



Audit, Risk & Assurance Committee

Date: Monday 26 October 2020

Time: 10.00 am **Public meeting** Yes

Venue: This meeting will take place virtually via Microsoft Teams
[Click here to view the meeting.](#)

Membership

David Lane (Chair)	
Councillor Ram Lakha OBE (Vice-Chair)	Coventry City Council
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 Fred Grindrod	Birmingham City Council
Councillor Christine Martin	Staffordshire Non-Constituent Authorities
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 Gurmeet Singh Sohal	Walsall Metropolitan Borough Council

Quorum for this meeting shall be nine members. Of those, at least one member must be in attendance from five different constituent councils.

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

AGENDA

No.	Item	Presenting	Pages	Time
Meeting Business Items				
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.	Minutes - 8 September 2020	Chair	1 - 6	
4.	Chair's Remarks (if any)	Chair	None	
5.	Matters Arising <ul style="list-style-type: none"> • Whistleblowing • Exit Payment Cap • Treasury Management Strategy 	Tim Martin Tim Martin Linda Horne	None	
6.	Forward Plan	Tanya Patel	7 - 10	
Business Items for Noting / Approval				
7.	West Midlands Pension Fund	Rachel Brothwood	Verbal Report	10:15
8.	WMCA Assurance Update	Hardial Phull	Verbal Report	10:35
9.	Combined Authorities response to COVID-19 (a) Organisational / Strategic Response (b) Financial Update	Tim Martin Linda Horne	Verbal Report	10:45
10.	WMCA Strategic Risk Register	Fiona Bebbington	11 - 20	11:00
11.	Internal Audit Update - October 2020	Peter Farrow	21 - 38	11:10
12.	External Audit Update for the Year Ending 31 March 2020	Grant Thornton	39 - 44	11:20
13.	Performance Reporting	Andy Morgan	Verbal Report	11:40
Date of Next Meeting				
14.	Monday 18 January 2021 at 10.00am	Chair	None	

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West Midlands
Combined Authority

Audit, Risk & Assurance Committee

Tuesday 8 September 2020 at 10.00 am

Minutes

Present

David Lane (Chair)	
Councillor Ram Lakha OBE (Vice-Chair)	Coventry City Council
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 Christine Martin	Staffordshire Non-Constituent Authorities
Councillor Alexander Phillips	Shropshire Council
Councillor June Tandy	Nuneaton & Bedworth Borough Council
Councillor David Thain	Worcestershire Non-Constituent Local Authorities
Councillor Gurmeet Singh Sohal	Walsall Metropolitan Borough Council

In Attendance

Pete Bond	Transport for West Midlands
Deborah Cadman	West Midlands Combined Authority
Louise Cowen	West Midlands Combined Authority
Peter Farrow	City of Wolverhampton Council
Ben Gittings	West Midlands Combined Authority
Julia Goldsworthy	West Midlands Combined Authority
Victoria Harman	West Midlands Combined Authority
Linda Horne	West Midlands Combined Authority
Sandra Kalyan	City of Wolverhampton Council
Tim Martin	West Midlands Combined Authority
Carl Pearson	West Midlands Combined Authority
Hardial Phull	West Midlands Combined Authority
Gurmit Sangha	West Midlands Combined Authority
Rachel Teoh	West Midlands Combined Authority

Item Title No.

15. Apologies for Absence

Apologies for absence were received from Councillor Fred Grindrod (Birmingham City Council) and Councillor Alan Taylor (Dudley Metropolitan Borough Council).

16. Minutes - 14 July 2020

The minutes of the meeting held on the 14 July 2020 were agreed as a correct record.

**17. Chair's Remarks
Future Meetings**

The Chair proposed that for the foreseeable future, meetings of the committee should continue to be held online rather than automatically return to in-person meetings. These new arrangements had appeared to enable a more engaged committee and to help with attendance. Other members of the committee supported these comments.

The Chair welcomed the Chief Executive, Deborah Cadman and thanked her for committing the time to brief ARAC and take questions.

**18. Matters Arising
(a) Whistleblowing**

The Monitoring Officer advised the committee of investigations being undertaken by the Internal Audit team in relation to whistleblowing allegations. It was noted that the Chair was being kept informed outside of the meetings and was content with the actions to date and the information currently being provided.

19. Forward Plan

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

Resolved:

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

20. Review of Governance Procedures and Risk Impacts of the COVID-19 Pandemic

The Chief Executive provided the committee with an overview of the WMCA's corporate governance procedures whilst considering the impact of COVID-19. The pandemic had brought about unprecedented challenges to the continuance of normal activities and following the 'lockdown' it was impossible to maintain the normal public meeting arrangements for WMCA boards and committees. The Chief Executive set out the decision-making processes carried out under delegated powers and the key mechanisms put into place to ensure key decision were taken in way that had either formal or informal approval of board members.

Councillor Alexander Philips questioned as to what the response of staff was regarding working from home, and if there were any opportunities from the new ways of working following COVID-19. Councillor Alan Butt asked how the Combined Authority were ensuring the wellbeing of staff who are working from home and lone working and what support was being offered. The Chief Executive stated that she had seen staff respond well to working from home and was proud and pleased with their resilience during these challenges. Significant communication activities continue to take place to ensure staff are engaged and supported.

The Director of Strategy provided an overview of the region's response to encourage economic recovery and the part that the WMCA was playing in being a key participant in the regional local resilience forum. Other activities included the re-purposing of Ring & Ride services to provide shuttle services from key transport hubs to NHS facilities. Councillor Ram Lakha was pleased and encouraged to hear the activities undertaken but queried the financial position of the organisation. The Director of Finance confirmed the financial position of the WMCA, and it was noted that the work undertaken to rein in spending had enabled an improved forecast budget deficit for the year of £2.0m. A further detailed financial update would be provided to the committee in due course. Councillor Ahmad Boston understood the risks associated to COVID-19 and sought assurance that the WMCA had the capacity and capabilities to address the increased demand for skills development in the region. The Chief Executive confirmed that work had been competed on skills provision and consideration for supporting youth employment whilst addressing structural inequalities.

The Chair requested that a further update on the Combined Authorities response to COVID-19 and the effects of the Combined Authorities normal priorities and strategic objectives be provided at its next meeting.

Resolved:

- (1) The contents of the report be noted.

21. Data Protection & Data Processing

The committee received a report from the Data Protection Officer providing an annual assessment of compliance with the General Data Protection Regulations and the Data Protection Act 2019. The report also included information on the impact of the COVID-19 pandemic on data protection and the shift to working remotely.

Councillor Ram Lakha queried as to whether there had been any data protection issues / incidents during the pandemic while staff had been working from home. The Data Protection Officer informed the committee that incidents that had occurred related to phishing emails or were cyber related, although the defence systems in place continue to be considered strong and effective in maintaining the Combined Authorities systems. Other incidents related to human error mistakes. He also reported that various communication campaigns to remind, advise and reinforce protocols had been shared with staff.

The Chair requested that a review of the way data security was handled considering whatever new ways of working that are likely to become the norm be reported back to committee in Spring.

Resolved:

- (1) The reporting of data protection assurance and compliance with data protection legislation be noted.
- (2) A further update to be provided to the committee in Spring 2021.

22. Health and Safety Annual Update

The committee received a report from the Director of Integrated Network Services (in his role as the Combined Authorities Health and Safety lead executive) on the principal activities relating to the promotion and management of health and safety and outcomes during the past two years, outlining the strategic direction for occupational health and safety within the wide-ranging remit of the WMCA for the next three year period.

Councillor Ahmad Boston queried as to whether any assessment had been completed to address any potential liabilities or risks related to the transport services provided by the WMCA and Transport for West Midlands. He sought assurance that there was capacity to adequately address the health and safety challenges presented by the COVID-19 pandemic. The Director of Integrated Network Services reported that various guidance to changing regulations and legislation had been provided to ensure appropriate implementation was carried out in a timely manner, and he therefore felt the organisation was adequately resourced and able to be proactive in identifying and dealing with health and safety risks. The WMCA had also offered its support to transport operators to provide a review of safety management systems. In addition, various risk assessment processes were in place and all liabilities were being considered.

The Chair expressed his satisfaction in the progress of health and safety arrangements within the Combined Authority but suggested that a separate workstream on the risks of lone working be more explicitly clear. He also requested that an annual update be provided to committee.

Resolved:

- (1) The annual update on Health and Safety contained within the report be noted.
- (2) An annual update be provided to committee.

23. WMCA Assurance Overview September 2020

The committee received a report from the Corporate Assurance Manager updating it on the progress made in the development of the assurance toolkit. Elements of the toolkit had been subject to live testing and reporting since October 2019. The report outlined the business case assessment and health check tools used on projects in recent months, along with the evidence and conclusions of the reviews conducted.

The Chair sought assurance from the Chief Executive that the WMCA was giving priority to recommendations arising from assurance reporting. He also suggested that the Assurance Team look to the committee to seek support if recommendations were not satisfactorily or speedily addressed. The Chief Executive confirmed that herself and the Senior Leadership Team received regular updates on the Single Assurance Framework and supported the Chair's comments.

Resolved:

- (1) The progress made by the Programme Assurance team in developing and testing the updated Assurance Toolkit in parallel with ongoing assurance processes and transition to the Single Assurance Framework be noted.
- (2) The committee receive regular updates from the Assurance Team at future meetings in a similar fashion to Internal Audit.

24. Treasury Management Strategy

Following changes to the Chartered Institute of Public Finance & Accountancy's code of practice, the committee now had delegated responsibility for the implementation and regular monitoring of the WMCA's Treasury Management strategy. The committee received a presentation from the Head of Financial Planning on the Treasury Management strategy, which included key areas of focus for consideration by the committee.

