



Audit, Risk & Assurance Committee

Date: Thursday 4 March 2021

Time: 10.00 am **Public meeting** Yes

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

Membership

David Lane (Chair)

Councillor Ram Lakha OBE (Vice-Chair)

Councillor Ahmad Bostan

Councillor Alan Butt

Sean Farnell

Councillor Michael Gough

Councillor Fred Grindrod

Councillor Christine Martin

Councillor Alexander Phillips

Councillor June Tandy

Councillor Alan Taylor

Councillor David Thain

Councillor Gurmeet Singh Sohal

Coventry City Council

Sandwell Metropolitan Borough Council

City of Wolverhampton Council

Coventry & Warwickshire LEP

Solihull Metropolitan Borough Council

Birmingham City Council

Staffordshire Non-Constituent Authorities

Shropshire Council

Nuneaton & Bedworth Borough Council

Dudley Metropolitan Borough Council

Worcestershire Non-Constituent Local Authorities

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:

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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 - 18 January 2021	Chair	1 - 6	
4.	Chair's Remarks	Chair	None	
5.	Matters Arising <ul style="list-style-type: none"> • Recruitment of new Independent Member / Chair • Overview & Scrutiny Committee Mayoral Question Time: Budget – Response from the Mayor to recommendations presented to the WMCA Board on 13 November 2020 	Dan Essex Chair	None	
6.	Forward Plan	Tanya Patel	7 - 8	
Business Items for Noting / Approval				
7.	Quarterly Programme Assurance Update Report	Fiona Bebbington	9 - 14	10:15
8.	Strategic Risk Register	Victoria Harman	Verbal Report	10:25
9.	Assurance Report - Arm's Length Companies: Assurance & Governance Arrangements	Lorraine Quibell	15 - 22	10:35
10.	Midland Metro Limited Accounts 2019 / 20	Linda Horne	23 - 54	10:45
11.	Internal Audit Plan 2021-2022	Peter Farrow	55 - 70	10:55
12.	Internal Audit Update - March 2021	Peter Farrow	71 - 76	11:05
13.	Informing the Audit Risk Assessment 2020/21 for West Midlands Combined Authority	Grant Thornton	77 - 112	11:15

14.	Adoption of a Revised Code of Conduct for the Mayor and Members of the Combined Authority	Tim Martin	113 - 132	11:25
15.	Update on Cyber Security & ICT Processes	Jason Danbury	133 - 136	
16.	Exclusion of the Public and Press [That in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information as specified in the paragraphs of the Act.]	Chair	None	
17.	Update on Cyber Security & ICT Processes	Jason Danbury	Verbal Report	11:40
18.	Investigations and Whistleblowing Update	Tim Martin	137 - 142	11:45
19.	ATG Administration	Tim Martin	Verbal Report	11:50
Date of Next Meeting				
20.	Monday 19 April 2021 at 10.00am	Chair	None	

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**West Midlands
Combined Authority**

Audit, Risk & Assurance Committee

Monday 18 January 2021 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 Alexander Phillips	Shropshire Council
Councillor Alan Taylor	Dudley Metropolitan Borough Council
Councillor David Thain	Worcestershire Non-Constituent Local Authorities

In Attendance

Fiona Bebbington	West Midlands Combined Authority
Louise Cowen	West Midlands Combined Authority
Peter Farrow	City of Wolverhampton Council
Mark Finnegan	West Midlands Combined Authority
Julia Goldsworthy	West Midlands Combined Authority
Victoria Harman	West Midlands Combined Authority
Linda Horne	West Midlands Combined Authority
Amar Jandoo	Arlingclose
Sandra Kalyan	City of Wolverhampton Council
Tim Martin	West Midlands Combined Authority
Grant Patterson	Grant Thornton
Carl Pearson	West Midlands Combined Authority
Mark Pickering	Arlingclose
Lorraine Quibell	West Midlands Combined Authority
Joti Sharma	West Midlands Combined Authority
Rachel Teoh	West Midlands Combined Authority
Tracy Walters	West Midlands Combined Authority

Item Title No.

40. Apologies for Absence

Apologies for absence were received from Councillor Fred Grindrod (Birmingham City Council), Councillor Christine Martin (Staffordshire Non-Constituent Authorities) and Councillor Gurmeet Singh Sohal (Walsall Metropolitan Borough Council).

41. Minutes - 26 October 2020

The minutes of the meeting held on the 26 October 2020 we agreed as a correct record.

42. Chair's Remarks (if any)

The Chair informed the committee an additional meeting of the committee had been scheduled for Thursday 4 March 2021 due to the significant amount of items requiring consideration of the committee.

**43. Matters Arising
Whistleblowing**

The committee received an update on whistleblowing matters from the Head of Governance who informed them that a number of investigations had been closed without any findings of concerns. He also noted that two recent referrals received were under investigation and advised the chair would continue to be briefed on such matters. He also informed the committee to changes in how whistleblowing would be reported to future committees.

Draft Internal Audit Plan

The Head of Governance informed the committee that work continued on the developments of the internal audit plan and a focus would be around the items identified within the risk register. He noted that the draft internal audit plan would be brought to the next committee in March 2021 for consideration and approval.

Organisational Response to COVID- 19

The committee were informed by the Head of Governance that work continued on resilience, response and planning for the recovery of the region. In regards to Councillor Alexander Philips query on the long-term effects of home working and the use of the Combined Authority building assets in particular 16 Summer Lane the Head of Governance highlighted that the CA continued explore various possibilities of building occupancy.

Arm's Length Companies Annual Update

The Internal Audit Liaison Officer informed members of the delay on reporting back to the committee on the annual update on Arm's Length Companies and hoped that this would be the information would be available to share with members at its meeting in March 2021.

44. Forward Plan

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

Resolved:

- (1) The forward plan be noted.

45. Covid 19 and support to promote Staff Wellbeing whilst Remote Working

The committee received a report from the Head of Human Resources and Organisational Development which set out the support the organisation had provided to its staff during the Covid-19 pandemic to protect their mental health and promote their wellbeing. The Head of Audit also commented that an internal audit had been completed on employee management Covid-19 response which received a substantial level of assurance which was noted by the committee as being positive and highlighted the good work undertaken by the organisation.

Councillor Alexander Philips queried that data around employees response to working from home, the Head of HR/OD highlighted the although results had dropped from the original survey it had not dropped substantially and felt that staff had more of an issue with Covid-19 and not with working from home. Councillor Michael Gough raised a potential issue around staff not reporting sickness whilst working from home. The Head of HR/OD recognised this concern and commented on the work being undertaken to address this whereby staff were asked to report if they had Covid-19 'like' symptoms to self-isolate and to report this but would not be penalised for this. She felt this was positive as staff came forward and allowed staff to be open although this data was low. She was also pleased to comment on how the data from sickness reporting and staff surveys did not report and increase in concern of staff mental health.

Councillor Ram Lakha queried how the current offer of wellbeing initiatives would be sustained and the consideration being given to the number of staff working agilely or working from the office. The Head of HR/OD commented that a task and finish group had been established to look at future arrangement of financing wellbeing initiatives. In terms of staff returning to the office she felt that this was somewhat between 20 to 40% of staff working back from the office and felt a more agile approach would be taken forward.

Resolved:

- (1) The contents of the paper be noted.
- (2) A further update to be provided to committee at its July 2021 meeting.

46. Internal Audit Update - January 2021

The committee received a report from the Head of Audit on the work completed by internal audit so far, this financial year. It was noted that four audits have been completed within the reporting quarter, and four audits currently in process. The Audit Business Partner provided a brief overview of the audit complete on employee management Covid-19 response which was given as substantial level of assurance.

The chair queried as to whether the deadlines for the recommendations contained within the Human Resources Pre-Employment checks had been met. The Head of HR/OD confirmed that those given a December 2020 deadline had been completed.

The chair informed members of a new approach being adopted whereby when changes occur to the audit plan or reports prior approval would be sought from the chair in advance, which in turn provided confidence audits would not be missed.

Resolved:

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

47. The Annual Audit Letter for West Midlands Combined Authority - Year ended 31 March 2020

The committee considered the WMCA's Annual Audit Letter for the year ended 31 March 2020 which summarised the key findings arising from the work carried out by external audit team at Grant Thornton. It was noted that an unqualified opinion on the financial statement was provided on the 30 November 2020.

Grant Thornton highlighted the fee variation for the forthcoming year as identified within the report. The Finance Director shared that ongoing discussions on this matter would be taken through the PSAA, with the chair being informed on outcome those discussions.

Resolved:

- (1) The Annual Audit Letter for the year ended 31 March 2020 be noted.
- (2) The publication of the letter on the Combined Authority's website be approved.

48. WMCA Strategic Risk Register

The committee received a report updating them on the current status of the strategic risk register. It was noted and recognised by the committee that there continued to be uncertainties surrounding the national political situation and Brexit which resulted in a number of risks presented as challenges to the WMCA.

The chair requested that an in-depth overview of the strategic risk register was provided at in June meeting.

Resolved:

- (1) The strategic risks contained within the WMCA strategic risk register be noted.

49. Programme & Project Management Framework Update

The committee received a report from the Head of Strategic Hub updating them on the progress made towards meeting the recommendations and how improvements are delivered through the Single Assurance Framework and an overview of the route map for delivering the regular assurance update report and trend analysis.

The chair requested that an update was brought to its April meeting, outlining the progress made of those outstanding recommendations.

Resolved:

- (1) The work that has been undertaken to date on delivering a consistent Programme & Project Management Framework and against the recommendations contained within the Internal Audit Report in May 2020 be noted.
- (2) The next steps of the Single Assurance Framework implementation and delivery be noted.

50. Financial Update

The committee received a presentation from the Finance Director who provided members with an overview of the financial position of the organisation, the budget setting for 2021 / 22 and an update on sustainable funding beyond 2021/22.

Councillor Ahmad Bostan queried as to whether any funding had been allocated by central government for the mayoral elections. The Finance Director shared that there continued to be ongoing dialogue with Governance with regards to funding of the mayoral elections and would continue to lobby government to receive funding for this. However plans are being established as a contingency.

Resolved:

- (1) The presentation be noted.

51. 2021/22 Treasury Management Policy, Strategy and Practices

The committee received a presentation from Arlingclose which provided members with information on what treasury management is, the legislation, guidance, roles and responsibilities associated with treasury management, information was also provided on economic outlook and credit conditions as well as the WMCA borrowing and investment strategy.

Councillor Ram Lakha sought further information in regards to public services load board being brought down. The Director of Arlingclose informed the committee of a consultation that took place with the findings resulting into limitations on local authorities ability to borrow money to invest full yield.

Resolved:

- (1) The draft 2021/22 Treasury Management Policy Statement be endorsed for onward approval by WMCA Board in January 2021.
- (2) The draft 2021/22 Treasury Management Strategy be endorsed for onward approval by WMCA Board in January 2021.

(3) The arrangements for ensuring Treasury Management Practices are adequately maintained be noted.

52. Arrangements for the Mayoral Elections May 2021

The committee received a report from the Head of Governance updating them on the arrangements for the Mayoral elections in May 2021 as well as assuring members that robust management of the process were in place with continued work with Coventry City Council with regards to the mayoral elections arrangements.

Resolved:

(1) The information in the report be noted.

53. Date of Next Meeting

Thursday 4 March 2021 at 10.00am.

The meeting ended at 12.10 pm.

WMCA Audit, Risk & Assurance Committee - Forward Plan

Title of Report	Date of Meeting	Lead Officer
Internal Audit Report	19 April 2021	Peter Farrow
Assurance report update	19 April 2021	Joti Sharma
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
External Audit Plan 2020/21	19 April 2021	Grant Thornton
Organisation response to COVID-19	19 April 2021	Tim Martin
Strategic Risk Register	28 June 2021	Victoria Harman
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



Audit, Risk & Assurance Committee

Date	4 March 2021
Report title	Quarterly Programme Assurance Update Report
Accountable Employee	Julia Goldsworthy, Director of Strategy Email: Julia.Goldsworthy@wmca.org.uk Tel: (0121) 214 7941
Responsible Employee	Fiona Bebbington, Head of Strategic Hub Email: Fiona Bebbington@wmca.org.uk
Report to been considered by	Audit, Risk & Assurance Committee

Recommendation(s) for action or decision:

The Audit, Risk & Assurance Committee is recommended to:

- (1) Note the Programme Assurance Observation Report and the assurance activity undertaken to date in relation to projects following the Single Assurance Framework
- (2) Note the next steps of the Single Assurance Framework implementation and delivery.
- (3) Note organisational restructure changes that impact future Assurance & Appraisal arrangements

1. Purpose

1.1 The purpose of this report is to:

- Provide an update on the progress made to date regarding the projects in the Investment Programme transitioning into the new Single Assurance Framework (SAF) arrangements.
- The intention is the Assurance Update report will be presented on a quarterly basis to provide Audit, Risk & Assurance Committee (ARAC) with reassurance that the new programme assurance arrangements continued to be embedded and followed by the West Midlands Combined Authority.
- The ARAC Chair has also requested that any issues with non-compliance to assurance recommendations are also reported to the Committee.

