **Whistleblowing**
The Monitoring Officer advised the committee of four notifications received regarding whistleblowing disclosures. None of these disclosures actually related to the WMCA and, where appropriate, were either referred back to its appropriate local authority for further investigation or were not considered to be a whistleblowing matter.
- **Finance Update**
The Director of Finance reported that further to the Annual Accounts being present, no changes had been made to the outturn in the accounts reported to WMCA Board on 24 May. A further update on the financial monitoring position on the WMCA would be presented at the next meeting.

153. Forward Plan

The committee considered the plan of items to be reported to future meetings of the meeting. The Chair requested that a full report on capability and capacity to be presented in September 2019.

Resolved:

- (1) The items of business to be reported at future meetings be noted.

154. WMCA Strategic Risk Register

The committee received a summary on the current status of key risks being considered by Senior Leadership Team captured within the Strategic Risk Register. Changes to register included two risk closures and a reduction in risk S07c relating to delivery of the Adult Education Budget.

Councillor Alexander Phillips requested timescales as to when outcomes would be provided to the review being undertaken for the current funding shortfall in the Investment Programme. He also suggested that HS2 should be covered on the Strategic Risk Register. However, due to HS2 not being a WMCA responsibility in terms of delivery, further officer-led discussions would determine the position as to where this was considered appropriate for the risk register or not. It was noted that the scoring against capacity and capability had been reduced, although members felt that the scoring should remain as a 'red' risk and requested for the risk to remain 'red' until a more detailed understanding was received.

Resolved:

- (1) The strategic risks contained within the Strategic Risk Register be noted.
- (2) The risk for Capacity and Capability would be referred back to the Senior Leadership Team for consideration for regrading it to be a red risk.
- (3) The Senior Leadership Team be requested to consider whether a cancellation or delay in HS2 would introduce risk in WMCA plans and whether this should be recognised within the Strategic Risk Register.

155. WMCA Assurance Report - Arm's Length Companies

The committee received an update confirming the status of the WMCA's arm's length companies and the governance assurance and risk monitoring arrangements put in place for each company. The focus of the report related to WM5G Ltd, which recently moved from dormant status to operational.

The Chair acknowledged the need for WM5G Ltd to retain its commercial confidentiality but felt as the 5G project fed into the Strategic Risk Register, he requested that this committee be alerted to any critical key issues and risks within the Strategic Risk Register. The Monitoring Officer provided the committee with an update regarding previous concerns about Huawei. It was noted that in regards to security issues, the WMCA would continue to work closely in line with the Department for Culture, Media & Sport and Government guidance.

Resolved:

- (1) The governance, assurance and risk monitoring arrangements for WM5G Ltd be noted.
- (2) The ongoing governance, assurance and risk monitoring arrangements for WMCA's other arm's length companies - Midland Metro Ltd, West Midlands Growth Company, West Midlands Rail and West Midlands Development Capital Ltd - be noted.

156. Internal Audit Update

The committee received an update on the work completed by internal audit so far this financial year. It was noted that the four internal audit reviews relating to 2018/19 had been concluded, with no items of particular significance to report back on. Internal audit were on track for delivering the internal audits review for 2019/20 as per the timetable.

The committee raised concerns regarding the implementation of outstanding actions relating to the auditable area establishment of the Mayoral Officer 2017/18. Deborah Cadman assured committee that those recommendations would be considered by the Senior Leadership Team for review and implementation. The three outstanding audit recommendations would be closed out by September 2019 and reported back on at the September meeting.

Resolved:

- (1) The contents of the latest Internal Audit update report be noted.

157. WMCA Cost Assurance

The committee received a report from the Director of Finance outlining the process pertaining to cost assurance for investments forming part of the Investment Programme.

The Chair stated that the report gave the committee a level of assurance around the appraisal method, although he requested further details on post-implementation review and overruns on projects outside of the WMCA's control.

Resolved:

- (1) The contents of the report outlining the way in which WMCA managed costs assurance be noted.