Councillor Ram Lakha sought assurance the WMCA had financial resilience, ensuring that a Section 114 notice would not be issued that indicated the authority was financially unsustainable. The Director of Finance confirmed that she was comfortable with the current financial position of the WMCA but recognised that consideration needed to be given to the identified funding gap for the forthcoming year.

The Chair asked that the Director of Finance return with a proposal on how the committee could receive independent advice on the Treasury Management Strategy in order to fulfil their duties properly.

Resolved:

- (1) The Treasury Management Strategy provided for background information be noted.
- (2) The Director of Finance will propose to the ARAC chair before the next meeting how independent advice will be provided for ARAC on the Combined Authorities Treasury Management Strategy.

25. Internal Audit Update Quarter 2

The committee received a report from the Head of Audit updating it on the work completed by Internal Audit so far this financial year. Since the last meeting, one audit had been finalised and had been issued with a substantial opinion. It was noted that the committee would have sight of two other audit at its next meeting as these had not yet been finalised.

The committee sought assurance from the Head of Audit that there continued to be appropriate resourcing in place to manage the workflow on audits being undertaken. It was noted that both officers of the WMCA and the Internal Audit team met and discussed steps forward to ensure all audits were completed within agreed timescales, with the WMCA offering support in improving the process for recommendation for follow-up audits. The Head of Audit was confident that both resources and processes were in place to

ensure audits were completed within agreed timescales.

The Chair requested that future annual plans included timescales and commitment dates as to when audits would be completed and seen by the committee to provide assurance that sufficient resourcing was in place and that there was a means by which the committee could evidence that this was the case.

Resolved:

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

26. Date of the Next Meeting
Monday 26 October 2020 at 10.00am

The meeting ended at 12.00 pm.

WMCA Audit, Risk & Assurance Committee - Forward Plan

Title of Report	Date of Meeting	Lead Officer
Conflict of Interest Policy for Non-Elected Participants in Combined Authority Governance	18 January 2021	Tim Martin
WMCA's Programme and Project Management Framework internal audit – update on recommendations	18 January 2021	Fiona Bebbington
Internal Audit Report	18 January 2021	Peter Farrow
Assurance report update	18 January 2021	Hardial Phull
External Audit Plan 2020/21	18 January 2021	Grant Thornton
Annual Audit Letter	18 January 2021	Grant Thornton
Informing the Audit Risk Assessment	18 January 2021	Grant Thornton
Consideration of revised LGA Model Code of Conduct	18 January 2021	Tim Martin
Financial Update	18 January 2021	Linda Horne
Corporate Assurance Update	18 January 2021	Hardial Phull
Strategic Risk Register	18 January 2021	Victoria Harman

Organisation response to COVID-19	18 January 2021	Tim Martin
Update on Cyber Security and ICT Processes	18 January 2021	Jason Danbury
Internal Audit Report	19 April 2021	Peter Farrow
Assurance report update	19 April 2021	Hardial Phull
Annual Governance Statement	19 April 2021	Tim Martin
Data Security, Data Protection & Lone Working Update (Post COVID-19)	19 April 2021	Gurmit Sangha / Ben Gittings
Strategic Risk Register	28 June 2021	Tim Martin / Julia Goldsworthy
Internal Audit Report	28 June 2021	Peter Farrow
Internal Audit Plan 2021 – 2022	28 June 2021	Peter Farrow
WMCA Annual Accounts	28 June 2021	Linda Horne
WMCA Audit Findings	28 June 2021	Grant Thornton
Equal Pay Audit & General Equalities Update	28 June 2021	Anna Sirmoglou
Contingency – Approval of accounts	12 July 2021	Linda Horne

Equal Pay and General Equalities Update	12 July 2021	Anna Sirmoglou
An update on the implementation of the Single Assurance Framework and any lessons learnt	September 2021	Fiona Bebbington
Data Protection & Data Processing Annual Update	September 2021	Gurmit Sangha
Health & Safety Annual Update	September 2021	Pete Bond / Ben Gittings

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Audit, Risk & Assurance Committee

Date	26 October 2020
Report title	WMCA Strategic Risk Register
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Julia Goldsworthy, Director of Strategy Email: Julia.Goldsworthy@wmca.org.uk Tel: (0121) 214 7941
Report has been considered by	

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

(1) Consider and note the strategic risks contained within the WMCA Strategic risk register.

(2) Note the additional consideration of Covid19 risks shown in the updated Register.

1. Purpose

- 1.1 This report provides an update on the current status of the strategic risk register as presented as Appendix 1 to support Audit, Risk and Assurance committee (ARAC) in its function to monitor the operation of risk management at West Midlands Combined Authority.

2. Background

- 2.1 Senior Leadership Team (SLT) monitors WMCA's risk environment on a regular basis to ensure key risks are captured on the Strategic Risk register and effective mitigation measures are in place to actively reduce or eliminate the resulting effects.
- 2.2 Risk management has been a key driver in the identification and management of the challenges resulting from the current public health emergency and this has been managed at a local level with a Covid 19 risk register being established at an operational level. The risks housed in this register continue to be reviewed and updated regularly as the risk landscape evolves.
- 2.3 The pandemic has required a further review of risks already identified and contained within the strategic risk register earlier in the year and these have been reflected as additional entries to the register under the heading of 'Covid 19 effects to risk and response', and are recorded alongside the associated risk where relevant. A new risk has also been added to the register to reflect the WMCA's resilience and response to the pandemic overall. Whilst it was originally envisaged that, by this stage considerations would be moving closer to a post Covid-19 focus, it is clear at this time that, the risk landscape continues to evolve, particularly given the recent increase in Covid -19 infection rate. Unfortunately, at this stage of the Pandemic it is only possible to identify some risks from an interim point of view as further work is ongoing to understand some of the longer-term impacts on the organisation and the region. It is anticipated that increasing levels of clarity in the coming months will lead to significant updates in the January version of the WMCA's Strategic Risk Register.
- 2.4 The register continues to record a number of high-level risks with 11 set as high risks including Financial Assumptions of the Investment Programme (ref. S01) and External Factors (ref. S11) which are recorded with the highest scoring of 25.
- 2.5 Detailed analysis of the financial forecast is ongoing, and Members will be aware of media coverage of the financial pressures that are facing public authorities at this time. SLT are working closely with Central Government as part of the financial and economic support for the region including its response to policy developments that will be required to be stalled for the immediate future.

4. Financial Implications

N/A

5. Legal Implications

N/A

6. Equalities Implications

N/A

7. Inclusive Growth Implications

N/A

8. **Geographical Area of Report's Implications**
N/A
9. **Other Implications**
N/A
10. **Schedule of Background Papers**
Appendix 1 - Strategic Risk register

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WMCA Strategic Risk Register - October 2020

Risk ID	Risk Owner	Category	Status & Previously reported score	Risk Description	Controls and measures already in place	Current risk score			Further actions required to mitigate risk
						Likeli-hood	Impact	Current Score	
S01	Director of Finance	Financial	OPEN 5/5 	<p>Financial Assumptions for Investment Programme</p> <p>There is a 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.</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, the model will not meet financial expectations, a number of delivery schemes will not be achievable, or members of the Combined Authority will be liable for outstanding financial commitments.</p>	<p>Close working with Government to understand the ongoing financial position and its effects on the region.</p> <p>Assessing opportunities to turn grants to loans and / or maximise 3rd party contributions and land value capture.</p> <p>The 2020/21 budget and management of the Investment Programme funding has been approved by Leaders.</p>	5	5	25	<p>Continuation of working with Government and constituent authorities regarding the assumptions relating to business rates.</p> <p>Alternative funding and financing streams are being explored with HMT.</p> <p>Future (post 2020) precept options to be explored.</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. Proposals have been presented to investment Board and will be brought forward for consideration by WMCA Board mid 2020.</p> <p>External economic uncertainty leaves high residual risks despite further mitigating actions.</p>
S01				<p>Covid 19 effects and response to risk</p> <p>Due to affects of Covid 19, it is impossible to predict on the outcome of financial assumptions but the current situation means it is highly unlikely the previous economic expectations will be met. The UK economy is now in recession. Predictions over the length and depth of recession are speculative at present however this is already having effects on the regional economy.</p>	<p>SLT continue to work with Central Government on financial issues arising from this situation, ensuring the voice of WMCA is heard by Government as part of discussions around financial and economic support for the region. We have built on existing good relationships with central Government to successfully bid for new streams of money e.g. Get Britain Building Fund. We have made a detailed submission to the Public Spending Review.</p>				<p>The detailed 2020 spending review is now likely to take place in the Autumn. We continue to lobby Govt for funding and to explore other opportunities .</p>
S11	Senior Leadership Team	Economic	OPEN 5/5 	<p>External Factors</p> <p>There is 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 more difficult to achieve.</p> <p>The challenge of Covid19 has brought significant change to most areas of the WMCA operations over a concentrated timespan. Future predictions over the course of the pandemic and its effects are hard to make.</p> <p>There is a danger that the risks of Brexit are sidelined or overlooked and insufficient planning is undertaken. The outcome of trade negotiations which will dictate the shape of UK/EU trade are still unknown so uncertainty still remains. Risks to the regional economy remain significant over the immediate and medium term. Economic effects of the pandemic in the WM Region is predicted to be affected more severely compared to other regions.</p> <p>There is still a requirement to monitor the situation on a continued basis since a no-deal Brexit still remains a possibility.</p>	<p>Economic Impact Group has been established on a multi agency basis across the public and private sector to track and plan for the impact of Covid on the economy and bring forward proposals to mitigate the effects. It is also playing a role in considering Brexit impacts and responses in the region. Recharge West Midlands Proposals were submitted to government in July and have been incorporated into the Spending Review representation submitted in September. Economic Recovery activity is overseen and directed by both the SED Board and the Steering Group, with regular reporting to CA Board. WMCA supports wider regional EU exit planning activities. Established weekly monitoring process (in collaboration with WM-RED) the University of Birmingham), summarising economic conditions, in addition to monthly reporting to SED Board. Regular statistical releases are circulated to inform decision making and are kept under annual review through the publication of the yearly "State of the Region" report.</p> <p>Awareness is maintained of existing and new legal and environmental regulations to ensure compliance at all times.</p> <p>Innovative programme delivery mechanisms are under active exploration, 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>	5	5	25	<p>Working closely with MHCLG, HM Treasury and the Department for Business, Energy and Industry Strategy (BEIS) to ensure the CA has access to the latest intelligence and government priorities, and is closely engaged with emerging policy and fiscal announcements</p> <p>Brexit implications continue to be closely monitored and the organisation remains cognisant of its developments and the emerging risks.</p> <p>Discussions are continuing with Whitehall to understand new Government priorities and to ensure the Region's views are taken into account.</p>
				<p>Covid 19 effects and response to risk</p> <p>There is significant risk that other policy developments must be stalled due to the Covid response. Particular risks associated with EU exit negotiations will have serious implications if not addressed in a timely manner.</p>	<p>Regular meetings are being held with SLT members to monitor the situation and are fully engaged in regional and national discussions on the response to Covid 19.</p>				<p>Continued development and delivery of appropriate responses as the situation develops as advised by Government, including the development of a strategy to support the recovery of the economy within the region.</p>
S04	Senior Leadership Team	Political	OPEN 4/4 	<p>Stakeholder & Political Relations</p> <p>There is a risk that as WMCA continues to expand and absorb new remits and accountabilities that WMCA's stakeholder & political relations become more pressured. Positive stakeholder and political relations are needed to deliver the ambitions of the organisation.</p> <p>The potential devolution of new powers and budgets from government to the Combined Authority under the Government's "levelling up" proposals, and continued uncertainty on when and how this will be achieved 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>Mayoral elections have been cancelled until May 2021. Political relations and expectations will need to be managed in these circumstances.</p>	<p>Ongoing close working with LEPS, 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, supporting the joint submission made on the Devolution White Paper in August.</p> <p>Arrangements are being put in place to ensure all stakeholders are kept informed & involved with any Devolution discussions, through the establishment of a Devolution Strategy group.</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 engagement to discuss both inflight and emerging opportunities for the wider benefit of the region. This has been supported by detailed stakeholder mapping and engagement activities being undertaken including protocols being established with local authorities.</p>	4	4	16	<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> <p>Induction process for newly elected political members of WMCA in place.</p> <p>External political uncertainties are likely to contribute to residual risks despite mitigating actions.</p>