2. Single Assurance Framework Implementation Transition Activity

2.1 The WMCA Single Assurance Framework was approved by WMCA Board in July 2020 and has provided assurance to respective Government departments that the new assurance arrangements are aligned to HM Treasury Green Book standards.

2.2 There are broadly three areas within a project lifecycle that are supported by the new assurance Framework – Initiation, Development and Approvals. The new Approvals stage went live in September 2020 with the Investment Panel; any proposal/Business Case that requires Investment Board/WMCA Board approval will first be considered at the Investment Panel.

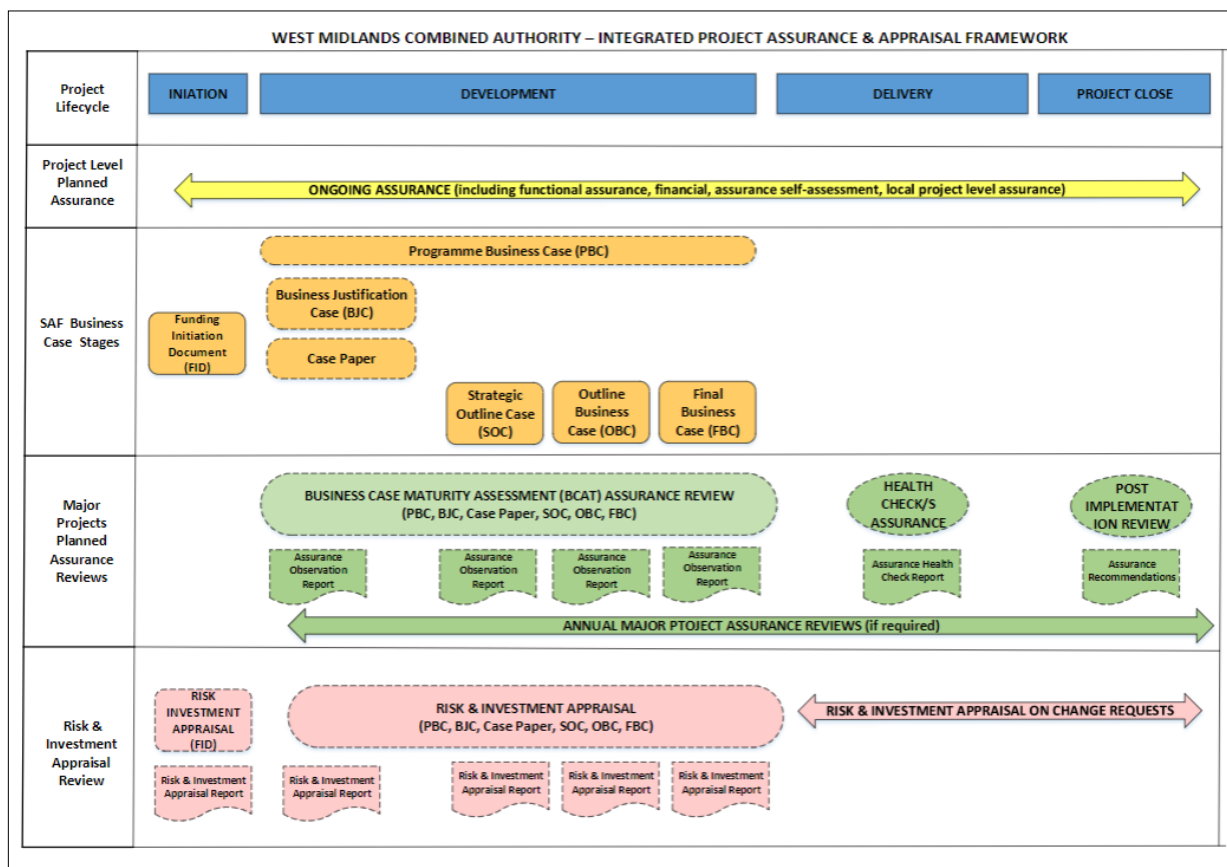
2.3 The Panel has 4 WMCA panel members who review and make observations on the business case/proposal against HMTs 5-case dimensions (strategic/economic/commercial/financial and management), plus representatives from each constituent Council and each LEP and is Chaired by the Finance Director from Dudley Metropolitan BC.

2.4 Following the Investment Panel an Output Report is produced for each business case/proposal. This outlines the observations from WMCA Panel members against the 5 dimensions, the fit against strategic objectives (the 'Golden Thread'), the contribution or consideration of WMCA Major Policy Framework and any additional recommendations or observations. This is shared with the project sponsor to make any amendments before submission to Investment/WMCA Board and is part of the package of papers to Investment Board, alongside the Assurance Observations report and Risk & Investment appraisal.

2.5 As agreed by WMCA Board in July 2020, the first projects/ programmes to transition to the new Single Assurance Framework would be the Investment Programme. This would allow a phased and managed transition of projects/ programmes onto the new assurance arrangements and would be supported by the Strategic Hub within capacity/ resource estimates.

2.6 It was agreed with the ARAC Chair that Assurance Update reporting would commence once Investment Programme projects had opportunity to transition onto new arrangements and the commencement on assurance monitoring could also begin.

2.7 To date the following projects/ have been processed through the Single Assurance Framework:



Business Case Appraisal

Project/ Programme	Portfolio Area	Business Case Stage	Date Reviewed
Rail Package 2	Investment Programme	Full Business Case	November 2020
Dudley Interchange	Transport	Full Business Case	January 2021
West Midlands Innovation Programme - Health & Wellbeing	Investment Programme	Business Justification Case	January 2021
West Midlands Innovation Programme - CITEC	Investment Programme	Business Justification Case	January 2021
Coventry Electric Bus City	Investment Programme	Full Business Case	February 2021

Change Request Appraisal

Project/ Programme	Portfolio Area	Change Category	Date Reviewed
Coventry UKC Plus - VLR Transforming Connectivity West Midlands	Investment Programme	Scope	December 2020
HS2 Interchange – Longabout	Investment Programme	Time	Pending Review
UKC UGC Interchange: HS2 Hybrid Act Change (HS2 Parallel Designs)	Investment Programme	Time	Pending Review
Strategy - Utilities, Land Value and Car Parking	Investment Programme	Time	Pending Review
UKC Infrastructure Package SOC Phase 2	Investment Programme	Scope	Pending Review

- 2.8 The Risk & Investment Appraisal assessment was undertaken on all the Business Cases and Change Requests listed above as per approved SAF process. In February 2021, we have had opportunity to implement the Business Case Assurance Review using the Business Case Maturity Assessment Tool (BCAT) as well as the Risk & Investment Appraisal assessment on Coventry Electric City Bus project.
- 2.9 Risk & Investment Appraisal recommendations have been shared with the project teams following the review of draft business cases and these have been accepted by the projects each time. The Coventry Electric Bus City has been the first opportunity to apply both the BCAT Assurance process and the Risk & Investment Appraisal process and all recommendations were accepted by the project team. The recommendation of the Programme Assurance Team is to follow up on the review of these recommendations in Quarter 1 of 2021/22. Over time, as more programme assurance reviews are undertaken the more detailed insight monitoring of actions will be shared.

3. Next Steps in Single Assurance Framework Transition

- 3.1 The following assurance and appraisal tools have now been developed and will be embedded, initially for the Investment Programme and then across the wider organisation. The intention over time is to work much more closely with wider assurance providers across WMCA and to develop an Integrated Assurance approach and plan.

Self-Assessment Tool	A self-assessment has been developed using the Association for Project Management (APM) collateral and guidance and its aim is to provide Project Leads with a tool to self-assess a project's maturity against ten fundamental categories of project management and, in doing so, enable an improvement plan to be developed.
Health Check Tool	A 2 nd line of defence Assurance Health Check Tool has been developed, using the APM collateral and guidance and its aim is to provide a 'deep-dive' into project management practice. A risk-based approach will be taken to planning Health Checks and any projects undergoing a Health Check will be provided with an Assurance Report detailing findings and recommendations to enable continuous improvement and organisation learning.
Integrated Assurance Map & Assurance Matrix	The Integrated Assurance Plan will help give the team indicators to share with SLT – give intelligence on where to invest assurance activity based of a risk centred approach. Assurance can be targeted to higher risk areas and complementary to other assurance activity being undertaken. An integrated assurance approach has benefits of a better spread of assurance activity (greater efficiency) and more effective as assurance reviews can be more targeted as specific risk areas/ projects.
Activity Register and Forward Plan	Fed by the Portfolio Project Pipelines the Activity Register and the Forward Plan will help the Hub to understand all the different project activity across WMCA Portfolios and map the assurance and governance requirements for these projects. The Activity Register is interfaced with the finance system and will be also be used to develop Portfolio Dashboards.

4. Business Transformation – Assurance & Appraisal Changes

- 4.1 WMCA Strategic Leadership Team commissioned a Business Transformation Programme review to look at a number of organisational challenges. WMCA Chief Executive briefed staff on the proposed changes in February 2021. The principles of the change proposals are to ensure that WMCA organisational team structures are fit for the future and that the organisation is developing expert and efficient delivery process and teams.
- 4.2 In headline terms, the Finance directorate takes on greater responsibility for operational business planning and resourcing, creation of a new commercial team (including procurement, investment and programme assurance and appraisal), business planning and performance operations team, HR and reward.
- 4.3 Therefore in March 2021, the Programme Assurance and Risk & Investment Appraisal teams (which were managed separately) will be managed as one team under the Programme Assurance & Appraisal Manager (Joti Sharma). This provides an opportunity to accelerate the deployment of the Single Assurance Framework (SAF) across all business portfolios and align programme assurance and appraisal activity.
- 4.4 In the future as the SAF continues to embed and be rolled out across wider portfolios, then the insight and assurance data that the Assurance & Appraisal teams provides to SLT and to ARAC will be greater enhanced and provide the assurance that projects/ programmes are complying with corporate processes and that assurance recommendations are being added to action plans and therefore improving the quality of project/ programme business cases.

5. Financial Implications

Not applicable.

6. Legal Implications

Not applicable.

7. Equalities Implications

Not applicable.

8. Inclusive Growth Implications

Not applicable.

9. Geographical Area of Report's Implications

Not applicable.

10. Other Implications

Not applicable.

11. Schedule of Background Papers

Not applicable.



West Midlands
Combined Authority

Audit, Risk & Assurance Committee

Date	4 March 2021
Report title	Assurance Report – Arm’s Length Companies: Assurance & Governance Arrangements
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Tim Martin, Head of Governance, Clerk and Monitoring Officer Email: Tim.Martin@wmca.org.uk Tel: (0121) 214 7435
Report has been considered by	Not Applicable

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

- (1) Consider and confirm that ARAC are satisfied with the assurance arrangements that have been established and confirmed for all of WMCA’s Arm’s Length Companies.
- (2) To note the structure and purpose of each of the companies, all of which are registered and adhere to the requirements of Companies House.

1. Purpose

- 1.1 An annual review of the governance and assurance arrangements for all of the Arm's Length Companies where WMCA has a shareholding was introduced in 2019 following a request by this committee. The activity provides internal assurance that appropriate lead officers have reviewed, and are satisfied with all arrangements that are in place which have been assessed via completion of a checklist that has previously been reviewed and agreed by ARAC. Details on the areas of assurance being sought can be found in the checklist template, provided as appendix 1 for information.
- 1.2 The focus of this Assurance Report is to summarise the governance and assurance arrangements of the West Midlands Combined Authority's Arm's Length Companies for 2020/21. This is to provide assurance that appropriate lead officers are satisfied with the governance and assurance arrangements in place.

2. Background

- 2.1 The WMCA currently has 5 active Arm's Length Company relationships, namely;

No.	Company Name	Stake	Accounting Treatment
a.	WM5G Ltd	100%	Subsidiary
b.	West Midlands Development Capital Ltd	100%	Subsidiary
c.	Midland Metro Ltd	100%	Subsidiary
d.	West Midlands Rail Ltd	50%	Associate
e.	West Midlands Growth Company Ltd	5.3%	Investment

- 2.1.1 This report primarily focuses on confirming the arrangements of the first 4 companies listed a-d. These are the companies that the West Midlands Combined Authority has the largest shareholding interest and therefore could have a greater impact on operational and strategic risk.