158. Corporate Services Review

The committee was provided with an overview of the current position of the Corporate Services review being undertaken within the WMCA. It was acknowledged that the organisation had evolved considerably and therefore the current model being used by Corporate Services was no longer fit for purpose. The review commenced in January 2019 and focused on 10 key services areas. It was noted that an external organisation would conduct the review of ICT, who would provide recommendations in moving forward its capability and capacity. Further to the review concluding, a formal review will be undertaken in December 2019.

Councillor Ram Lakha queried regarding the budget for this transformation. Deborah Cadman stated how essential it was that an external consultancy undertook the review of ICT and indicated that this and the wider review were being funded through existing budgets.

Resolved:

- (1) That the update on the Corporate Services review be noted with a full report due to back to committee at its September meeting.

159. Constitution Update

The Monitoring Officer updated committee on the position of the review of the constitution. A fundamental review of the constitution was being undertaken to ensure the document being in a more useable format as part of the work being undertaken on general governance and the assurance framework arrangements. A draft copy of the constitution would be shared at the next meeting.

Resolved:

- (1) The update on the review of the constitution be noted.

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

The committee were informed by the Monitoring Officer on the decision not to proceed with the proposed transfer of governance of the West Midlands Fire & Rescue Service to the Mayoral WMCA.

Resolved:

- (1) The report be noted.

161. Annual Accounts 2018/19 for West Midlands Combined Authority

The committee considered a report on the Annual Accounts of the West Midlands Combined Authority and the West Midlands Integrated Transport Pension Fund for the financial year ended 31 March 2019. The committee also received a summary of the audit findings for both West Midlands Combined Authority and West Midlands Integrated Transport Pension Fund and Letters of Representation.

Further to concerns around the liquidity of level three assets, the committee requested further details on as to whether the recent Woodford Investment Management issues were considered a risk for the WMCA.

The External Auditor confirmed that he was satisfied that the WMCA accounts, as audited, could be approved by committee. It was noted that a national issue regarding pension liabilities relating to an ongoing litigation of a separate public body, has the potential to impact on the pension fund valuation and accounts of all public sector bodies dependent upon the final ruling. This would become clearer in the next few weeks. It was noted that this could result in adjustments being required to the accounts in regard to the pension fund liabilities on the balance sheet. This would have no impact on the financial outturn for the Authority or the Pension Fund but could require a late adjustment.

Resolved:

- (1) The Director of Finance sign the letter of representation for WMCA and the West Midlands Integrated Transport Authority Pension Fund.
- (2) The annual accounts of WMCA and the West Midlands Integrated Transport Authority Pension Fund be approved subject to resolution of the outstanding Pension query.
- (3) The audit findings reports presented by Grant Thornton be noted.
- (4) Grant Thornton's proposal to issue an unqualified audit opinion on the accounts be noted.
- (5) That the Mayor and Director of Finance be authorised to sign the accounts on behalf of the WMCA and that delegated authority be given to the Director of Finance in consultation with the Chair of committee and Grant Thornton to agree any adjustments to the accounts arising from the pension litigation mentioned above.

162. Exclusion of the Public and Press

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

163. Audit Progress Accessible Transport Group

The committee received an update from the Director of Finance regarding the current position on the administration of Accessible Transport Group. It was noted that the organisation went into administration in March 2019 and the WMCA continued to work with the Administrator to ensure the services were maintained whilst assets were in the process of being sold. A preferred bidder had been named by the Administrator, but this remained a confidential matter at the time of the committee's meeting.

The committee also received a report from Grant Thornton which outlined its satisfaction with the WMCA in its handling of this process but confirmed they would propose some recommendations to be added to a pending detailed review by Internal Audit once the Administrator's work was complete.

Resolved:

- (1) The contents of the latest external audit progress report be noted.

164. Proposed 2019/20 Dates

The dates for meetings of this committee for 2019/20 were noted.

The meeting ended at 12.10 pm.