WMCA Strategic Risk Register - October 2020

Risk ID	Risk Owner	Category	Status & Previously reported score	Risk Description	Controls and measures already in place	Likeli-hood	Impact	Current Score	Further actions required to mitigate risk
S03	Senior Information Risk owner (MD, TFWM) / Head of Governance	Operations Core Functions	OPEN 4/4 ↔	<p>Data Protection & Information Security</p> <p>The risk that data protection requirements and/or appropriate protective security of WMCA assets; information/systems, premises and people, is not maintained, causing the damage, loss or misuse of corporate assets, including opportunities for fraudulent and criminal related activity, will result in reputational damage, legal challenges and an inability to maintain operations.</p> <p>Cyber Crime, predominantly attempted via social engineering (phishing, vishing and smishing), direct 'hacking' and/or denial of service of ICT systems and services, is an increasing threat and public sector bodies are regular targets. National Technical Authority (NTA) advice sets the risk at substantial. Failure to maintain an adequate response has the potential for severe reputational, operational and regulatory impact on the WMCA. Financial penalties for breach of Data Protection obligations are now significantly increased.</p>	<p>The WMCA has an Information Assurance Framework in place supported by a suite of Information Security/Management and Data Protection policies. The IA Frameworks, ratified at Senior Leadership level, sets out the organisation commitment and response to the mitigation of identified information threats and risks.</p> <p>In accordance with the IA framework, the WMCA is committed to counter cyber threats and appropriately protect its business and Data Protection relevant information assets. To enable this, the organisation has adopted and continues to monitor adherence to all standards, warnings, advice, guidance and best practice as indicated by the CPNI, NCSC and other external experts.</p> <p>The Information Assurance framework provides an internal information governance hierarchy for risk owners, whose function it is to consider and manage information risk at strategic and operational levels.</p> <p>Mandatory requirement in place for all staff to complete Information Security training, including GDPR, with regular staff awareness and monitoring in place.</p>	4	4	16	<p>Increasing organisational maturity surrounding the employment of baseline HMG standards of physical and Environmental, Policy and Procedural, and Personnel security, including staff training and awareness of Information Security and Data Protection.</p> <p>Comprehensive review of ICT strategy and service delivery in progress.</p> <p>Regular scenario and resilience based exercises in place to support response preparedness.</p> <p>Covid 19 response: Guidance has been issued to all staff to support continued conformity of data security in line with WMCA remote working protocols including completion of mandatory cyber security and GDPR training by all. Government guidance has been issued to respond to the continued security of personal data with all National Cyber Security Centre advisories being actively managed within the organisation</p>
S02	Head of Human Resources and Organisational Development /Senior Leadership Team	Operations Core Functions	OPEN 4/4 ↔	<p>Capacity and Capability</p> <p>There is a risk that the capacity and skills amongst managers and officers is not fully aligned to meet the continuing focus for delivery of new and challenging initiatives within WMCA, resulting in difficulties in its ability to achieve delivery of the organisational priorities including a comprehensive organisation wide transformation programme, within the constraints of the funding pressures set for the organisation.</p>	<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.</p> <p>Regular reviews of organisational priorities are undertaken by SLT, aligned to the medium term financial plan to provide assurance delivery of all commitments can be fulfilled.</p> <p>Governance structure and monitoring provides early warning of possible pressures and if required, alternative interventions to be sourced.</p> <p>Managers are supported in their ability to manage outputs, including a focus on the monitoring of productivity and performance.</p> <p>Regular communications in place with all staff to maintain engagement across all levels of the organisation.</p>	4	4	16	<p>Development and delivery of the organisation wide Transformation Programme Reset: Rebuild has been established to support the review of systems, processes, structure and culture and will prepare the organisation in its ability to deliver in a continuing changing environment.</p>
S02	Page 16			<p>Covid 19 effects and response to risk</p> <p>The organisation has moved to a predominantly home working environment. There is a risk that operational efficiency and staff morale and wellbeing could be affected in the long term. The recent update of HMG requirement to continue to work from home over the winter period, coupled with increasing localised lockdowns is likely to exacerbate this risk. Normal control measures could also be strained during this time due to unusual working conditions.</p>	<p>Detailed plans in place to support the continuation of home working for the foreseeable future with limited office space under Covid safe conditions being provided for critical roles only.</p> <p>Initial results of an All Staff survey on WMCA's management of its Covid response has demonstrated the majority of staff have welcomed working from home and productivity has increased. The results have been reviewed in detail to inform the approach to Agile working plans for future and policy development with regard to future working arrangements.</p> <p>A suite of wellbeing initiatives have been implemented to support the continued health of all staff.</p> <p>Measures have been put in place to ensure regular staff briefings are completed, including written updates, FAQ's and video links with the Chief Executive and the Mayor.</p> <p>Recruitment and onboarding on new staff is successfully managed remotely</p>	4	4	16	<p>Monitoring of overall levels of productivity and well being will continue, following HMG latest advice on home working. In addition to the initial survey regarding WMCA's Covid response, the Staff will be surveyed again in December 2020 to assess ongoing well being.</p> <p>A Lessons Learnt exercise has been completed to assess WMCA's response and inform plans for the preparedness of future emergencies. The Director of Implementation is to present a paper to H&SSC on 6th October with our detailed findings.</p> <p>Completion of planned Audit to review our HR response to Covid19, the audit is to be undertaken by colleagues from Wolverhampton.</p>
S15		Senior Leadership Team	Economic Political Financial	OPEN 4/4 ↔	<p>Overall Delivery of Devolution Objectives</p> <p>As a result of political and economic uncertainty, there is a risk that the overall objectives underpinning the establishment of WMCA to deliver Devolution are compromised. This is both a delivery risk but also a reputational and functional risk.</p> <p>Ability to deliver on programmes that are not secured in full may be affected by funding pressures, political uncertainty and changing priorities of central government.</p> <p><i>Please refer to comments on risk ref.S11 for information on Covid 19 response</i></p>	<p>We continue to maintain close relationships with central government at both political and civil service levels.</p> <p>We make strong arguments for funding on all appropriate occasions. We are involved in regional and national review and planning exercises e.g. Brexit contingency planning.</p> <p>Devolution objectives are monitored and managed by Officers, thematic Boards and also WMCA Board.</p> <p>WMCA has active Overview & Scrutiny and Audit committees, monitoring progress and delivery of Devolution.</p> <p>The Annual Plan is produced based on Devolution priorities.</p>	4	4	16
S19	Senior Leadership Team	Economic Financial & Operations Emerging	NEW 4/4 ↔	<p>Longer term economic impact of Covid-19 on bus service provision.</p> <p>Commercial bus operators are currently being supported through the Covid-19 Bus Services Support Grant from the DfT. This is time limited funding enabling operators to maintain their pre-Covid service levels despite the loss of revenue from reduced patronage. It is unlikely, on the majority of routes, that patronage will recover to pre-Covid levels and may therefore affect the commercial viability of some services. This would likely lead to pressure on TFWM to step in and financially support services which, if deemed appropriate, would lead to increased budgetary pressures. The alternative would be reduced service provision across the region.</p>	<p>Working with bus operators to better understand the likely implications of any reduction or withdrawal of government funding support and assessing this at different levels of patronage.</p> <p>We are proactively engaging with Central Government and the DfT around devolution of funding so that we can better work with operators through the West Mids Bus Alliance to manage any required changes on the network.</p>	4	4	16	<p>We will continue to work closely with bus operators, Government and UTG and ensure that any commercial changes are also considered alongside the tendered network to ensure we make efficient use of all available funding sources.</p> <p>The level of risk to regional bus services will need additional funding to the values between £5m and £35m in 2021 and could result in a review of regional access standards. Preparations are being made to assess a process required to amend access standards in the event of emergency.</p> <p>We will continue to engage with the Central Government and the DfT and lobby for effective funding for bus services during the recovery period to avoid significant impacts to commercial and tendered bus services in the region.</p>