2.2 WM5G Ltd

- 2.2.1 WM5G is a private company limited by guarantee, it was established in February 2019 with its purpose being to accelerate the benefits and deployment of 5G throughout the region. The company is a wholly owned subsidiary of WMCA with the structure of the board including an independent chair, 2 non-executive directors, WMCA being represented by the Investment and Commercial Activities Director, and the Department for Digital, Culture, Media and Sport (DCMS) being represented with 2 members having observer status. Legal agreements are in place formalising the relationship between WMCA and WM5G Ltd, and Terms of reference for the Board are in place as agreed by DCMS and detailed in the Articles of Association.
- 2.2.2 Delivery against WM5G's initiatives are included in the WMCA Industrial Strategy and is monitored through the WMCA's membership at the Urban Connected Communities Strategic Board (via the WMCA CEO), and the WM5G Ltd Board (via the Director Public Service Reform and Managing Director of Wolverhampton City Council). WM5G Ltd activity is also subject to scrutiny by DCMS and the National Audit Office.

- 2.2.3 A number of support services are provided by WMCA through a Service Level Agreement, these include Legal, Data Protection, Business Continuity and Insurance. WM5G manage their financial, risk management and procurement activities directly through the utilisation of WMCA systems. Regular reporting is maintained, as defined within a Members agreement which also contains measures enabling WMCA to maintain control over WM5G through reserved matters.
- 2.2.4 An audit of the WMCA's governance and management arrangements for WM5G Ltd was completed as part of the 2019/20 Internal Audit plan and concluded with a substantial audit rating.

2.3 West Midlands Development Capital Ltd

- 2.3.1 West Midlands Development Capital Ltd (WMDC) is a private limited company and was established in May 2017. The purpose of the organisation is to act as the Fund Manager for 2 WMCA investment funds and an Investment Advisor for the Brownfield Land and Property Development Fund, and the Collective Investment Fund.
- 2.3.2 WMDC is a wholly owned subsidiary of WMCA with legal agreements in place between the two organisations. Both WMCA and non-WMCA directors sit on the board which includes an independent member. WMCA is represented by the Finance Director and the Director of Strategy.
- 2.3.2 WMDC liase directly with the Housing and Regeneration directorate within WMCA and provide a fund monitoring dashboard to the Investment Advisory Group and Investment Board each month.
- 2.3.3 The organisation does not undertake any purchasing activities, is combined within WMCA's Data Protection arrangements including being subject to the associated policies and procedures, and an external auditor (Smith Cooper) has been appointed to audit the financial accounts. The Finance Director has confirmed they are satisfied that adequate assurance arrangements are in place for this company.

2.4 Midland Metro Ltd

- 2.4.1 Midland Metro Ltd (MML) was established on 24 June 2018 and operates the current Metro operations within the West Midlands. MML is a wholly owned subsidiary of WMCA with the Board consisting of 3 director's from WMCA; these include the Finance Director, Managing Director, TfWM, and the Director of Customer Experience, TfWM who is currently seconded to MML full time, covering the role of MML Managing Director. There are no independent members of the Board.
- 2.4.2 Legal agreements, including a Public Service Contract and Shareholders Agreement, are in place formalising the relationship between WMCA and MML. WMCA Board approved these arrangements at its meeting in February 2018.
- 2.4.3 WMCA provides a number of support services to Midland Metro Limited including Procurement, Finance, and Legal, of which all follow the WMCA's policies and procedures to ensure conformance of associated regulations.

- 2.4.4 Comprehensive Health and Safety, business continuity, risk, data protection and insurance arrangements are in place to ensure the safety, security and continuity of its service to manage the increased risk environment contained within a light railway infrastructure. The service provision is regulated by the Office of Road and Rail (ORR) and the Light Railways Safety and Standards Board (LRSSB).
- 2.4.5 MML has contracted with an external audit firm (BDO LLP) for the purposes of auditing their financial accounts which are reported to the MML Board. The accounts for 2019/20 were filed with Companies House on 17 February 2021 in line with statutory requirements. Going forwards starting with the 2020/21 financial year, Audit, Risk and Assurance Committee will consider and approve MML's accounts prior to them being filed with Companies House in line with agreed assurance arrangements for the company. MML's accounts for 2019/20 can be found elsewhere on this agenda.
- 2.4.6 The governance and management arrangements between MML and WMCA was reviewed as part of WMCA's 2018/19 Internal Audit plan and concluded with a satisfactory audit rating.

2.5 West Midlands Rail Ltd

- 2.5.1 West Midlands Rail (WMR) is a company limited by guarantee, it is owned by WMCA and the partner authorities, and was created with the purpose of specifying and managing the West Midlands Rail franchise. WMCA has a 50% shareholding in the company. The company has a legal agreement in place with all its members and has been operating since March 2017. The Board consists of 14 Full Member authorities who each appoint Directors to the Board, and 2 affiliate authorities who hold observer status. The Managing Director, TfWM attends all WMR Ltd Board meetings as the representative for WMCA.
- 2.5.2 The company is based at WMCA's head office under a Service Level Agreement with Legal, Governance, Finance, Procurement, and Data Protection services being provided by WMCA including the adoption by WMR Ltd, of its associated policies and procedures.
- 2.5.3 WMR Limited has contracted with an external audit firm (Smith Cooper) for the purposes of auditing their financial accounts which are reported to the WMRL Board.
- 2.5.4 An Internal audit of the governance and management arrangements between WMCA and WMR Ltd was completed by WMCA as part of the 2019/20 audit plan and concluded with a satisfactory audit rating. Work continues on delivery of the actions identified and will be reassessed as part of a follow-up audit in due course.

2.6 West Midlands Growth Company

- 2.6.1 The West Midlands Growth Company Ltd (WMGC) is a private company limited by guarantee and was established in 1982. The company's purpose is to seek and attract businesses, visitors and capital investment to the region to meet their vision of a confident and prosperous West Midlands where everyone shares an improved quality of life. WMGC Ltd is an Investment and WMCA holds a 5.3% stake.
- 2.6.2 A legally agreed Service Level Agreement, Memorandum of Understanding and Concession agreement are in place between the two companies. The Board comprises of 20 directors, with WMCA being represented on the Board by its Chief Executive.

- 2.6.3 Independent arrangements are in place for all assurance related matters and are reported to the company's Audit and Risk Committee which meets quarterly.
- 2.6.4 Given the limited investment and risk exposure that WMCA has in WMGC, it is satisfied that the assurance arrangements in place are satisfactory and a detailed review is not required.

3. Financial Implications

- 3.1 The Finance Director has confirmed that all arm's length companies will be required to be audited by external audit. West Midlands Combined Authority provides financial services support to both West Midlands Rail and Midland Metro Ltd. The West Midlands Combined Authority systems and processes are annually audited by the WMCA Internal Audit team. The WMCA can rely on these internal audits of the key financial systems.

4. Legal Implications

- 4.1 The Head of Governance has confirmed that from a legal perspective he is satisfied that all necessary legal due diligence requirements have been adhered to and comply with Companies House procedures. WMCA legal team have had and will respond to any queries received from Companies House regarding any of WMCA's companies.

5. Equalities Implications

Not applicable.

6. Inclusive Growth Implications

Not applicable.

7. Geographical Area of Report's Implications

Not applicable.

8. Other Implications

Not applicable.

9. Schedule of Background Papers

Appendix 1: WMCA Risk & Assurance Checklist template

WMCA Risk & Assurance Checklist for Arm's Length Companies

Overview		Notes		
1.	Summarise the remit of the organisation?			
2.	Summarise what success looks like for the interfacing organisation and what measures are in place to monitor its success?			
Legal		Yes	No	Notes
3.	Confirm the legal interface with the arm's length company and the WMCA?			
4.	Are there clear legal agreements in place to describe the relationship and interface with the company and WMCA?			
Governance		Yes	No	Notes
5.	Description of the arm's length company interface with WMCA governance			
6.	Is the board of sufficient size and composed of appropriate skills to ensure its responsibilities are met?			
7.	What is the balance between executive and non-executive board members? Confirm the independent members of the Board, their appointment process and the duration of their appointment.			
8.	Is there a terms of reference for the Board? Are minutes taken for board meetings? A statement of how the board operates.			
9.	Is there a conflict of interest policy?			
10.	Has anybody on either board declared a conflict, if so how is this going to be mitigated?			
11.	Please confirm that the Arms Length Company Audit Committees to include an up-to-date annual return of this checklist, signed, with their Annual Governance Statement and External Audit Report to enable ARAC to take appropriate assurance.			

Financial		Yes	No	Notes
12.	Are adequate company internal financial regulations (or the equivalent) in place?			
13.	Have the content and frequency of financial performance reporting to WMCA been agreed?			
14.	Is there agreement for the company to supply an Audited Set of Accounts annually to WMCA?			
15.	Has the content and the deadline of the supply of all relevant and necessary year-end financial information been agreed between WMCA and the company?			
Procurement		Yes	No	Notes
16.	Does the company have its own procurement policies and processes? Has the WMCA procurement team confirmed that these are aligned to WMCA standards?			
17.	How is procurement non-compliance captured and reported?			
18.	In what name will your contracts be awarded in?			
19.	In what name will your purchase orders be in?			
20.	Do you have your own financial procurement to pay system (i.e. Business World) and e-tendering portal?			
21.	What is the agreed mechanism for contacting the WMCA procurement team?			
Internal & External Audit		Yes	No	Notes
22.	Dependent upon the nature of any company - Strategic Report (which follows the FRC's "Guidance on the Strategic Report") – including where assurance is obtained on the contents and disclosures in the report.			
23.	Annual Governance Statement (AGS) / Statement of Internal Control			

24.	If the accounts are subject to external audit – a copy of the External Audit Annual Report (what were their findings/comments on the accounts or the AGS)			
25.	Do they have internal audit – if so, a copy of the Annual Internal Audit Report (and similarly any key issues they may have commented upon).			
26.	There may also be other ‘assurance’ providers such as government agencies/bodies who may come in and review certain grants or funding streams etc.			
27.	Is there an internal audit function for the organisation?			
28.	Is there an audit committee? If so, how often does it meet? Please confirm the membership of the committee including independent membership.			
29.	Who are the external auditors?			
Risk Management/ Insurance & Business Continuity		Yes	No	Notes
30.	Is there are a risk management policy for the organisation? What is the greatest risk/ affecting the company?			
31.	Provide overview of risk governance structure for the organisation?			
32.	Are there any risks that could impact WMCA adversely?			
33.	What is the agreed mechanism of risk escalation to the WMCA?			
34.	Does the organisation have adequate insurance for its level of operations? Please provide evidence			
35.	Are there adequate business continuity arrangements and plans in place?			



**West Midlands
Combined Authority**

Audit, Risk & Assurance Committee

Date	4 March 2021
Report title	Midland Metro Limited Accounts 2019/20
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Linda Horne, Finance Director Email: Linda.Horne@wmca.org.uk Tel: (0121) 214 7508
Report has been considered by	

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

- (1) Note the annual accounts for Midland Metro Limited for the year ended 31 March 2020.
- (2) Note that the independent auditors issued an unqualified audit opinion for the accounts on 9 December 2020.
- (3) Note that Midland Metro Limited's accounts were filed with Companies House on 17 February 2021.

1.0 Purpose

- 1.1 This report has been prepared to enable Audit, Risk & Assurance Committee to note the annual accounts of Midland Metro Limited for the financial year ended 31 March 2020.

2.0 Background

- 2.1 West Midlands Combined Authority's wholly-owned subsidiary, Midland Metro Limited (MML) was established in 2017. The company was created to take over the day-to-day running of Midland Metro trams in the West Midlands region and is expected to generate profits in the longer term which will be channelled back into the network for the benefit of passengers and the local economy. Patronage falls during the coronavirus outbreak have significantly increased the risk to the availability of funding for future investment.

3.0 Annual Accounts

- 3.1 MML Board has received regular financial monitoring updates throughout 2019/20. The final outturn position for 2019/20 was reported to MML Board on 28 October 2020.
- 3.2 The accounts for 2019/20 are attached as an appendix for review and noting. The audit process has been completed and the auditors have issued an unqualified audit opinion on the accounts. The audit findings in relation to significant audit risks are summarised in the table below:

Table 1: MML Accounts 2019/20 – Audit Findings

Significant Audit Risk	Conclusion
Fraud risk due to improper revenue recognition	There were no issues noted from the review of manual sales entries and journals. No issues noted from the review of the revenue recognition policy. On deferred revenue, expectation was higher than the deferred revenue recorded by management by £12k. As it is not material and a difference arising from judgement, the auditors are comfortable that deferred revenue is reasonably accurate.
Fraud risk relating to management overriding controls	No issues noted.
Impact of Covid-19 on disclosures and going concern assessment	The auditors engaged with management on the impact Covid-19 could have on the business. Indicative grant awards from the Department for Transport were noted.

3.3 The accounts were filed with Companies House on 17 February 2021 in line with statutory requirements. Going forwards starting with the 2020/21 financial year, Audit, Risk and Assurance Committee will consider and approve MML's accounts prior to them being filed with Companies House in line with agreed assurance arrangements for the company.

4.0 Financial Implications

4.1 The financial implications are covered within the body of this report and the attached annual accounts reflect MML's results for the year ended 31 March 2020.

5.0 Legal Implications

5.1 Production of these accounts is a statutory requirement.

6.0 Equalities Implications

6.1 Alternative formats for these accounts are available upon request.

7.0 Inclusive Growth Implications

7.1 Not applicable.

8.0 Geographical Area of Report's Implications

8.1 Not applicable.

9.0 Other Implications

9.1 Not applicable.

10.0 Schedule of background papers

10.1 MML financial reports 2019/20

10.2 Audit Findings Report

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MIDLAND METRO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

MIDLAND METRO LIMITED

COMPANY INFORMATION

Directors	L M Shoaf SA McAleavy LK Horne N Arif (resigned 23 September 2020) PG Hewitt (resigned 20 September 2019)
Company secretary	S G Allison (appointed 2 December 2020)
Registered number	10932342
Registered office	16 Summer Lane Birmingham B19 3SD
Independent auditor	BDO LLP Two Snowhill Birmingham B4 6GA

MIDLAND METRO LIMITED

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MIDLAND METRO LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

The Directors present their strategic report for the year ended 31 March 2020.

Business review

The company completed its first full year of operations. The company successfully commenced commercial operation of its first extension to the existing system with the opening of Centenary Square - Library in December 2019 for passenger service. This extension was catenary free (the first of its type in the United Kingdom) with trams being powered by batteries. Midland Metro Limited will continue to support the network expansions of the West Midland Metro in the foreseeable future.

Key performance indicators

Operational performance is measured through a number of KPIs for the year since the company took over operations including punctuality and reliability:

During the period to 31 March 2020, the company aimed to achieve a target of 98% of the scheduled kilometres according to the operational timetable. During the period the company achieved an average of 86.7%. Performance improved over the course of the period and continues to improve post year-end.

Total revenue from fare income and other revenues (e.g. advertising) came to £12.8m (2019 - £8.3m), which sets the benchmark for monitoring future performance.

The operating loss before other operating income for the period amounted to £1.047m (2019 - £0.804m) which is covered by a subsidy received from the parent company.

The company's operating cash has remained strong throughout the period. The balance sheet on page 9 of the financial statements shows the company's financial position at the period-end.

Principal risks and uncertainties

The key risks and uncertainties to the company are:

Management of Revenues – this is the company's major risk as it derives its income from passenger fares and other third party revenue e.g. advertising. The company closely monitors passenger numbers, fare income, and the public transport market in the region in order to implement strategies to maximise its income.

On commencement of the initial lockdown on 17th March due to the Covid 19 pandemic, MML saw an immediate reduction in passenger revenue by 90% through to the year end. Post year end through 2020, passenger revenues have recovered to 60-65% business as usual and MML has been supported by a light rail support grant provided by the Department of Transport.

Controlling costs – the major cost risks for the company are around traction power and staff costs. A purchasing strategy is in place to mitigate against any unforeseen increases in traction power costs, and staff costs are closely monitored.

Other Risks

The company has exposure to a number of financial risks which are managed with the purpose of minimising any potential adverse effects on the company's performance. The Board has the following policies for managing these risks:

Price risk

The company is able to adjust its fares as required to match any potential increases in costs.

MIDLAND METRO LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

Credit risk

Credit risk is low as revenue is mainly earned from sales on tram, with other counterparties being low risk entities. Cash investments are with institutions of a suitable credit quality.

Liquidity and cash flow risk

The company has entered into a short term borrowing facility agreement in order to manage its short term cash requirements.

Future developments

Over the coming years the company is anticipated to grow substantially with the opening of extensions to Centenary Square, Edgbaston, Birmingham Eastside and Wednesbury to Brierley Hill, with a further extension being planned to Solihull.

Going concern

Management has produced forecasts that reflect likely downside scenarios as a result of the COVID 19 pandemic. Whilst there was a significant decrease in passenger revenues when restrictions were first put in place in March 2020, passenger revenues subsequently rebounded to 60-65% pre covid levels. In addition the company has received indicative grants from the Department of Transport through to 31st March 2021.

In addition, the company has obtained a letter of comfort from it's parent undertaking, West Midlands Combined Authority stating for a period of at least 12 months from the date of the signing of these financial statements they will continue to provide the financial support to the company. This letter reiterates the terms and conditions of the Public Service Contract between West Midlands Combined Authority and the company. As such, the directors are satisfied that the company has adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis for preparing these financial statements.

Post Balance Sheet Events

As at the balance sheet date, Midland Metro Limited were aware that a grant from the Department for Transport was likely, however the value was unknown. Subsequently, the Department of Transport announced an indicative grant to the value of £3.7 million covering the period 17th March 2020 to 3rd August 2020. In addition, a further indicative grant of £5.57m covering the period 4th August 2020 to 31 March 2021.

This report was approved by the board on 8 December 2020 and signed on its behalf.



SA McAleavy
Director

MIDLAND METRO LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £NIL (2019 - £NIL).

Interim dividends of £Nil have been paid during the year. The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

L M Shoaf
SA McAleavy (appointed 20 September 2019)
LK Horne
N Arif (resigned 23 September 2020)
PG Hewitt (resigned 20 September 2019)

MIDLAND METRO LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Disclosure of information to the auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

As at the balance sheet date, Midland Metro Limited were aware that a grant from the Department for Transport was likely, however the value was unknown. Subsequently, the Department of Transport announced an indicative grant to the value of £3.7 million covering the period 17th March 2020 to 3rd August 2020. In addition, a further indicative grant of £5.57m covering the period 4th August 2020 to 31 March 2021.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board on 8 December 2020 and signed on its behalf.



SA McAleavy
Director

MIDLAND METRO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDLAND METRO LIMITED

Opinion

We have audited the financial statements of Midland Metro Limited (the 'Company') for the year ended 31 March 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and,
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

MIDLAND METRO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDLAND METRO LIMITED (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

MIDLAND METRO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDLAND METRO LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the Company's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members for our audit work, for this report, or for the opinions we have formed.



Jonathan Gilpin (Senior Statutory Auditor)

for and on behalf of
BDO LLP

Two Snowhill
Birmingham
B4 6GA

Date: 9 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

MIDLAND METRO LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £000	2019 £000
Turnover	4	12,843	8,327
Cost of sales		(10,862)	(7,047)
Gross profit		1,981	1,280
Administrative expenses		(3,015)	(2,086)
Other operating income	5	1,047	804
Operating profit/(loss)	6	13	(2)
Interest receivable and similar income	9	15	2
Interest payable and expenses	10	(28)	-
Profit before tax		-	-
Taxation	11	(2)	-
(Loss)/profit for the financial year		(2)	-
Other comprehensive income for the year			
Other comprehensive income		-	-
Other comprehensive income for the year		-	-
Total comprehensive (loss)/ income for the year		(2)	-

The notes on pages 12 to 24 form part of these financial statements.

MIDLAND METRO LIMITED
REGISTERED NUMBER: 10932342

BALANCE SHEET
AS AT 31 MARCH 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	12	358	382
		<u>358</u>	<u>382</u>
Current assets			
Stocks	13	829	368
Debtors: amounts falling due within one year	14	1,993	1,647
Cash at bank and in hand	15	107	392
		<u>2,929</u>	<u>2,407</u>
Creditors: amounts falling due within one year	16	(3,287)	(2,789)
		<u>(358)</u>	<u>(382)</u>
Net current liabilities			
Total assets less current liabilities		<u>-</u>	<u>-</u>
Provisions for liabilities			
Deferred tax	18	(2)	-
		<u>(2)</u>	<u>-</u>
Net (liabilities)/assets		<u>(2)</u>	<u>-</u>
Capital and reserves			
Profit and loss account		(2)	-
		<u>(2)</u>	<u>-</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
8 December 2020



SA McAleavy
Director

The notes on pages 12 to 24 form part of these financial statements.

MIDLAND METRO LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Profit and loss account £000	Total equity £000
At 1 April 2019	-	-
Comprehensive income for the year		
Loss for the year	(2)	(2)
	<hr/>	<hr/>
Other comprehensive income for the year	-	-
	<hr/>	<hr/>
Total comprehensive loss for the year	(2)	(2)
	<hr/>	<hr/>
Total transactions with owners	-	-
	<hr/>	<hr/>
At 31 March 2020	(2)	(2)
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 12 to 24 form part of these financial statements.

MIDLAND METRO LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Called up share capital £000	Total equity £000
At 1 April 2018	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-
Total transactions with owners	-	-
At 31 March 2019	-	-

The notes on pages 12 to 24 form part of these financial statements.

MIDLAND METRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. General information

Midland Metro Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is 16 Summer Lane, Birmingham, B19 3SD. The nature of the company's operations and its principle activities are set out in the business review on page 1.

The company is a wholly owned subsidiary of West Midlands Combined Authority. Copies of the Authorities financial statements, the only entity preparing group financial statements which include Midland Metro Limited, are available to the public on the Authorities website www.wmca.org.uk.

The company was incorporated on 24 August 2017 and was dormant until it commenced trading on 24 June 2018.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going Concern

Management has produced forecasts that reflect likely downside scenarios as a result of the COVID 19 pandemic. Whilst there was a significant decrease in passenger revenues when restrictions were first put in place in March 2020, passenger revenues subsequently rebounded to 60-65% pre covid levels. In addition the company has received indicative grants from the Department of Transport through to 31st March 2021.

In addition, the company has obtained a letter of comfort from its parent undertaking, West Midlands Combined Authority stating for a period of at least 12 months from the date of the signing of these financial statements they will continue to provide the financial support to the company. This letter reiterates the terms and conditions of the Public Service Contract between West Midlands Combined Authority and the company. As such, the directors are satisfied that the company has adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis for preparing these financial statements.

2.3 Revenue recognition

Revenue is recognised by reference to the stage of completion of the customer's travel or service provided under contractual arrangement as a proportion of total services to be provided. Advertising revenue is recognised when the service is provided.

MIDLAND METRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.4 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2018 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.5 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax as recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except as otherwise indicated. The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

MIDLAND METRO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 13 years straight line basis
Fixtures and fittings	- 4 years straight line basis
Computer equipment	- 3 years straight line basis

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.12 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.16 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial report requires the directors' to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The directors do not consider that there are any complex transactions that are not covered by the accounting policies outlined in note 2 that required any judgements and hence disclosure.

MIDLAND METRO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

4. Turnover

Revenue is stated net of value added tax where applicable and is wholly derived within the United Kingdom.

5. Other operating income

	2020	<i>2019</i>
	£000	<i>£000</i>
Subsidy receivable	1,047	<i>804</i>
	1,047	<i>804</i>

Other income is in respect of the subsidy receivable from West Midlands Combined Authority under the terms of the Public Service Contract (PSC).

6. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2020	<i>2019</i>
	£000	<i>£000</i>
Other operating lease rentals	38	<i>29</i>
Depreciation	127	<i>113</i>

7. Auditor's remuneration

	2020	<i>2019</i>
	£000	<i>£000</i>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	16	<i>16</i>

MIDLAND METRO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

8. Employees

Staff costs were as follows:

	2020	2019
	£000	£000
Wages and salaries	5,797	3,542
Social security costs	526	328
Cost of defined contribution scheme	155	70
	<u>6,478</u>	<u>3,940</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020	2019
	No.	No.
Operations	154	131
Engineering	40	35
Management and administration	25	15
	<u>219</u>	<u>181</u>

The directors of the company are remunerated by West Midlands Combined Authority. They did not receive any remuneration in respect of their services to the company.