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Risk ID	Risk Owner	Category	Status & Previously reported score	Risk Description	Controls and measures already in place	Likeli-hood	Impact	Current Score	Further actions required to mitigate risk
S14	Senior Leadership Team	Political & Programme Delivery	OPEN 3/5 ↔	<p>Delivering the 2041 Carbon Budget reduction</p> <p>There is a risk the WMCA members and partners will not meet the region's carbon budget reduction net-zero CO2 by 2041 (and attendant interim targets) due to a variety of structural and operational factors - including the pace of transition within key industries and sectors, and the scale of government investment and legislation.</p> <p>This is a collective regional commitment (relevant across the three LEP areas) underpinned by a number of pre-conditions and determinants that are outside of WMCA's direct control.</p> <p>There are profound implications for the region as part of a headline global risk of severe warming which evidence suggest will be costly in human and economic terms.</p>	<p>Annual monitoring of progress will be put in place by the WMCA Environment Team, who have also undertaken to report annually to the Carbon Disclosure Project. But the scale of the renewed commitment of WMCA (alongside that of its members and partners) requires a step change.</p> <p>A climate change strategy has been developed and priorities identified through a paper presented to the CA Board in June 2020 (WM2041: a programme for implementing an environmental recovery)</p> <p>Supporting progress with sustainability partners in aligning the five-year budget cycles required under the UK Climate Change Act.</p> <p>TFWM continues work to effect a modal shift to clean and efficient public transport and active travel addresses medium term carbon reduction goals as well as shorter term concerns over clean air and congestion. The new Movement for Growth strategy will have carbon as a key consideration in future transport measures.</p>	3	5	15	<p>The next steps for the delivery of the climate change work will be to develop a Five Year Action Plan (there will be 4 of these in total, up to 2041). This will set out clearly the policies and investments required to adhere to the carbon reduction timetable.</p> <p>We continue to press the Government for additional funding for the Carbon Reduction Plan in connection with any review of public spending.</p> <p>Additional resourcing of both the work and the team will be important for delivery as we go forward.</p>
S12	Senior Leadership Team	Programme Delivery & Devolution Commitments	OPEN 3/5 ↔	<p>Project / Programme Appraisal & Assurance</p> <p>The risk that new project and programme proposals are not effectively appraised or assured. This could lead to poor investment decisions and failure to realise anticipated benefits or value for money, hence it will have an adverse financial and reputational impact.</p>	<p>An enhanced organisational Single Assurance Framework has been developed and approved by WMCA Board in July '20. A phased implementation plan has been endorsed by SLT in September 2020, that outlines the transitions of projects to the new assurance framework. This will start with the Investment Programme in 2 phases by geography. The initial engagement meetings with Coventry have been undertaken and this will be followed by Solihull- These 2 geographical areas account for 80% of the Investment Programme.</p> <p>The next stage will be transitioning directorate programmes and projects and the Strategic Hub are working with directorates to identify their project pipeline and any projects that will require approvals imminently.</p> <p>The Strategic Hub have developed a tool set for Risk & Investment Appraisal and Assurance and these are supported with guidance notes and training as they are rolled as part of the implementation.</p> <p>Internal Audit providing up to date assessment of current performance</p> <p>The Investment Director is establishing a commercial approach to funding opportunities.</p>	3	5	15	<p>- On 24 July the WMCA Board adopted an enhanced Assurance Framework that is designed to deliver several key improvements in how the WMCA operates. The enhanced Assurance Framework meets the requirements of the National Local Growth Assurance Framework which applies to all Mayoral Combined Authorities (MCAs) through the National Local Growth Assurance Framework. This is a Single Assurance Framework, it applies to all bids, projects and programmes that place a financial liability onto the WMCA that are not classed as business as usual (BAU) revenue expenditure. It covers all capital proposals. A Single Assurance Framework provides consistency of proportionality, approach, standards, appraisal, assurance and decision-making across all funding pots which will provide clarity to Directorates, Partners, Sponsors and Government.</p> <p>The purpose of the Single Assurance Framework is to deliver the following: Deliver consistency and accountability within decision-making Ensure ability to develop projects at speed whilst maintaining required development standards Provide WMCA with Financial and Governance Protections for stewardship of public funds Improve standards of project initiation, development, delivery and oversight Ensure that there is alignment between organisational objectives and outputs - "the Golden Thread"</p> <p>We are currently implementing the Single Assurance Framework through the phased implementation plan, with regular reporting and updates being provided to ARAC and SLT as required.</p> <p>A Strategic Hub has been created with operations currently being established to provide a single framework for programme oversight and assurance.</p>
S18	Senior Leadership Team	Economic Financial Capacity Delivery	OPEN 3/5 ↔	<p>Covid-19 Response</p> <p>There is a risk WMCA cannot respond in an effective or timely manner to respond to the national and regional effects of the Covid 19 pandemic. This will result in significant challenges to the deliverability of the devolution programme within expected timescales, including a detrimental impact to the national economy, programme delivery, an inability to maintain robust governance arrangements and the capacity and wellbeing of it's staff.</p>	<p>Strategic team established by SLT to consider and manage the organisational response to the outbreak of Covid 19.</p> <p>Assessment of critical business activities, ensuring the prioritisation and continuation of the organisation's critical path.</p> <p>Revision of rules or suspension of statutory and constitutional obligations following government advice and instruction, including the suspension of the 2020 mayoral election and public meetings.</p> <p>Engagement with local and regional resilience forums and Civil Contingency groups to provide a consistent and consolidated response to the external effects of the pandemic response.</p> <p>Working with economic and other local strategic groups to mitigate the economic effects, disseminating their views to Government for onward consideration. In addition to support the continuing response phase, we are also supporting community and economic recovery planning. WMCA Officers are playing a full part in regional arrangements on all relevant topic areas where we have influence.</p> <p>Majority of staff continue to work remotely with adaptations having been made to Summer Lane offices to ensure it meets HMG's Covid 19 security guidelines for the use of critical roles only.</p>	3	5	15	<p>Situation updates appraised daily with active engagement to ensure the safety and wellbeing of staff is a priority, ensuring work demands and practices do not create additional risk, following Government and Public Health England guidelines.</p> <p>Longer term strategy for staff arrangements including the use of 16 Summer Lane is being developed for consideration in the autumn.</p>
S07d	Investment & Commercial Activities Director	Programme Delivery & Devolution Commitments	Open 3/4 ↔	<p>Delivery - West Midlands 5G</p> <p>5G is a complex, multi-stakeholder project which is part of the national TestBeds and Trials programme within DCMS. There is managed risk inbuilt within the programme as to the market response, the technical requirements of a hitherto largely untested (at scale) technology, and the extent to which we as a region can build the mix of supply and demand that will be needed to realise maximum economic and social value for the region.</p>	<p>WMCA and DCMS are developing robust assurance frameworks for the programme. Finances throughout the project will be drawn down subject to robust business case criteria within both DCMS (via an over-arching grant agreement) and within WMCA (via investment programme mechanisms). The governance structure further reinforces this - via an arms length, wholly owned subsidiary company of WMCA, overseen by an independent chair held ultimately to account by a joint-venture board - each with senior representation from WMCA, DCMS and other stakeholders.</p> <p>WM5G has not purchased any Huawei equipment or services to-date and will ensure that we continue to comply with Government Policy regarding the purchase of 5G Equipment. O2 is the lead contractor for the 5G Accelerators and uses Ericsson as its network supplier - so there will be no direct or indirect impact there. We have used pre-installed Huawei equipment in the (national) cores of some network operators' networks for early stage trials last year and this may be the case again on a limited basis if there are no alternatives. Again this will be fully in-line with government guidance regarding the swap-out by 2027 and no citizen data will be put at risk.</p> <p>WM5G has received confirmation from its suppliers that none of its trials or activities will be impacted by the Huawei issues.</p>	3	4	12	<p>We will continue to ensure that finance, governance and assurance processes reflect the commitments as to ensuring maximum regional benefit made to WMCA Board. Nonetheless, the region is participating in a 'testbed and trial' project which due to its innovative nature carries an inherent element of risk (and commensurate reward)</p> <p>We will continue to monitor the programme according to market realities and the profile of funding available - and adapt accordingly within the governance framework created for this purpose</p> <p>There are two key components to the Governments recent policy: Existing Huawei 5G equipment must be replaced in networks by 2027 and no new Huawei 5G equipment must be bought in the UK after 31st December 2020.</p> <p>- Clearly there may be an indirect impact of the ban on Huawei on the speed of the rollout of 5G across the West Midlands. To-date we haven't seen any evidence of this and we believe the government has offered a reasonable time period - 7 years - to reduce any impact. Nevertheless it is a complicated swap-out and we believe operators are understandably still working through their migration plans.</p>
S07f	Director of Housing and Regeneration	Programme Delivery & Devolution Commitments	Open 3/4 ↔	<p>Delivery - Housing</p> <p>The Combined Authority's Housing & Regeneration priorities and objectives are contingent on the deployment of funding secured through Devolution and subsequent agreements with HMG including both acquisitions by WMCA directly and joint ventures and investments. The impact of the Covid-19 pandemic on the property market may have consequences for programme delivery, progress towards HMG targets, and the financial risk profile of the CA's investments and acquisitions.</p> <p>The updating, where necessary, of local plans for constituent and non-constituent members is a core element of Government support for the Housing Deal agreed in 2018 and the Housing and Land Board are regularly updated on progress. With the impact of Covid-19 on local authority priorities and resourcing, there is a risk that progress with local plans could be hampered, which is a risk the Combined Authority does not control, with a consequence for securing continuing funding, support and confidence from Whitehall to achieve the Combined Authority's outcomes. In addition, there are potential consequences for developer investment, alongside maintaining relationships with local authorities, delivery of objectives and reputational and political damage.</p>	<p>WMCA is in ongoing dialogue with officials in MHCLG, Treasury and No 10 to maintain relationships and confirm progress towards the Housing Deal goals. This includes updates on Local Plan progress and delivery of housing and wider inclusive growth ambitions in the region. The Single Commissioning Framework approved by the WMCA to guide deployment of devolved housing and land funds and its associated gateway process is used by WMCA to ensure value for money, risk management, effective due diligence and ensuring WMCA is intervening where there is demonstrable market failure to secure additionality and wider inclusive growth objectives. Additional checks and balances have been included in the governance process during the pandemic period to ensure the appropriate risk analysis and assurances are in place. Securing additional funding via the Brownfield Housing Fund (£84m over 3years announced in July 2020) will provide further security of delivery.</p> <p>The Housing and Land Board consists of elected Members from all local authorities in the WMCA geography, alongside representation from LEPs, Homes England and the housing industry. Housing & Regeneration team members at all levels are in regular contact with colleagues at local authorities and all reports are considered by an officers steering group. This collective approach is in place to ensure all parties are fully engaged in the strategic approach of the WMCA.</p> <p>The WMCA, its local authority partners and business sector representatives are currently co-developing the Housing and Land Board Portfolio's Economic Recovery Strategy and Interventions Plan, as commissioned by the Housing and Land Delivery Board. These documents assess and analyse the challenges and opportunities brought about by Covid-19 and a series of interventions, including asks of HMG to mitigate risk and maximise public value.</p>	3	4	12	<p>Co-development of Housing and Land Board Portfolio's Economic Recovery Strategy & Interventions, including asks of HMG, with local authority partners, private sector leaders and industry groups.</p> <p>Regular dialogue with civil servants to establish WM progress, provide assurance of delivery and secure further opportunities for funding programmes</p> <p>Development of stakeholder engagement tools and engagement plan for Whitehall</p> <p>Close working relationships with Members and Officers at local authorities</p> <p>Meetings of officer Steering Group to include workshops and task and finish sessions.</p> <p>Communications plan for Housing & Regeneration to ensure consistent messaging and that LAs and other partners are included and engaged in relevant work.</p> <p>Housing & Regeneration business plan to set out consistent approach to targets, measures and reporting</p>