9. Interest receivable

	2020	2019
	£000	£000
Other interest receivable	15	2
	<u>15</u>	<u>2</u>

10. Interest payable and similar expenses

	2020	2019
	£000	£000
Loans from group undertakings	28	-
	<u>28</u>	<u>-</u>

MIDLAND METRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

11. Taxation

	2020 £000	2019 £000
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	2	-
Total deferred tax	2	-
Taxation on loss on ordinary activities	2	-

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2019 - the same as) the standard rate of corporation tax in the UK of 19% (2019 - 19%) as set out below:

	2020 £000	2019 £000
Effects of:		
Expenses not deductible for tax purposes	1	-
Adjustments to tax charge in respect of prior periods	1	-
Total tax charge for the year	2	-

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

MIDLAND METRO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

12. Tangible fixed assets

	Plant and machinery £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 April 2019	204	-	291	495
Additions	99	2	2	103
At 31 March 2020	<u>303</u>	<u>2</u>	<u>293</u>	<u>598</u>
Depreciation				
At 1 April 2019	16	-	97	113
Charge for the year on owned assets	29	-	98	127
At 31 March 2020	<u>45</u>	<u>-</u>	<u>195</u>	<u>240</u>
Net book value				
At 31 March 2020	<u>258</u>	<u>2</u>	<u>98</u>	<u>358</u>
At 31 March 2019	<u>188</u>	<u>-</u>	<u>194</u>	<u>382</u>

13. Stocks

	2020 £000	2019 £000
Tram spares & consumables	829	368
	<u>829</u>	<u>368</u>

The cost of inventories expensed in the year and included in operating costs was £303,338 (2019 - £351,296). Impairment provision at the year-end relating to damaged or obsolete inventories amounted to £Nil (2019 - £Nil).

MIDLAND METRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

14. Debtors

	2020 £000	2019 £000
Trade debtors	17	40
Amounts owed by group undertakings	631	377
Other debtors	170	295
Prepayments and accrued income	1,175	935
	<u>1,993</u>	<u>1,647</u>

Included in prepayments and accrued income was an amount of £378,776 (2019 - £156,825) attributable to a group undertaking.

15. Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	107	392
	<u>107</u>	<u>392</u>

16. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Payments received on account	100	100
Trade creditors	777	525
Amounts owed to group undertakings	1,628	550
Other taxation and social security	140	130
Other creditors	30	65
Accruals and deferred income	612	1,419
	<u>3,287</u>	<u>2,789</u>

MIDLAND METRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

17. Financial instruments

	2020 £000	2019 £000
Financial assets		
Financial assets measured at fair value through profit or loss	107	392
Financial assets that are debt instruments measured at amortised cost	1,260	1,148
	<u>1,367</u>	<u>1,540</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(3,048)	(2,559)

Financial assets measured at fair value through profit or loss comprise of cash and cash equivalents.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors and accruals and deferred income.

MIDLAND METRO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

18. Deferred taxation

	2020 £000
Charged to profit or loss	(2)
At end of year	<u>(2)</u>

The deferred taxation balance is made up as follows:

	2020 £000	<i>2019 £000</i>
Accelerated capital allowances	(2)	-
	<u>(2)</u>	<u>-</u>

19. Share capital

	2020 £	<i>2019 £</i>
Authorised, allotted, called up and fully paid		
100 (2019 - 100) Ordinary shares of £1.00 each	100	100
	<u>100</u>	<u>100</u>

20. Contingent liabilities

There were no contingent liabilities or guarantees at the end of the year.

21. Capital commitments

There were no capital commitments at the end of the year.

MIDLAND METRO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

22. Commitments under operating leases

At 31 March 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020	<i>2019</i>
	£000	<i>£000</i>
Not later than 1 year	53,125	-
Later than 1 year and not later than 5 years	38,983	-
	92,108	-

23. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 102 Section 33.1A from the requirement to disclose transactions with group entities that are wholly owned members of the group.

During the year there were purchases of £Nil (2019 - £3,090) with UKTram Limited in which a director had an interest. Amounts outstanding at the year were £Nil (2019 - £Nil). This transaction was conducted at arm's length on normal trading arms.

24. Post balance sheet events

As at the balance sheet date, Midland Metro Limited were aware that a grant from the Department for Transport was likely, however the value was unknown. Subsequently, the Department of Transport announced an indicative grant to the value of £3.7 million covering the period 17th March 2020 to 3rd August 2020. In addition, a further indicative grant of £5.57m covering the period 4th August 2020 to 31 March 2021.

25. Ultimate Parent Company

The company is a subsidiary of West Midlands Combined Authority which is the ultimate parent company incorporated in Great Britain. The consolidated accounts are available on www.wmca.org.uk.

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Audit, Risk & Assurance Committee

Date	4 March 2021
Report title	Internal Audit Plan 2021-2022
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 to be/has been considered by	Leadership Team

Recommendation(s) for action or decision:

The Audit, Risk & Assurance Committee is recommended to:

- (1) Review and approve the Internal Audit Plan for 2021-2022.

1.0 Purpose

- 1.1 The purpose of internal audit is to provide the WMCA with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the WMCA's agreed objectives.
- 1.2 The purpose of this document is to provide the WMCA with a draft risk-based internal audit plan, incorporating a strategic statement for internal audit, and based upon an assessment of assurance needs. The initial assessment of assurance needs exercise was undertaken by the WMCA's Internal Audit Liaison Officer and then independently reviewed by Internal Audit. The assessment is then used to direct internal audit resources to those aspects of the WMCA which are assessed as generating the greatest risk to the achievement of its objectives.
- 1.3 As part of this exercise potential areas within the Audit Universe for consideration for review in the 2022/23 year were also identified, including areas such as Information Security, the agreement for Environmental Management Systems to be covered bi-annually (last reviewed in 2020/21) and an annual review of the Adult Education Budget. These will all be incorporated into the next assessment of assurance needs exercise.
- 1.4 In addition, all Directors of the WMCA have been consulted as part of development of the draft risk-based internal audit plan. The draft plan was presented to the WMCA Leadership Team for review prior to presentation to the Audit, Risk and Assurance Committee.

2.0 Background

- 2.1 Internal audit is a statutory requirement for all Local Authorities. The audit service provided to the WMCA is in accordance with the Local Government Act (1972), the Accounts and Audit Regulations Act and the Public Sector Internal Audit Standards.

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

DRAFT Internal Audit Plan – 2021-2022

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A quick guide to the audit and assurance planning process
Glossary of Terms
Introduction
Assessing the effectiveness of risk management and governance
Assessing the effectiveness of the system of control
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The assessment of assurance needs
Developing an internal audit plan
Considerations required of the Audit, Risk and Assurance Committee and senior WMCA management
How the internal audit service will be delivered
The internal audit plan

A quick guide to the audit and assurance planning process

Step 1- Audit universe/auditable areas

Identify the audit universe (i.e. a list of themes and areas within them that may require assurance) using a variety of methods:

- Areas of potential risk identified through a variety of sources (including the strategic risk register) as having the potential to impact upon the WMCA's ability to deliver its objectives. Then, identify if we can gain assurance that any of these risks are being managed adequately from other sources of assurance.
- Key Financial Systems - work undertaken in close liaison with the external auditors, to help inform and support the work they are required to undertake.
- Areas where we use auditor's knowledge, management requests and experience etc.



Step 2 – Ranking

Using an assessment of the assurance need identify each auditable area as a high, medium or low assurance need.



Step 3 - Next Year's Plan

List the themes and where appropriate the types of work that will be undertaken in the 2021-2022 internal audit plan.

A glossary of terms

Definition of internal auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Governance

The arrangements in place to ensure that the WMCA fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner.

Control environment

Comprises the systems of governance, risk management and internal control. The key elements include:

- establishing and monitoring the achievement of the WMCA's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement
- the financial management of the WMCA and the reporting of financial management
- the performance management of the WMCA and the reporting of performance management.

System of internal control

The totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

Risk Management

A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating the risks associated with any activity, function or process in a way that will enable the organisation to minimise losses and maximise opportunities.

Risk based audit and assurance reviews

A review that:

- identifies and records the objectives, risks and controls
- establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives
- evaluates the controls in principle to decide if they are appropriate and can be reasonably relied upon to achieve their purpose, addressing the organisation's risks identifies any instances of over and under control and provides management with a clear articulation of residual risks where existing controls are inadequate
- tests the effectiveness of controls i.e. through compliance and/or substantive testing
- arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment.

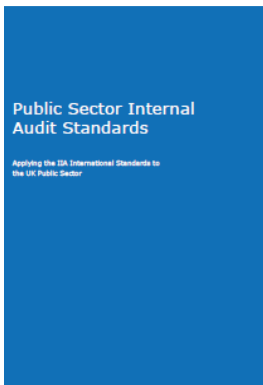
Audit, Risk and Assurance Committee

The governance group charged with independent assurance of the adequacy of the internal control environment and the integrity of financial reporting.

Assurance

A confident assertion, based on sufficient, relevant and reliable evidence, that something is satisfactory, with the aim of giving comfort to the recipient. The basis of the assurance will be set out and it may be qualified if full comfort cannot be given. The Head of Audit may be unable to give an assurance if arrangements are unsatisfactory. Assurance can come from a variety of sources and internal audit can be seen as the ‘third line of defence’ with the first line being the WMCA’s policies, processes and controls and the second being managers’ own checks of this first line.

Internal Audit standards



The internal audit team comply with the standards as laid out in the Public Sector Internal Audit Standards.

Introduction

- The purpose of internal audit is to provide the Chief Executive, Director of Finance and Audit, Risk and Assurance Committee with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the WMCA's agreed objectives. To provide this opinion, we are required to review annually the risk management and governance processes within the WMCA.
- We also need to review on a cyclical basis, the operation of the internal control systems. It should be pointed out that internal audit is not a substitute for effective internal control. The true role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.
- There is a statutory requirement for internal audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards'. The WMCA has an Internal Audit Charter which was reviewed and approved by the Audit, Risk and Assurance Committee and defines the activity, purpose, authority and responsibility of internal audit, and establishes its position within the WMCA. This document sits alongside the charter and helps determine how the internal audit service will be developed.
- The purpose of this document is to provide the WMCA with an internal audit plan, based upon an assessment of its assurance needs. The initial assessment of assurance needs exercise was undertaken by the WMCA's Internal Audit Liaison Officer and then independently reviewed by Internal Audit. This exercise is undertaken to identify the systems of control and determine the frequency of audit coverage. The assessment will also be used to direct internal audit resources to those aspects of the WMCA which are assessed as generating the greatest risk to the achievement of its objectives.

Assessing the effectiveness of risk management and governance

The effectiveness of risk management and governance will be reviewed annually, to gather evidence to support our opinion to the Chief Executive, Director of Finance and Audit, Risk and Assurance Committee. This opinion is reflected in the general level of assurance given in our annual report and where appropriate within separate reports in areas that will touch upon risk management and governance.

Assessing the effectiveness of the system of control

- To be adequate and effective, management should:
 - Establish and monitor the achievement of the WMCA's objectives and facilitate policy and decision making.
 - Identify, assess and manage the risks to achieving the WMCA's objectives.
 - Ensure the economical, effective and efficient use of resources.
 - Ensure compliance with established policies, procedures, laws and regulations.
 - Safeguard the WMCA's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
 - Ensure the integrity and reliability of information, accounts and data.

- These objectives are achieved by the implementation of effective management processes and through the operation of a sound system of internal control.
- The plan contained within this report reflects the assessment of the audit work required to measure, evaluate and report on the effectiveness of risk management, governance and internal control.

Assessment of assurance needs methodology

- Internal audit should encompass the whole internal control system and not be limited only to financial control systems. The scope of internal audit work should reflect the core objectives of the WMCA and the key risks that it faces. As such, each audit cycle starts with a comprehensive analysis of the whole system of internal control that ensures the achievements of the WMCA's objectives.
- Activities that contribute significantly to the WMCA's internal control system, and to the risks it faces, may not have an intrinsic financial value necessarily. Therefore, our approach seeks to assign a relative assurance need value. The purpose of this approach is to enable the delivery of assurance to the WMCA over the reliability of its system of control in an effective and efficient manner.
- The assessment has been undertaken using the following process:
 - Identifying the core objectives of the WMCA and, where available, the specific key risks associated with the achievement of those objectives.
 - Then identifying auditable themes and areas that impact significantly on the achievement of the control objectives.
 - Assigning assurance need values to the auditable themes and areas, based on the evidence obtained.
- The audit plan is drawn out of the assessment of assurance need. The proposed plan covers the 2021-2022 financial year and is detailed at the end of this document.

The assessment of assurance needs - identifying the WMCA's priorities and the associated risks

- The following are the WMCA's key priorities:
 - Transport
 - Housing and Land
 - Skills and Productivity
 - Economy and Innovation
 - Environment and Energy, HS2
 - Public Service Reform and Social Economy
 - Wellbeing
 - Culture and Digital
 - Inclusive Communities

- Supported by the WMCA's values:
 - Be collaborative
 - Be innovative
 - Be driven
 - Be inclusive
- The WMCA has identified the following strategic risks as potentially impacting upon its ability to achieve its key priorities:
 - Covid19 effects and response to risk including long term economic and service delivery impact
 - Financial assumptions for Investment Programme
 - Impact of external challenges and policy changes on WMCA plans
 - Stakeholder and political relations
 - Data Protection and Information Security
 - Employee capacity and capability
 - Overall delivery of Devolution Objectives
 - Commerciality through use of company delivery models
 - Delivering the 2041 Carbon Budget reduction
 - Project and programme appraisal and assurance (Single Assurance Framework)

Identifying the “audit universe”

To undertake the assessment of assurance need, it is first necessary to define the audit universe for the WMCA. The audit universe describes all the systems, functions, operations and activities undertaken by the WMCA. Given that the key risk to the WMCA is that it fails to achieve its objectives, the audit universe has been identified by determining which systems and operations impact upon the achievement of the core objectives of the WMCA, as identified above. These auditable areas include the control processes put in place to address the key risks.