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S05	Head of Governance	Operations Core Functions	OPEN 3/4 ↔	<p>Governance Arrangements</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 do not support the delivery of the organisation's objectives. With new devolved budgets, different government departments have specified different assurance requirements which are adding to pressures to develop bespoke governance arrangements.</p>	<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 Internal Audit.</p> <p>WMCA assurance framework in place and currently under review. Governance requirements for Adult Education Budget, Housing and 5G have, or are being established to ensure the adoption of streamlined approaches where required.</p> <p>Governance activities are managed centrally to ensure robust arrangements are in place and conform to all legal requirements.</p> <p>Statutory Officers Group has been established to moderate and review compliance of governance arrangements. Membership includes the CEO, Section 151 officer, and the Monitoring Officer.</p>	3	4	12	<p>Ongoing programme of risk based 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 continue to liaise with new functions to establish appropriate assurance and governance arrangements.</p> <p>A governance review including a full review of the Constitution is currently underway.</p>
S05				<p>Covid 19 effects and response to risk</p> <p>Government guidance on social distancing has resulted in formal meetings having been suspended.</p> <p>New Regulations have been introduced allowing Boards and Committees to meet remotely and for formal decision-making to be done through electronic meetings. We have introduced arrangements with appropriate safeguards and these have been successful. Such meetings are still held in a transparent way and are live streamed for public engagement.</p>	<p>We continue to review the operation of remote meetings to ensure they are working appropriately.</p>				
S09	Senior Leadership Team	Operations Core Functions	OPEN 3/4 ↔	<p>Capacity of Leadership Team</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.</p> <p><i>Please refer to risk ref. S02 for information on Covid 19 effects and response.</i></p>	<p>Leadership team is fully 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 the WMCA agenda.</p> <p>Continued oversight of all functions is maintained by the CEO with weekly individual and Leadership Team review meetings to enable early intervention.</p> <p>A Corporate Management Team of Heads of Service has been established to provide additional leadership capacity and support to the Strategic Leadership Team by providing regular oversight of organisational policy, development and performance.</p> <p>An integrated Performance Management Framework has been established to provide SLT with early trigger warnings affecting delivery.</p> <p>A programme of Business Transformation is underway to improve the efficiency and effectiveness of the CA</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>
S13	Director of Housing and Regeneration / Managing Director TFWM	Operations Core Functions	OPEN 3/4 ↔	<p>WMCA Resilience</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 or regulatory breach.</p>	<p>A business continuity framework and programme exists and continues to be advanced to ensure that WMCA can respond to any business disruption in a timely manner.</p> <p>An incident management team and out of hours On Call arrangements are in place with alternative workspace identified at alternative WMCA locations.</p> <p>Independent review by Internal Audit provided 'substantial' rating for corporate business continuity arrangements.</p>	3	4	12	<p>Raising business continuity awareness and embedding the programme within the business.</p> <p>ICT to review disaster recovery plan to ensure consistency between ICT and operational requirements are met and to update following Covid-19 and in light of the new remote working policies and procedures.</p> <p>WMCA Assets Team are working on an updated Business Continuity Plan and ICT have asked to be part of the group for this to look at the IT DR plan in conjunction with business requirements</p> <p>Phase 2 of the Business Continuity Plan is the review and development of the 16 Summer Lane resilience plan (Oct.-Dec 2020).</p> <p>Phase 3 of the plan is the development of a wider corporate and organisational resilience plan (Jan-Mar 2021)</p>
S08	Senior Leadership Team	Programme Delivery & Devolution Commitments	OPEN 3/4 ↔	<p>Reputation</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 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 the additional indirect reputational risks that are posed by association with these projects/proposals.</p> <p>There is reputational risk involved in that there is a wider perception that the WMCA is accountable for more than it is, i.e. Delivery of the Commonwealth Games.</p>	<p>The Communications department is engaged in all business activity, providing regular liaison with the Mayor's office to ensure a proactive and consistent messaging is delivered by all, at all times.</p> <p>Communications Director and all WMCA spokespersons provided with media training.</p> <p>Regional Communications Group established ensuring access to media facilities for all WMCA members and stakeholders.</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 with ongoing management and forward planning of all Communication activities.</p>	3	4	12	<p>Ensure that major Regional initiatives e.g. Commonwealth Games have clear and transparent governance arrangements in place.</p> <p>External political and economic uncertainties will contribute to residual risk.</p>