Developing an internal audit plan

- The internal audit plan is based, wherever possible, on management's risk priorities, as set out in the WMCA's own risk analysis/assessment. The plan has been designed to, wherever possible, cover the key risks identified by such risk analysis.
- In establishing the plan, the relationship between risk and frequency of audit remains absolute. The level of risk will always determine the frequency by which auditable themes and areas will be subject to audit. This ensures that key risk themes and areas are looked at on a frequent basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.
- It is recognised that a good internal audit plan should achieve a balance between setting out the planned audit work and retaining flexibility to respond to changing risks and priorities during the year. This is of particular importance for 2021-2022 as WMCA will continue to respond to the effects of the Covid-19 pandemic and the impact of this on its business.
- Auditor's judgement will be applied in assessing the number of days required for each audit identified in the plan.

- The assessment of assurance need's purpose is to:
 - determine priorities and establish the most cost-effective means of achieving audit objectives;
 - assist in the direction and control of all audit work.
- This exercise builds on and supersedes previous internal audit plans.
- Included within the plan, in addition to audit days for field assignments are:
 - a contingency allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested.
 - a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to key recommendations agreed by management during the prior year.
 - an audit management allocation, which is used for management, quality control, client and external audit liaison and for preparation for, and attendance at various member meetings and Audit, Risk and Assurance Committee etc.

Considerations required of the Audit, Risk and Assurance Committee and the WMCA's Senior Management Team

- Are the objectives and key risks identified consistent with those recognised by the WMCA?
- Does the plan include all the themes which would be expected to be subject to internal audit?
- Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?
- Does the plan cover the key risks as they are recognised?

How the internal audit service will be delivered

Staffing

The audit team follow the City of Wolverhampton Council's core behaviours. They are recruited, trained and provided with opportunities for continuing professional development. Employees are also sponsored to undertake relevant professional qualifications. All employees are subject to the Council's Personal Conversation scheme, which leads to an identification of training needs. In this way, we ensure that employees are suitably skilled to deliver the internal audit service. This includes the delivery of specialist skills which are provided by staff within the service with the relevant knowledge, skills and experience.

Resources required

It is estimated that approximately 185 internal audit days (including fraud, assurance and contingency work) will be required to deliver the audit plan.

Quality assurance

All audit work undertaken is subject to quality assurance procedures as required by the Public Sector Internal Audit Standard and reports are subject to review by professionally qualified accountancy staff.

The internal audit plan 2021-2022

Auditable area	Purpose	Rating	Quarter (Month)	ARAC Meeting (indicative)
Cross Organisation				
General Data Protection Regulations	An assessment of the current organisational GDPR arrangements to provide assurance these demonstrate the requirements as set out within GDPR legislation.	High	Quarter 1 (April 2021)	June 2021
Corporate Complaints Process	A review of the corporate complaints process to ensure operating effectively and in accordance with the Complaints Policy and relevant Local Government good practice. Consideration will also be given during the year as to how independent assurance on the effectiveness of the whistleblowing processes can be gained.	High	Quarter 2 (July 2021)	October 2021
Freedom of Information	A review of Freedom of Information processes to confirm it meets the requirements of the Freedom of Information Act 2000.	High	Quarter 2 (August 2021)	October 2021
Bid Management Framework	A high-level review of the bid management framework to ensure effective governance, risk and support arrangements are established at the outset for major bids to facilitate effective, efficient and consistent transition to service delivery.	High	Quarter 2 (September 2021)	January 2022
Key Financial Systems	To provide assurance that the key financial processes are operating, including: <ul style="list-style-type: none"> • Payroll • Accounts payable • Accounts receivable 	High	Quarter 3 (October 2021)	January 2022

Auditable area	Purpose	Rating	Quarter (Month)	ARAC Meeting (indicative)
	<ul style="list-style-type: none"> • General ledger • Budgetary control • Treasury Management 			
ICT Strategy	A review to seek assurance that a clearly defined and robust ICT Strategy has been developed and established.	High	Quarter 3 (December 2021)	April 2022
Investment Programme Monitoring and Evaluation Arrangements	A review of the monitoring and evaluation arrangements in operation for programmes and projects funded by the Investment Programme, and integration with wider monitoring and evaluation arrangements.	High	Quarter 4 (February 2022)	April 2022
Transport				
TfWM COVID 19 Response – Management and Decision-Making Arrangements	A high-level review of the management and decision-making arrangements operated by TfWM as part of its ongoing response to the Pandemic to ensure alignment with relevant Government guidance and requirements, as well as consistent cross directorate arrangements operated by core service areas.	High	Quarter 1 (May 2021)	September 2021
Longbridge Park and Ride Income Management and Charging Arrangements	A review of the proposed income management and charging arrangements developed for the Longbridge Park and Ride charging pilot.	Medium	Quarter 2 (September 2021)	January 2022
Dudley Interchange Project Management Arrangements	A review of the governance, project management, risk management and control systems in operation for the Dudley Interchange Project.	Medium	Quarter 3 (October 2021)	January 2022

Auditable area	Purpose	Rating	Quarter (Month)	ARAC Meeting (indicative)
Housing				
Single Commissioning Framework - Land Fund	A review of the systems and controls established for the administration of the Land Fund within the Single Commissioning Framework to ensure the fund effectively supports achievement of the strategic objectives.	High	Quarter 1 (June 2021)	September 2021
Affordable Housing Delivery Vehicle	A high-level review of the governance, risk management and partnership arrangements proposed within the pilot Affordable Housing Delivery Vehicle as a core contributor to the strategic objectives regarding housing and specifically for additional affordable housing.	High	Quarter 3 (November 2021)	January 2022
Productivity and Skills				
Adult Education Budget	The Adult Education Budget is a major funding mechanism underpinning the strategic aims and specifically the Regional Skills Plan. In-year review will be determined on the basis of any policy, management or delivery developments as well as the outcome of any internal and external reviews where undertaken.	High	Quarter 4 (March 2022)	June 2022
Environment and Energy				
WM2041 Delivery Programme (Environmental Recovery)	A high-level review of the proposed governance, monitoring and reporting arrangements developed in support of the WM2041 Delivery Programme (Environmental Recovery) including carbon reduction.	High	Quarter 2 (July 2021)	September 2021

Auditable area	Purpose	Rating	Quarter (Month)	ARAC Meeting (indicative)
Public Service Reform and Social Economy				
Inclusive Growth Investment Toolkit	A review of the governance, management, monitoring and reporting arrangements developed to support the effective implementation and utilisation of the Toolkit as part of evaluating the contribution of schemes to inclusive growth in the West Midlands.	High	Quarter 4 (January 2022)	April 2022

The following reviews and associated services will be delivered corporately across WMCA:

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Auditable Area	Purpose
Consultancy and advice	Special projects, advice and assistance, unplanned and ad-hoc work as and when requested.
Counter Fraud	Where required the carrying out of investigations into areas of suspected or reported fraudulent activity across the WMCA.
Recommendation follow up	The follow up of key internal audit recommendations including continued oversight of limited opinion audit reports.
Audit Management	Day to day management of the internal audit service, quality control, client and external audit liaison and preparation for, and attendance at various meetings. Preparation and presentation of papers for the Audit, Risk and Assurance Committee, and providing advice and training to committee members as and when required.



Audit, Risk & Assurance Committee

Date	4 March 2021
Report title	Internal Audit Update – March 2021
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:

The 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 – March 2021
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 have been completed or are currently underway.

Auditable area	AAN Rating	Status and level of assurance	ARAC Meeting (indicative)
2019-2020 Internal Audit Reviews previously reported (will feed into the 2020-2021 opinion)			
Single Commissioning Framework	High	Final issued – Substantial	October 2020
Third Generation Trams Procurement Project Management	High	Final issued – Satisfactory	October 2020
2020-2021 Internal Audit Reviews previously reported (will feed into the 2020-2021 opinion)			
Sprint Programme Management Arrangements	High	Final report issued – Substantial	October 2020
Accounts Payable	High	Final report issued – Satisfactory	January 2021
Accounts Receivable	High	Final report issued – Substantial	January 2021
Budgetary Control	High	Final report issued – Substantial	January 2021
General Ledger	High	Final report issued – Substantial	January 2021
Payroll	High	Final report issued – Substantial	January 2021

Auditable area	AAN Rating	Status and level of assurance	ARAC Meeting (indicative)
Treasury Management	High	Final report issued – Satisfactory	January 2021
Human Resources Pre-employment checks	N/A	Final report issued	January 2021
Employee Management (Covid-19 response)	High	Final report issued - substantial	January 2021
Environmental Management System	High	Final issued – Satisfactory	January 2021
2020-2021 Internal Audit Review completed			
Procurement (Covid-19 response)	High	Final issued -Substantial	March 2021
2020-2021 Internal Audit Reviews in progress			
Harvesttime Project Management Arrangements	High	Fieldwork completed, awaiting final information	April 2021
Commonwealth Games Strategic Transport Plan*	High	Fieldwork in progress	April 2021
Local Industrial and Economic Strategy	High	Fieldwork in progress	April 2021
Digital Retraining Fund	High	Fieldwork in progress	April 2021
Risk Management	High	Fieldwork in progress	June 2021
Adult Education Budget	High	Planning commenced	June 2021
Bid Management	High	**Deferred to 2021-2022	
Investment Programme Monitoring and Evaluation Arrangements	High	**Deferred to 2021-2022	

*As previously noted, it has been agreed that a joint working approach would be undertaken in liaison with the Commonwealth Games Organising Committee's Internal Auditors regarding the Integrated Transport Plan. We are working collectively where there is commonality within the audit scopes of both the Organising Committee and the WMCA. Reporting will be undertaken independently to each organisation's respective audit committee.

** As previously agreed

Summary of individual audits

The following review was categorised as Substantial Assurance. A summary of our observations has been included below.

Procurement and Supplier Relief (Covid-19 Response)

Our review focused on the arrangements for procurement and supplier relief in response to the implications of the Covid-19 pandemic and alignment with the Procurement Practice Notes issued by the Cabinet Office to contracting authorities. We are pleased to report that we found no major issues, finding several areas of good practice and alignment with the procurement, contract and supplier support arrangements advised within the Cabinet Office Procurement Policy Notes (PPNs).

Procurement and contract review, additional assurance arrangements prior to undertaking new procurement activity and supply chain risk management and relief measures (including immediate payment terms and payment on profile for critical services) were suitably addressed as part of the ongoing response.

3 Follow-up of previous recommendations

Through an ongoing cycle of reviews, 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.

As part of a new working arrangement, the WMCA Internal Audit Liaison Officer will be undertaking the initial preparatory work for each follow-up review obtaining progress updates and supporting evidence as and when agreed implementation dates arrive. This is in support also of the WMCA management monitoring arrangements of progress with implementation.

Internal Audit upon referral from the Internal Audit Liaison Officer will then independently review the progress and supporting evidence, and report accordingly on the progress made with implementation of recommendations. Ultimately, Internal Audit will retain the responsibility for determining if sufficient action has been taken.

Follow up action of the following reviews forms part of this ongoing cycle:

Auditable area	Overall Opinion	Agreed Actions		
		Red	Amber	Green
In progress				
Homelessness Taskforce	Substantial	-	-	1
Forward cycle				
Devolution Deal Objectives and Financial Assumptions, including Business Planning	Satisfactory	-	2	-
WMCA Governance Arrangements	Substantial	-	-	6
Midland Metro Limited Operational Transfer	Satisfactory	-	2	-
Budget Management Role and Responsibilities	Substantial	-	-	3
Employee Performance Management	Satisfactory	-	1	1
Construction Retraining Fund	Substantial	-	-	1
West Midlands Rail Limited - WMCA Governance and Management Arrangements	Satisfactory	-	3	-
WMCA Accessible Transport Services	N/A	-	4	2

The following reviews have been completed:

Auditable area	Overall Opinion	Agreed Actions			Outcome
		Red	Amber	Green	
Employee Support Pilot (Productivity and Skills)	Substantial	-	-	1	Implemented, no further action required
Construction Retraining Fund	Substantial	-	-	1	Implemented, no further action required



Audit, Risk & Assurance Committee

Date	4 March 2021
Report title	Informing the Audit Risk Assessment 2020/21 for West Midlands Combined Authority
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 draft informing the audit risk assessment 2019/20 report presented by Grant Thornton and consider whether the responses provided by management are consistent with its understanding and whether there are any further comments it wishes to make.