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S07e	Managing Director, TFWM	Programme Delivery & Devolution Commitments	OPEN 3/4 ↔	<p>Delivery</p> <p>Commonwealth Games Regional and Spectator Transport Operations (TFWM)</p> <p>There is a risk that the cost of resources to strengthen the local and regional transport network, under the extraordinary one-off demands of the Commonwealth Games cannot be met entirely by the agreed Organising Committee (OC) operations budget. Additionally the current impacts on the BAU PT Network and it's recovery period as a result of COVID-19 (medium/long term) may not be sufficient to support proposed PT strengthening plans.</p>	<p>TFWM chairs the multi-agency Joint Transport Group (JTG) which includes relevant central Government departments (DCMS, DFT), Local Authorities and the OC. WMCA CEO and TFWM MD are members of the Chief Executive Officers Group (CEOG) for the Games. Budget for Transport Operations was agreed with HMG as part of its Major Project Review Group and TFWM continues to work in partnership with B2022 to develop and deliver a successful transport operation across the region for Spectators for Games time. An Integrated Transport Programme, cost plan and financial management processes have been developed that supports the formal funding agreement and progresses the delivery of operations that fall under TFWM's remit for Games. COVID-19 impacts have been assessed and QRAs are being validated to ensure relevant contingency can be drawn down if required.</p>	3	4	12	We are continuing to work in partnership with Government, the Organising Committee, Birmingham City Council, other authorities and operators to ensure a successful Games for the region. The impact of COVID-19 on this programme of work has been identified and is reflected in the increased risk scoring. We are assessing and mitigating these impacts/risks through the programme and cross-partner as part of the Games Governance. The recovery of the PT Network and it's resilience for games time operations is being considered alongside development of Games time service levels to enable mitigations planning as we progress towards the Games.
S06	Director of Finance	Financial	OPEN 2/4 ↔	<p>Commerciality</p> <p>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:</p> <p>a) commercial models not being able to deliver expected benefits and commercial revenue targets and/or</p> <p>b) the structure exposes the Combined Authority to greater financial risk if the delivery model is unsuccessful.</p>	<p>Formal governance structures in place between WMCA and commercial bodies.</p> <p>CA directors appointed to companies providing regular interface between parties.</p> <p>Compliance of all financial accounting arrangements.</p> <p>Assurance & Governance checklist in place to review and confirm satisfactory arrangements are in place for all 'Arms Length companies'</p> <p>The Investment Director provides a commercial perspective on funding opportunities that are presented to WMCA.</p>	2	4	8	Adopting commercial models will allow the WMCA to become less dependent on government as it can diversify funding income.
S06				<p>Covid 19 effects and risk response</p> <p>There is a risk the current economic situation will have a greater impact on the commercial arrangements currently in place or being established.</p>	The statutory officers of WMCA are involved in the review of all commercial decisions and contracts/legal agreements to ensure that Covid risks/viability and costs have been assessed and where possible, controlled at the present time.				
S10	Managing Director, TFWM	Operations Core Functions	OPEN 2/4 ↔	<p>Health & Safety</p> <p>There is a risk that Health & Safety procedures to ensure safe working conditions 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 unreliable infrastructure particularly on the transport network.</p> <p>The WMCA is now accountable for the delivery of Metro Operations & a number of project construction sites with the growing number of infrastructure projects in delivery.</p>	<p>Health & safety duties are delivered to ISO18001 standard with ongoing compliance externally assessed 6 monthly.</p> <p>Quarterly inspections of all assets undertaken to ensure H&S compliance is maintained including review of accident reports.</p> <p>Monthly H&S position statement provided to satisfy Boards of the Organisation's Corporate responsibilities.</p> <p>Health & safety obligations are considered in the development of all projects and programmes.</p> <p>Strategic and operational Safety, Health, and Environment (SHE) committees established providing operational and Director engagement.</p>	2	4	8	<p>Ongoing engagement with all WMCA departments to ensure adherence of H&S policies by all.</p> <p>Immediate engagement with emergency services and /or HSE to provide pro-active management of H&S incidents. Further plans will need to be developed to ensure all H&S requirements are developed for the continuing growth of the WMCA portfolio.</p> <p>Covid 19 response: Covid-19 Risk Assessments have been produced for all operational environments, with particular attention paid to Transport Operations as the network re-mobilises. Operational Guidelines have been produced for Transport Operations setting out new operational norms. A DSE Self-Assessment tool is available to assist staff with Remote Working including the supply of ergonomic equipment if required. Latest HM Government guidance has been reviewed and feedback provided on its application within the organisation. Guidance has been produced setting out the management framework and procedure for "Covid-19 Secure" safe workplaces. H&S impacts to de-mobilisation and re-mobilisation of projects due to Covid-19 continue to be considered, working closely with stakeholders to ensure ongoing compliance with Covid-19 requirements. Ongoing work with Strategic Assets in relation to the recovery of 16 Summer Lane including production of Covid-19 Secure Risk Assessment.</p>
S20	Investment & Commercial Activities Director Senior Leadership Team	Programme Delivery & Devolution Commitments Political	NEW 2/4 ↔	<p>Investment Programme Delivery -Reputational Impact</p> <p>There is a risk where Projects /Programmes are wholly or partially funded by WMCA Investment Programme but delivered by Delivery Partners/ Delivery Bodies that the Delivery Partners/ Delivery Bodies may fail to deliver the agreed scope of the Project/Programme, due to circumstances beyond their control. Potentially leading to risk the of both Reputational damage to the WMCA and damage to Political relations.</p>	<p>Monitoring Arrangements in place with Delivery Partners to ensure timely monitoring and reporting.</p> <p>WMCA assurance framework in place and currently under review.</p> <p>Progress of financial contributions monitored to enable coverage of all WMCA successes or early intervention of possible challenges.</p>	2	4	8	Improved standards of project initiation, development, delivery and monitoring/oversight through the Single Assurance Framework (SAF) which is being rolled out through a phased implementation plan.
S07c	Director of Productivity and Skills	Programme Delivery & Devolution Commitments	OPEN 2/3 ↔	<p>Delivery - Adult Education Budget</p> <p>Devolution of AEB represents a significant opportunity to demonstrate the impact of local control of skills funding on communities, through the ability to align £130m p.a. of skills funding to better meet the needs of residents and businesses in line with the priorities as set out within the Regional Skills Plan. There is a risk that this opportunity will not be taken if not managed appropriately.</p>	<p>Priorities for AEB agreed as set out within the Regional Skills Plan with further local tailoring agreed with local authorities. There has now been a year of delivery, although disrupted by Covid, this has shown that the CA is able to manage the procurement, contracting and performance management approaches required to deliver. Where gaps in provision against priorities have been identified revised agreements with grant funded and contracted providers are taking place to identify how they can be addressed – through flexibilities and a tighter focus on certain priorities.</p> <p>Approximately £100m will continue to be Grant funded to local authorities and local colleges and delivery agreements are in place to demonstrate how funding will be used to meet regional and local priorities. The remainder of provision has been secured through competitive tenders and awarded to a range of private and voluntary organisations.</p> <p>The Productivity and Skills team have reviewed service levels and requirements with corporate service teams to ensure that the appropriate resource is scheduled to support the business needs.</p>	2	3	6	We will continue to ensure that Finance, Governance and Assurance processes support the commitment to ensure that AEB delivers regional priorities. Review of capacity to be undertaken on a termly basis to ensure that sufficient resources are in place to successfully manage AEB.

WMCA Strategic Risk Register - October 2020

Risk ID	Risk Owner	Category	Status & Previously reported score	Risk Description	Controls and measures already in place	Likeli-hood	Impact	Current Score	Further actions required to mitigate risk
507c				<p>Covid 19 effects and response</p> <p>There is a risk Adult education delivery targets will not be achievable due to the necessary closure of training providers limiting the ability of the fund to support recovery</p>	<p>Provision has been reconfigured in a number of cases to provide a response to the current situation enabling providers to deliver a different set of provision.</p> <p>A payment profile minimum was put in place for all contracted providers for April to July to ensure capacity. Grant providers were paid full allocations if they continued to deliver services to all learners in the best way they can.</p> <p>Close monitoring of performance will take place as we start the new contract year (August) as we see how the new arrangements, social distancing and peoples views will affect participation.</p>				Continued engagement with training providers to support their response and to recovery.



Audit, Risk & Assurance Committee

Date	26 October 2020
Report title	Internal Audit Update – October 2020
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Tim Martin, Chief Audit Executive Email: Tim.Martin@wmca.org.uk Tel: (0121) 214 7435
Report has been considered by	Strategic Leadership Team

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

- (1) 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

- 9.1 None



West Midlands Combined Authority

Internal Audit Update Report – October 2020
2020-2021

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 2020 - 2021 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.

2 Summary of progress:

The following internal audit reviews are currently underway.

Auditable area	AAN Rating	Quarter (month)	ARAC Meeting (indicative)
2019-2020 Internal Audit Reviews in progress			
Single Commissioning Framework	High	Final issued – Substantial	October 2020
Third Generation Trams Procurement Project Management	High	Final issued – Satisfactory (appended)	October 2020
2020-2021 Internal Audit Reviews completed			
Sprint Programme Management Arrangements	High	Final report issued - Substantial	October 2020
2020-2021 Internal Audit Reviews in progress			
Procurement (COVID-19 response)	High	Fieldwork commenced	January 2021
Employee Management (COVID-19 response)	High	Planning commenced	January 2021
Key Financial Systems Audits	High	Fieldwork commenced	January 2021
Commonwealth Games Strategic Transport Plan*	High	Planning commenced	January 2021
Environmental Management System	High	Planning commenced	January 2021

**The Commonwealth Games Organising Committee is due to commence its own planned internal audit of the Integrated Transport Plan in liaison with Transport for West Midlands in November 2020. As there may be commonality within the audit scopes of both the Organising Committee and the WMCA, it has been agreed that the Organising Committee's Internal Auditors and the WMCA's Internal Auditors will look to undertake a joint working approach. However, reporting will be undertaken independently to each organisation's respective audit committee.*

Summary of individual audits

The following reviews were categorised as either Satisfactory or Substantial Assurance. A summary of our observations has been included, or the full report appended where appropriate.

Single Commissioning Framework

The WMCA Board approved the Framework in March 2019 to provide a single set of criteria and governance systems for the determination of funding applications made by various public and private sector organisations within the West Midlands Region for available devolved WMCA Housing, Land and Property Development funds.

The Framework is managed by the WMCA's Housing and Regeneration Directorate. This review focused on the fund administration processes (processing grant applications and identifying loan opportunities) undertaken by WMDC Ltd as commissioned fund manager for specific funds that fall within the Framework. We are pleased to report that no major issues were identified regarding the administration processes or the associated governance, assurance and approval arrangements operated by the WMCA.

Sprint Programme Management Arrangements

Sprint is a Bus Rapid Transit (BRT) service that is expected to deliver predictable journey times and high frequency, dependable timetables. The WMCA Sprint Programme (the Programme) consists of two phases: Phase One - Pre-Commonwealth Games Delivery and Phase Two - Post Commonwealth Games Delivery. Our review focused on current and proposed Programme management arrangements and alignment of the current Phase One projects (A34 and A45) with programme level arrangements.

We are pleased to report that we found no major issues but identified several areas of good practice on review of the core programme management and governance arrangements currently operated as well as proposed developments, prior to progression to full delivery.

3 Forward plan for 2020-2021 scheduled audits

Auditable area	AAN Rating	Quarter	ARAC Meeting (indicative)
Friar Park Project Management Arrangements*	High	3	January 2021
Digital Retraining Fund	High	3	April 2021
Local Industrial and Economic Strategy	High	3	April 2021
Bid Management	High	4	April 2021
Investment Programme Monitoring and Evaluation Arrangements	High	4	April 2021
Risk Management	High	4	June 2021
Adult Education Budget	High	tbc	tbc

* The Director of Housing and Regeneration has advised that this project has now ended and another current project will be proposed for audit. At the time of reporting, Internal Audit were liaising with the Director to determine an alternative project and schedule commencement of the audit.

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. The following follow up reviews are scheduled:

• Devolution Deal Objectives and Financial Assumptions, including Business Planning
• WMCA Governance Arrangements
• Midland Metro Limited Operational Transfer
• Budget Management Role and Responsibilities
• Employee Performance Management
• Employee Support Pilot (Productivity and Skills)
• Homelessness Taskforce
• Construction Retraining Fund

- West Midlands Rail Limited - WMCA Governance and Management Arrangements
- WMCA Accessible Transport Services (Accessible Transport Group Contract Services Ltd and Ring and Ride Ltd)



West Midlands Combined Authority

Final Internal Audit Report: WMCA Third Generation Tram Procurement Project

Report Date: 16 October 2020

Report Distribution: Laura Shoaf – Manager Director TfWM
Michael Anderson – WMM Projects Director
Nafees Arif – Metro Finance and Commercial Director
Judith Watt – Metro Project Manager
Rachael Morgan - Procurement Manager

Delivered by City of Wolverhampton Council – Audit Services

1. Executive summary

Introduction

An audit of the project management arrangements for the West Midlands Combined Authority's (WMCA) Third Generation (3G) Tram Procurement Project (Project) has been undertaken.

The Project is the next stage in the continued expansion of the Metro Network. Currently the tram system runs from Wolverhampton St George's to Grand Central, Birmingham. New proposed routes will provide connectivity from Birmingham City Centre to the surrounding areas, in order to provide them with a reliable form of public transport.

The scope of the Project is the delivery of 21 new Trams with a total project budget of £62.5m ahead of the planned Edgbaston and Wednesbury Brierley Hill extensions to the Metro Network and to provide a continued service across the whole network. The duration of the Project from the signing of the contracts in October 2019 to final acceptance of all the Trams is scheduled for September 2024.

At the time of the audit review, supplier selection and appointment had been completed and the project was in the design review phase. The project subsequently moved into the manufacturing stage.

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 governance, project management, risk management and control systems have been established and are operating effectively for the Third Generation Tram Procurement Project.

Scope	Potential risks
<p>The scope of the review included the following areas:</p> <ul style="list-style-type: none"> • Project Governance (including integration with Transport for West Midlands (TfWM) and wider WMCA governance arrangements). • Project management controls. • Compliance with Financial and Contract Procedure Rules. • Benefits Management. • Risk Management. • Stakeholder Management. • Financial monitoring and reporting. 	<ul style="list-style-type: none"> • Failure to comply with the WMCA's Financial and Contract Procedures Rules. • Project fails to realise outcomes / benefits of strategic relevance according to agreed measures of success. • Project fails to be completed to the required standards, on time, within budget and in accordance with stakeholders' expectations. • Inadequately defined or ineffective project management and governance arrangements may result in poor management of deliverables, inefficient working and poor communications.

Limitations to the scope of our audit

The audit was limited to review of 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.	A framework of controls is in place, but controls need to be strengthened further.	There is a robust framework of controls which are applied continuously.

Key issues identified

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

- The Project may not have been fully subjected to appropriate WMCA project assurance arrangements albeit the Project did submit the required assurance documentation to the WMCA Programme Management Office that was in existence at that time.
- Change control processes had not been clearly defined and documented which could be practically applied for this Project as included reference to Midland Metro Alliance processes which were not applicable.

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

A copy of this report will be presented to the Audit, 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:

Planning and preparation

- Clear objectives and measurables had been set out in the Project Execution Plan (PEP) and the Tram Supply Contract.
- Deliverables, costs and timescales had been set out in the Tram Supply Contract.
- A detailed Baseline Programme Plan was set out in the Tram Supply Contract and monitored / updated during the project.
- Programme definitions had been set out in the Tram Supply Contract.
- Risk, quality, communication and reporting plans had been set out in the PEP.

Project governance

- Project Governance arrangements had been outlined in the PEP and established for the project which included a Project Team, WMCA Project Review Group, Supplier Review Group and Stakeholder Group.

- Project governance had taken place through regular monthly reporting to the WMCA Project Review Group and the Metro Programme Board.
- Stakeholder, Project Review Group and Metro Programme Board meetings were held on a bi-monthly / monthly basis with agendas set, attendance recorded, and decision items captured within meeting minutes.
- Project roles and responsibilities were clearly set out and defined in the PEP.
- Roles of third parties were clearly set out and defined in the PEP.

Project management and control systems arrangements

Suitable project management arrangements had been established including:

- A dedicated Metro Project Manager had been assigned to the project.
- A comprehensive Tram Supply Contract covering WMCA requirements had been signed by the contractor for the delivery of the trams.
- A Corporate Project Brief and Implementation Agreement had been produced for the project.
- A PEP had been established in October 2019 and included key controls and good practice requirements including, governance, risk, project programme planning, design, stakeholder and handover management.
- A regular and detailed dashboard was prepared by project participants providing an overview of the project and capturing key areas and performance which was reviewed at the project review group before being presented at the Metro Programme Board.

Compliance with financial and Contract Procedure Rules

- An approved procurement strategy was in place for the procurement of the trams.
- The Tram procurement exercise was undertaken by WMCA Procurement followed by appropriate contract award approval.

Risk management arrangements

- Suitable risk management arrangements at project level were found to be in place and set out in the PEP.
- A suitable best practice risk management system (ARM) was utilised for the Project detailing risks, actions, owners and key actions and resolution dates as well as alert and reporting mechanisms to facilitate effective monitoring of risk and mitigating actions.
- The Project risk register was maintained by the Metro Project Manager and was subject to regular review.
- Top risks were routinely presented in the dashboard report on a regular basis and presented to the Project Review meeting and Metro Programme Board.

Stakeholder engagement and communications

- End user communications had taken place with award of the contract details being released by the WMCA Media Office.
- Stakeholder engagement had taken place through bi-monthly meetings with the Operator and the Project Sponsors.

Key Deliverables

- Service and performance arrangements were included in the PEP and the Tram Supply Contract.
- Project skills requirements had been addressed including the engagement of Rolling Stock Engineer consultants to provide their expertise on the project.
- Data and management information arrangements were set out in the PEP. This included the use of project control software to manage design documentation.

Implementation, Controls and Quality

- Detailed Implementation Plans and sign off processes were included in the PEP.
- Logging methods for issues, actions, decisions and assumptions were in place.
- Regular financial monitoring was undertaken by the Metro Project Manager and dedicated Project Accountant with reporting undertaken in the monthly dashboard presented to project review meetings before being presented to Metro Programme Board.

Programme Closure

- Product handover and user acceptance arrangements had been included in the Tram Supply Contract and a Handover Protocol Agreement included in the PEP.
- Post Project Review arrangements had been set out in the PEP.

Acknowledgement

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

2. Issues arising

Priority rating for issues identified:

Red

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

Amber

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

Green

Action is advised to enhance risk control or operational efficiency

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

Amber

No	Issue arising	Recommendations	Agreed action including responsibility and target date
2.1 Page 33	<p>Project assurance arrangements We note that the Project followed the TfWM Gateway Lifecycle Assurance process but that as the WMCA Programme Management Office is no longer in existence due to a restructure, such assurance processes cannot be fully and practically applied to the Project going forward. However, the Project had previously complied with the assurance process by submitting the required documentation for appraisal / assurance review.</p> <p>At the time of reporting the Strategic Hub was due to commence implementation of the new Single Assurance Framework firstly for Investment Programme projects and then non-Investment Programme projects in due course. However, in the interim, programme and projects will still</p>	<p>Action should be taken to ensure appropriate and proportionate interim assurance arrangements are applied to the project.</p>	<p>Agreed</p> <p>Responsibility: Judith Watt – Metro Project Manager</p> <p>Target date: 30 November 2020</p>

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

No	Issue arising	Recommendations	Agreed action including responsibility and target date
Page 34	<p>require a level of assurance both as part of organisational assurance arrangements as well as part of best practice project management. Liaison with the Strategic Hub in addressing this issue may help facilitate development of appropriate and proportionate arrangements.</p> <p>Implication: Individual major capital projects may not be fully subjected to assurance arrangements leading to a lack of assurance regarding deliverability.</p>		
	2.2	<p>Change control processes A review of change control processes with the Metro Project Manager established that the project would be subject to the WMCA PMO's Change Management Process. However, this process is no longer in operation following the WMCA restructure.</p> <p>We also note that the change processes included in the PEP incorrectly referred to Midland Metro Alliance (MMA) processes.</p> <p>Implication:</p>	<p>(i) Change control processes should be clearly defined and approved by the Project and Metro Programme Board.</p> <p>(ii) The PEP should be updated with the defined project change control processes.</p>

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

No	Issue arising	Recommendations	Agreed action including responsibility and target date
	Individual projects may not be subject to approved and robust change control processes leading to potential overspends or non-delivery of project outcomes.		

Action is advised to enhance risk control or operational efficiency
Green

No	Issue arising	Recommendations	Agreed action including responsibility and target date
P 3.0 3.3	<p>Project dependence log Whilst the Metro Project Manager advised dependencies would be referred to in the interface section on the monthly dashboard report, we found that a dependencies log was yet to be established for the Project.</p> <p>Implication: Dependencies may not be centrally recorded within project management records to help facilitate review and remedial action.</p>	A dependencies log should be maintained to ensure key dependencies are centrally recorded to more easily facilitate review and identification of any remedial action where required.	<p>Agreed</p> <p>Responsibility: Judith Watt – Metro Project Manager</p> <p>Target date: 30 November 2020</p>

Action is advised to enhance risk control or operational efficiency
Green

No	Issue arising	Recommendations	Agreed action including responsibility and target date
2.4	<p>Communications strategy A review with the Metro Project Manager established that no formal communications strategy had been established and the current arrangements were for the Project Manager to liaise with WMCA Media Office and MML PR team as and when required.</p> <p>Implication: End user communication, publicity and promotion of the Project may not be effectively managed.</p>	<p>A formal communications strategy should be developed and formally approved.</p>	<p>Agreed</p> <p>Responsibility: Judith Watt – Metro Project Manager Target date: 31 December 2020</p>
2.5	<p>Project execution plan The PEP was last updated by the Metro Project Manager in January 2020. However, we note that the PEP had not been subsequently been updated with key milestones to reflect the latest status of the project.</p> <p>Implication: The effectiveness of the PEP is not maintained as a key control in the absence of regular updates to reflect the project status.</p>	<p>The PEP should be updated to reflect the current status of the project. Further periodic updates should be undertaken when major changes occur and when key milestones are achieved.</p>	<p>Agreed</p> <p>Responsibility: Judith Watt – Metro Project Manager Target date: 30 November 2020</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.