1. Purpose

- 1.1 The purpose of this report is to contribute towards the effective two-way communication between West Midlands Combined Authority's external auditors and West Midlands Combined Authority's Audit, Risk & Assurance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit, Risk & Assurance Committee under auditing standards.

2. Background

- 2.1 Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit, Risk & Assurance Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit, Risk & Assurance Committee and also specify matters that should be communicated. This two-way communication assists both the auditor and the Audit, Risk & Assurance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit, Risk & Assurance Committee and supports the Audit, Risk & Assurance Committee in fulfilling its responsibilities in relation to the financial reporting process.
- 2.2 The report attached as an appendix is in draft and may need to be updated once discussions around accounting estimates have been finalised. An update on any changes agreed will be provided at the Committee's April 2021 meeting when the External Audit Plan for 2020/21 will also be considered.

3. Financial Implications

- 3.1 There are no financial implications arising from this report.

4. Legal Implications

- 4.1 There are no legal implications arising from this report.

5. Equalities Implications

- 5.1 There are no equalities implications arising from this report.

6. Inclusive Growth Implications

- 6.1 There are no inclusive growth implications arising from this report.

7. Geographical Area of Report's Implications

- 7.1 There are no geographical area implications arising from this report.

8. Other Implications

- 8.1 There are no other implications arising from this report.

9. Schedule of Background Papers

9.1 Informing the audit risk assessment for West Midlands Combined Authority 2020/21

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Informing the audit risk assessment for West Midlands Combined Authority 2020/21

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between West Midlands Combined Authority's external auditors and West Midlands Combined Authority's Audit, Risk & Assurance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit, Risk & Assurance Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit, Risk & Assurance Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit, Risk & Assurance Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit, Risk & Assurance Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit, Risk & Assurance Committee and supports the Audit, Risk & Assurance Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from West Midlands Combined Authority's management. The Audit, Risk & Assurance Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?</p>	<p>The key events are:</p> <ol style="list-style-type: none"> 1. Adult Education Budget. There are no new or different accounting issues in relation to the Adult Education Budget, it has been highlighted by virtue of its magnitude. 2. COVID-19 grants <p>The key issues are the COVID-19 impact on operational income and expenditure.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by West Midlands Combined Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Yes, WMCA provided a soft loan to a local authority during the year. The accounting policy for financial assets will be updated for this.</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>Yes, the financial instruments will consist of investments, cash and cash equivalents, short-term debtors and creditors, borrowings and transferred debt.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business?</p>	<p>No, we are not aware of any significant transaction outside the normal course of business.</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No, we are not aware of any changes in circumstances that would lead to impairment of non-current assets.
6. Are you aware of any guarantee contracts?	Yes. WMCA has guarantees with Sandwell and Birmingham City Council lodged with the bank in connection with works undertaken at various car parks.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No, we are not aware of any.
8. Other than in house solicitors, can you provide details of those solicitors utilised by West Midlands Combined Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Solicitors on behalf of our insurers dealing with personal injury cases. Please also refer to our response to question 4 on the impact of laws and regulations.
9. Have any of the West Midlands Combined Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	We are not aware of any.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	WMCA consults a wide range of advisors in many areas of its business. None of these are likely to have a material impact on the financial statements.

Fraud

Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit, Risk & Assurance Committee and management. Management, with the oversight of the Audit, Risk & Assurance Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit, Risk & Assurance Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As West Midlands Combined Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit, Risk & Assurance Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit, Risk & Assurance Committee oversees the above processes. We are also required to make inquiries of both management and the Audit, Risk & Assurance Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from West Midlands Combined Authority's management.

Fraud risk assessment

Question	Management response
<p>1. Have West Midlands Combined Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Authority's risk management processes link to financial reporting?</p>	<p>Yes, the risk is considered to be low .</p> <p>This is undertaken via the Anti-Fraud & Corruption Policy and the Whistleblowing Policy.</p> <p>Key financial systems audit are undertaken annually by Wolverhampton Audit Services and their findings are reported in their internal audit reports which are presented to the Audit, Risk & Assurance Committee. Additionally, their recommendations and observations are acted upon.</p> <p>The risk register is reviewed monthly as part of the monthly management reporting.</p>
<p>What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Treasury-related transactions.</p>

Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within West Midlands Combined Authority as a whole or within specific departments since 1 April 2020? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>No.</p> <p>Risk issues including fraud feature as a standing item in the Audit, Risk & Assurance Committee agenda.</p>
<p>4. Have you identified any specific fraud risks? Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within West Midlands Combined Authority where fraud is more likely to occur?</p>	<p>No.</p> <p>Yes, the areas we consider that are the biggest risks this year are the Adult Education Budget, concessions, ticketing and treasury management.</p> <p>No.</p>
<p>5. What processes do West Midlands Combined Authority have in place to identify and respond to risks of fraud?</p>	<p>Policies and procedures are published on the Intranet covering theft and fraud and the process staff should follow if they suspect anything. These procedures also state the escalation procedure if required.</p> <p>If a potential fraud is reported, the Corporate Assurance Manager would be contacted who will then commission Wolverhampton Audit Services to conduct an investigation.</p> <p>We have sound financial processes to ensure stewardship.</p>

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for West Midlands Combined Authority, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness of the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>The overall control environment is assessed as robust. Additionally, we commission Wolverhampton Audit Services to perform internal audits on key areas and processes annually.</p> <p>N/A.</p> <p>Monthly financial reporting including account reconciliation which is a robust process.</p> <p>No</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>There is potential for misreporting but this is mitigated by processes and controls in place.</p>

Fraud risk assessment

Question	Management response
<p>8. How do West Midlands Combined Authority communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>This is communicated through the policies and procedures published on the Intranet.</p> <p>Inductions are provided to new staff where they are given an overview of business practices and ethical behaviours and their role in identifying or responding to fraud.</p> <p>Regular team briefing sessions are held where staff can raise any concerns and business practice and ethical behaviour can be reinforced.</p> <p>No significant issues have been reported.</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Treasury team.</p> <p>These risks are identified, assessed and managed through Treasury Management Group, clear segregation of duties and segregated approval limits.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No.</p> <p>These risks are mitigated by robust procurement procedures.</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit, Risk & Assurance Committee?</p> <p>How does the Audit, Risk & Assurance Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements far this year?</p>	<p>Policies and procedures are published on the Intranet and these procedures also state the escalation procedure if required. Additionally, there is a standing agenda item for risks issues including fraud in the Audit, Risk & Assurance Committee meetings.</p> <p>The internal audit function delivered by Wolverhampton Audit Services presents audit reports to the Audit, Risk & Assurance Committee. The Client Manager from Wolverhampton has access to both the Chief Audit Executive and the Chair and Vice-Chair of the Audit, Risk & Assurance Committee.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>There were 2 incidents during the year and they are being investigated by Internal Audit. Updates are being provided to the Audit, Risk & Assurance Committee.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>We are not aware of any.</p>

Law and regulations

Issue

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit, Risk & Assurance Committee, is responsible for ensuring that West Midlands Combined Authority's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit, Risk & Assurance Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does West Midlands Combined Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>Responsibility for ensuring compliance with relevant laws and regulations lies with the Head of Governance (Monitoring Officer) who advises the WMCA.</p> <p>The Constitution and governance arrangements within the WMCA have been reviewed and confirmed that they are appropriate and robust. All governance arrangements are monitored to ensure that they comply with relevant legislation and are fit for purpose.</p> <p>Individual experts also take responsibility within their own areas of expertise and where relevant appoint external advisors.</p> <p>No, we are not aware of any changes to WMCA's regulatory environment that may have a significant impact on the financial statements.</p>
<p>2. How is the Audit, Risk & Assurance Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Chief Audit Executive is the Head of Governance and a qualified solicitor, as well as Monitoring Officer. It is the duty of care of all these roles to ensure laws and regulations have been adhered to. The WMCA legal team reports to the Head of Governance and are also the custodians of the WMCA Constitution. The Chief Audit Executive would flag to the committee if any breaches to the Constitution had been made. Where the Chief Audit Executive is not present at an Audit, Risk & Assurance Committee, it is advised that a legal representative is present at the committee.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>None.</p>

Impact of laws and regulations

Question	Management response
4. Is there any actual or potential litigation or claims that would affect the financial statements?	Cover is in place through Municipal Mutual Insurance which is currently administered via Zurich on behalf of Municipal Mutual with an excess of £25k. Finance are kept up-to-date with any claims and potential claims. Whilst the WMCA have a number of potential claims at investigation stage, there are no significant litigation claims at this time.
5. What arrangements does West Midlands Combined Authority have in place to identify, evaluate and account for litigation or claims?	All claims are controlled by the legal team in conjunction with our insurers. Where appropriate, these are taken to the WMCA Board for approval.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No.

Related Parties

Issue

Matters in relation to Related Parties

West Midlands Combined Authority are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by West Midlands Combined Authority;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Authority, or of any entity that is a related party of the Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Authority's perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties disclosed in West Midlands Combined Authority's 2019/20 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and West Midlands Combined Authority <p>whether West Midlands Combined Authority has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions</p>	<p>There have been no changes in respect of related parties.</p>
<p>2. What controls does West Midlands Combined Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Key officers complete a disclosure form detailing their interests. These are reviewed annually.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Robust procurement procedures are in place to provide assurance that all expenditure is carried out on a commercial basis. The process in place are no different when considering related party transactions.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>As above.</p>

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit, Risk & Assurance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit, Risk & Assurance Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<p>They are:</p> <ul style="list-style-type: none"> • Estimated remaining useful lives of PPE/Depreciation • Accruals • Pension Fund (LGPS) Actuarial gains/losses
2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?	<p>The operational risk management process will highlight any changes to circumstances which could lead to an assessment of accounting estimates and/or assumptions may require revision.</p>
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	<p>Each transaction will be assessed on its own merit and the identification will be based on requirements/criteria set out by the CIPFA's Code of Practice and the applicable accounting standards e.g. IFRS, ISA and IPSAS.</p>
4. How do management review the outcomes of previous accounting estimates?	<p>This is done via the rigorous monthly management reporting where the basis is reviewed and where applicable a reconciliation between the accrual and submitted claims received.</p>
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	<p>There were no changes.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	New classes of transactions, events and conditions are assessed and specialist skills or knowledge are resourced as appropriate.
7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	This is determined by assessing the activities on their own merit.
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	This is done via the rigorous monthly management reporting. On the defined pension benefits, we place reliance on the internal audit carried out annually at the West Midlands Pension Fund where its findings are reported to the West Midlands Pensions Board. Additionally, we have employer representatives present at this Pensions Board.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements.	These are explained as appropriate as part of regular financial monitoring reports to the Senior Leadership Team and WMCA Board.

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	No significant judgements expected over and above those already outlined in Appendix A.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
12. How is the Audit, Risk & Assurance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	These are explained as appropriate as part of regular financial monitoring reports to Senior Leadership Team and WMCA Board. The Chair of Audit, Risk and Assurance Committee attends WMCA Board.

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Appendix A Accounting Estimates

Estimate	Question	Management response
Estimated remaining useful lives of PPE / Depreciation	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	There were no risks identified.
Estimated remaining useful lives of PPE / Depreciation	2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Depreciation is calculated on a straight-line basis as this reflects consumption of assets and is a reasonable assumption. There were no changes made.
Estimated remaining useful lives of PPE / Depreciation	3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Based on the specialist knowledge of project managers & in respect of trams, from its manufacturer.
Estimated remaining useful lives of PPE / Depreciation	4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	The source data containing cost (as recorded in our ledger) and UEL is held within the fixed asset module in our financial system. Depreciation is automatically calculated & checked for reasonableness. There were no changes made.

Appendix A Accounting Estimates

Estimate	Question	Management response
Estimated remaining useful lives of PPE / Depreciation	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes and from our internal asset management team and where applicable Bruton Knowles as the valuer.
Estimated remaining useful lives of PPE / Depreciation	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Depreciation methods, useful lives and residual values are reviewed each financial year and adjusted if appropriate.
Estimated remaining useful lives of PPE / Depreciation	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes and the key controls have been assessed as robust.
Estimated remaining useful lives of PPE / Depreciation	8. Were any changes made to the key control activities this year? If so please provide details.	There were no changes made.