Stage	Date
Draft issued	19 August 2020
Exit meeting / Full response received	10 September 2020
Final draft issued	10 September 2020
Revised final draft issued	29 September 2020
Final issued	16 October 2020
ARAC meeting date	26 October 2020

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Audit, Risk & Assurance Committee

Date	26 October 2020
Report title	External Audit Update for the Year Ending 31 March 2020
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Linda Horne, Finance Director & S151 Officer to the WMCA Email: Linda.Horne@wmca.org.uk Tel: (0121) 214 7508
Report to be considered by	Audit, Risk & Assurance Committee

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

- (1) Note the External Audit Update for the year ending 31 March 2020.

1. Purpose

The external audit team presented their draft Audit Findings Report to the July meeting of Audit, Risk and Assurance Committee. The report included a number of areas where work remained on-going. The update report attached as an appendix reports progress made in those areas as follows:

- Resolution of the technical query in relation to the accounting treatment of the Land Fund;
- Receipt of the assurances from the auditor of the West Midlands Pension Fund Completion of group audit procedures;
- Review of management's assessment of going concern;
- Completion of testing of operating expenditure;
- Review of the final set of financial statements; and
- Receipt of management representation letter.

2. Financial Implications

There are no financial implications arising from this report.

3. Legal Implications

There are no legal implications arising from this report.

4. Equalities Implications

There are no equalities implications arising from this report.

5. Inclusive Growth Implications

There are no inclusive growth implications arising from this report.

6. Geographical Area of Report's Implications

There are no geographical area implications arising from this report.

7. Other Implications

There are no other implications arising from this report.

8. Schedule of Background Papers

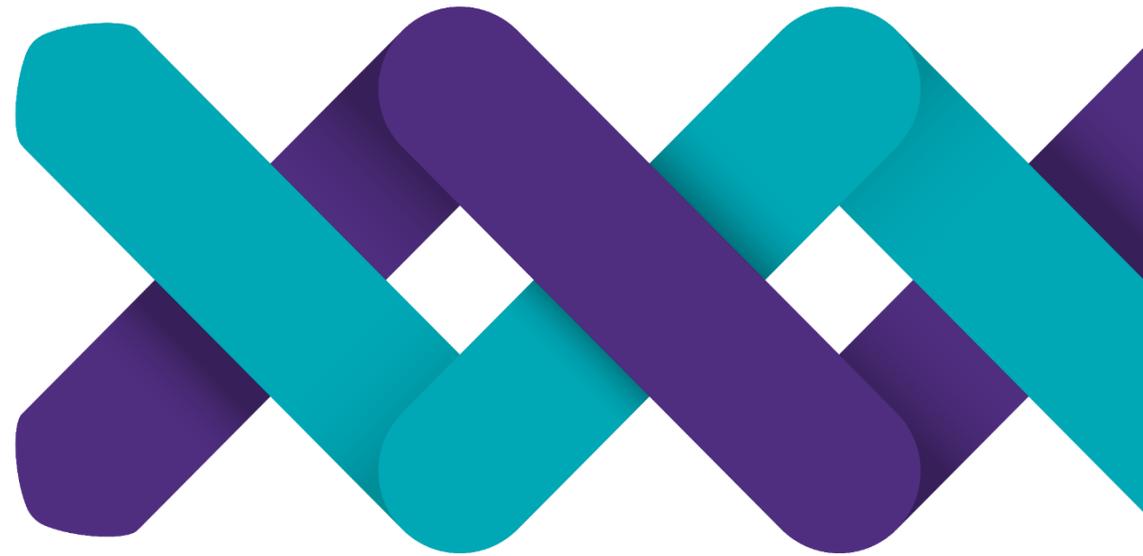
8.1 Draft Audit Findings Report for the year ending 31 March 2020

8.2 Land Fund Accounting Treatment

Audit Update Report

West Midlands Combined Authority
Year ending 31 March 2020

Page 44
October 2020



Update to the Draft Audit Findings Report

Financial Statements Audit

We presented our draft Audit Findings Report to the July Audit, Risk and Assurance Committee. The report included a number of areas where work remained on-going. This update reports the progress made in those areas.

Progress on outstanding items

Page 3 of our draft Audit Findings Report highlighted the following outstanding matters:

- Resolution of the technical query in relation to the accounting treatment of the Land Fund,
- Receipt of the assurances from the auditor of the West Midlands Pension Fund,
- Completion of group audit procedures,
- Review of management's assessment of going concern,
- Completion of testing of operating expenditure,
- Review of the final set of financial statements, and
- Receipt of management representation letter.

The paragraphs below set out the progress made in these areas.

Land Fund

We have prepared, and shared with officers a separate paper in relation to the Land Fund. This outlines the audit team's rationale for concluding that the land purchased (and costs associated with remediation work) should be held as inventories on the balance sheet. The draft Audit Findings Report identified the likely adjustments to be made to the draft financial statements, and these adjustments will be made to the final set of financial statements.

Assurances from the pension fund auditor

The audit of the West Midlands Pension Fund is nearing completion, and we anticipate receiving the necessary assurances in the week commencing 19 October. This will enable us to complete our work in this area. The impact of Covid-19 on valuations at year end has resulted in the Fund reporting on material uncertainty disclosures made by its independent valuers in relation to directly held property within the Fund. As a result the audit opinion on the pension fund will include an emphasis of matter in relation to this material uncertainty.

As well as having an impact on disclosures within pension funds, this issue could also have an impact on disclosures required by the Authority. This is because the Authority will have a share of these property assets through its investments in the Fund. It is likely that the share will be material for the Authority, and therefore we are working with officers

on the likely disclosure needed in the Authority's financial statements to highlight the material uncertainty in relation to the pension fund valuation. This will then in turn lead to an Emphasis of Matter paragraph within the audit opinion, to draw attention to the material uncertainty in relation to the pension fund valuation. This is in line with many other authorities in the sector, and reflects the unusual circumstances of the current year audit. This would not affect our opinion that the statements give a true and fair view of the Authority's financial position and its income and expenditure for the year. Such a paragraph is added to indicate a matter which is disclosed appropriately in the Authority's financial statements but which we consider is fundamental to a readers' understanding of the financial statements.

Completion of Group procedures

Our group procedures related to both MML and WM5G. The auditors of MML, have provided clearance on the group procedures, with the exception of going concern. The work undertaken has not raised any issues that impact on the group audit. As the group procedures do not include an assessment of going concern, we have asked officers to ensure that specific reference is made to the going concern of this subsidiary when completing their update of the going concern assessment for the group.

The auditors of WM5G have now concluded their work, and issued an unmodified opinion on the financial statements. They have not identified any issues that would impact on the group opinion. Following a detailed review of the outturn of WM5G we have determined that benchmarks that were forecast to be material at the planning stage of the audit are no longer material based on the final position and therefore we have not reviewed the working papers of the other auditor in detail.

Going concern

As we highlighted in July, this is an area of work that will remain ongoing up to the point of signing the financial statements, as auditing standards require us to consider the likelihood of the entity continuing for a period of 12 months after the date of signing the opinion. We are working with officers to update the assessment, however as set out previously, we do not consider that this would cast significant doubt on the entity's ability to continue as a going concern.

Operating expenditure

We have completed our testing in this area, and not identified any issues that require reporting. Part of this work included reviewing the proposed changes in relation to the accounting estimates, for both the Athlete's Village and investment programme accruals. The net impact of this was an adjustment of £5.1m. We have concluded that the amendments suggested by officers are appropriate.

Final set of financial statements and letter of representation

By the nature of these tasks, these will be completed just prior to signing the opinion, which we anticipate will be the first week of November.

Update to the Draft Audit Findings Report

Value for Money

We identified three significant risks to the value for money conclusion. These were as follows:

- Investment Programme Delivery
- Governance of WM5G
- Delivery of Adult Education Workstream

We reported on two of these three, however noted that we were unable to conclude on the Governance of WM5G as we were awaiting completion of the internal audit report in this area.

Internal audit concluded on this and reported to ARAC in September. The report gave substantial assurance and raised no recommendations, and therefore we can conclude that there are appropriate arrangements in place around this risk.

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Independence

Grant Thornton UK LLP has been appointed by the Department for Transport (DfT) to carry out work in connection with the reconciliation exercise for Light Rail Revenue Grants (LRRGs) distributed to four Combined Authorities / Passenger Transport Executives and one local authority.

A Grant Thornton team separate to the audit team will prepare an analysis of the LRRG paid to West Midlands Combined Authority (WMCA) and its wholly-owned subsidiary Midland Metro Limited (MML) which operates the Midland Metro network. The analysis will determine whether further grant is payable to WMCA and onto MML or whether grant needs to be reclaimed.

We recognise that as WMCA's auditor there is the potential for perceptions of a conflict of interest in undertaking this work i.e. if it identifies areas that should have been picked up through audit work on the Authority's accounts. To mitigate this risk, and following discussions with the Authority's Finance Director, we have established a tripartite agreement which permits the report prepared for the DfT to be shared directly with the Authority. We are therefore satisfied that our independence is maintained.