Appendix A Accounting Estimates

Estimate	Question	Management response
Estimated remaining useful lives of PPE / Depreciation	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	N/A
Estimated remaining useful lives of PPE / Depreciation	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	N/A

Appendix A Accounting Estimates

Estimate	Question	Management response
Accruals	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Yes and this is mitigated through the rigorous monthly management reporting.
Accruals	2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	We use the standard accruals accounting - accruals are based on expenses incurred that have not yet been invoiced or paid. There were no changes made.
Accruals	3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	N/A
Accruals	4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Source data will be dependent on the type of accrual. In other words, accruals will be based on invoices or claims subsequently received. There were no changes made.

Appendix A Accounting Estimates

Estimate	Question	Management response
Accruals	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	N/A
Accruals	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	This is done through the rigorous monthly management reporting.
Accruals	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes and they have been assessed as robust.
Accruals	8. Were any changes made to the key control activities this year? If so please provide details.	There were no changes made.

Appendix A Accounting Estimates

Estimate	Question	Management response
Accruals	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	N/A
Accruals	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	N/A

Appendix A Accounting Estimates

Estimate	Question	Management response
Pension Fund (LGPS) Actuarial gains/losses	1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	We have not identified any risks.
Pension Fund (LGPS) Actuarial gains/losses	2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	This is performed by the actuarial expert, Barnett Waddingham. We are not aware of any changes made to these methods or models.
Pension Fund (LGPS) Actuarial gains/losses	3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	The nature of these figures forecasting into the future are based on the best information held at the current time and are developed by experts in their field. We assess the assumptions used by the actuary for their reasonableness. We are not aware of any changes made to these assumptions.
Pension Fund (LGPS) Actuarial gains/losses	4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	The source data is held by the West Midlands Pension Fund and actuarial data submitted to Barnett Waddingham is audited by the West Midlands Pension Fund's auditors. We are not aware of any changes made to this source data.

Appendix A Accounting Estimates

Estimate	Question	Management response
Pension Fund (LGPS) Actuarial gains/losses	5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, this is performed by Barnett Waddingham who is procured by the West Midlands Pension Fund.
Pension Fund (LGPS) Actuarial gains/losses	6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	<p>This is done via the internal audit performed annually at the West Midlands Pension Fund where its findings are reported at the West Midlands Pensions Board.</p> <p>Additionally, we have employer representatives who attend the West Midlands Pensions Board.</p>
Pension Fund (LGPS) Actuarial gains/losses	7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes. Internal audit is performed annually at the West Midlands Pension Fund & its findings are reported to the West Midlands Pensions Board.
Pension Fund (LGPS) Actuarial gains/losses	8. Were any changes made to the key control activities this year? If so please provide details.	We are not aware of any changes.

Appendix A Accounting Estimates

Estimate	Question	Management response
Pension Fund (LGPS) Actuarial gains/losses	9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	We place reliance on the expertise of those at the West Midlands Pension Fund and its appointed actuary, Barnett Waddingham.
Pension Fund (LGPS) Actuarial gains/losses	10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	These are calculated by the actuarial expert, Barnett Waddingham & are contained in the actuarial report.





Audit, Risk & Assurance Committee

Date	4 March 2021
Report title	Adoption of a Revised Code of Conduct for the Mayor and Members of the Combined Authority
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Tim Martin, Head of Governance, Clerk and Monitoring Officer Email: Tim.Martin@wmca.org.uk Tel: (0121) 214 7435
Report has been considered by	Senior Leadership Team

Recommendation(s) for action or decision:

The Audit, Risk & Assurance Committee is recommended to:

- (1) Consider the enclosed (draft) revised Code of Conduct and recommend to the WMCA Board that it be adopted.

1. Purpose

Under the provisions of the Localism Act 2011, all local authorities (which for the purposes of this report includes Combined Authorities) are required to have a Code of Conduct for elected politicians which covers ethical standards and behaviour. This report recommends updating the WMCA Code of Conduct for the reasons set out below.

2. Background

The WMCA adopted a Code of Conduct as part of its constitution when first established. For a Combined Authority the Code applies to the Mayor who is directly elected to the authority and to elected and co-opted members who are appointed to represent the constituent and non constituent bodies. Apart from the Mayor, other members of the Combined Authority are not elected directly to the Combined Authority and become members of the WMCA upon nomination by their own Authority. The WMCA Code of Conduct only applies to Members when they are undertaking the work of the Combined Authority.

The Committee on Standards in Public Life (CSPL) reviewed the operation of the ethical framework in local government in 2017 and made a number of recommendations. A number of these recommendations require the Government to take legislative action and it is understood that the government's response is still awaited.

A number of the issues raised by the CSPL review related to the lack of available sanctions in terms of enforcing any relevant Code provisions since the disbanding of the Standards Board for England. This has been a longstanding issue but in the absence of legislative authority it has been concluded by those advising local and combined authorities that hard edged sanctions e.g. suspension, disqualification etc would be unlawful in most cases.

In the meantime the Local Government Association (LGA) has consulted with its members and issued a revised model Code of Conduct suitable for adoption by local government bodies which incorporates those points raised by the CSPL report which do not require any legislative change.

The existing WMCA Code of Conduct, which is attached to this report is light on detail in a number of areas. Best practice would indicate that it should be reviewed at regular intervals and the publication of the LGA code gives a sensible opportunity to implement a revised document that should be widely understood across the local government spectrum.

The revised Code of Conduct adds or strengthens provisions around:

- Bullying and harassment (including making it clear that members themselves are entitled to be treated with respect by the public)
- Equalities
- Covering communications via social media
- Use of resources
- Bringing the authority into disrepute
- Compliance with the Code and any investigations.

The revised code strengthens the links between the seven principles of public life and the context in which they are to be observed and implemented. The document attached

mirrors the LGA code in almost every respect however some terminology and context has been amended to reflect the specific circumstances of the Combined Authority.

The Code reiterates the existing provisions regarding the registration of interests and the declaration of gifts and hospitality. For most elected members, they will have registered their interests as part of their compliance with arrangements in their own authority. The Combined Authority relies on those arrangements, augmented by an annual check that there are no additional interests that apply in the WMCA area which do not arise within the member's home City or Borough. The Mayor's interests are registered with the WMCA directly.

ARAC is the body which discharges the role of Standards Committee for the Combined Authority and is responsible for advising on the adoption of a revised code of conduct. Final adoption would be a decision for the WMCA Board.

There have been no complaints or referrals under the Code of Conduct in the last two financial years.

3. Financial Implications

There are no financial implications arising from this report.

4. Legal Implications

The legislative background to the ethical framework for local government bodies is set out in this report. There have been no changes to the requirements in the Localism Act 2011 or the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.

5. Equalities Implications

The Combined Authority is subject to the public sector equality duty as set out in the Equalities Act 2010. The revised code reinforces the requirement to have regard to these duties at all times, to prevent discrimination towards any person in relation to any of the protected characteristics and the need to ensure that equality considerations are integral to performance and strategic aims across the work of the authority.

6. Inclusive Growth Implications

There are no specific implications.

7. Geographical Area of Report's Implications

The Code of Conduct applies to all Members of the WMCA whether from Constituent or Non Constituent bodies.

8. Other Implications

None.

9. Schedule of Background Papers

Draft Revised Code of Conduct issued by LGA.
Existing WMCA Code of Conduct adopted in 2017

Code of Conduct for the Mayor and Members of the West Midlands Combined Authority.

Definitions

For the purposes of this Code of Conduct, a “Mayor” or “Councillor” means a member or co-opted member of the Combined Authority or a directly elected Mayor. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the authority, or;
- b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

Purpose of the Code of Conduct

The purpose of this Code of Conduct is to assist you, as a Mayor or Councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow elected Members, local authority officers and the reputation of the Combined Authority and local government generally. It sets out general principles of conduct expected of all Mayors or Councillors and your specific obligations in relation to standards of conduct. The fundamental aim of the Code is to create and maintain public confidence in the role of an elected Mayor or Councillor and local government.

General principles of Mayor or Councillor conduct

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, Mayors or Councillors and local authority officers; should uphold the [Seven Principles of Public Life](#), also known as the Nolan Principles.

Building on these principles, the following general principles are applicable to the role of elected Mayor or member of the Combined Authority.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of Mayor/Councillor.

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the residents and communities of the Combined Authority area
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with the combined authority's requirements and in the public interest.

Application of the Code of Conduct

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of Mayor or are appointed as a member, participant or representative on the Combined Authority, or attend your first meeting as a co-opted member, and continues to apply to you until you cease to occupy any of those roles.

This Code of Conduct applies to you when you are acting in your capacity as a Mayor or Councillor (and in the case of a Councillor, when you are acting in your role in relation to the Combined Authority only) which may include when:

- you misuse your position as a Mayor/Councillor
- Your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a Mayor or Councillor;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a Mayor or Councillor.

Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct.

Standards of Mayor or Councillor conduct

This section sets out your obligations, which are the minimum standards of conduct required of you as a Mayor or Councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

General Conduct

1. Respect

As a Mayor or Councillor:

1.1 I treat other elected politicians, co-opted Members and members of the public with respect.

1.2 I treat Combined and local Authority employees, employees and representatives of partner organisations and those volunteering for the Combined or Local Authority with respect and respect the role they play.

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a Mayor or Councillor, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.

In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in elected representatives.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidating or threatening you are entitled to stop any conversation or interaction in person or online and report them to the Combined Authority, the relevant social media provider or the police. This also applies to fellow elected representatives, where action could then be taken under this Code of Conduct. Similar concerns over Combined Authority employees, should be raised in line with the Combined authority's protocol for Mayor, Member and Officer relations.

2. Bullying, harassment and discrimination

As a Mayor or Councillor:

2.1 I do not bully any person.

2.2 I do not harass any person.

2.3 I promote equalities and do not discriminate unlawfully against any person.

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. May have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

3. Impartiality of officers

4. As a Mayor or Councillor:

3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the combined authority or a local authority.

Officers work for the Combined authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

5. Confidentiality and access to information

As a Mayor or Councillor:

4.1 I do not disclose information:

- a. given to me in confidence by anyone**
- b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless**
 - i. I have received the consent of a person authorised to give it;**
 - ii. I am required by law to do so;**
 - iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or**
 - iv. the disclosure is:**
 - 1. reasonable and in the public interest; and**
 - 2. made in good faith and in compliance with the reasonable requirements of the local authority; and**
 - 3. I have consulted the Monitoring Officer prior to its release.**

4.2 I do not improperly use knowledge gained solely as a result of my role as a Mayor or Councillor for the advancement of myself, my friends, my family members, my employer or my business interests.

4.3 I do not prevent anyone from getting information that they are entitled to by law.

Public authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

5. Disrepute

As a Mayor or Councillor:

5.1 I do not bring my role or the combined authority into disrepute.

As a Mayor or Councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other elected representatives and/or your combined or local authority and may lower the public's confidence in you or your authority's ability to discharge your/its functions. For example, behaviour that is considered dishonest and/or deceitful can bring your authority into disrepute.

You are able to hold the authority and fellow elected representatives to account and are able to constructively challenge and express concern about decisions and processes undertaken by the combined authority whilst continuing to adhere to other aspects of this Code of Conduct.

6. Use of position

As a Mayor or Councillor:

6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the combined authority provides you with certain opportunities, responsibilities and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

7. Use of local authority resources and facilities

As a Mayor or Councillor:

7.1 I do not misuse public resources.

7.2 I will, when using the resources of the combined authority or authorising their use by others:

- a. act in accordance with the combined authority's requirements; and**
- b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the combined authority or of the office to which I have been elected or appointed.**

You may be provided with resources and facilities by the authority to assist you in carrying out your duties as a Mayor or Councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport
- access and use of combined authority buildings and rooms.

These are given to you to help you carry out your role as a Mayor or Councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the authority's own policies regarding their use.

8. Complying with the Code of Conduct

As a Mayor or Councillor:

8.1 I undertake Code of Conduct training provided by my authority.

8.2 I cooperate with any Code of Conduct investigation and/or determination.

8.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.

8.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.

It is extremely important for you as a Mayor or Councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the combined authority's processes in handling a complaint you should raise this with the Monitoring Officer.

Protecting your reputation and the reputation of the Combined Authority

9. Interests

As a Mayor/Councillor:

9.1 I register and disclose my interests.

Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of interests of members of the authority .

You need to register your interests so that the public, authority employees and fellow elected representatives know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other elected representatives when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or disclose a disclosable pecuniary interest as set out in Table 1, is a criminal offence under the Localism Act 2011.

Appendix B sets out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from your Monitoring Officer.

10. Gifts and hospitality

As a Mayor or

Councillor:

- 10.1 I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the authority or from persons who may apply to the authority for any permission, licence or other significant advantage.**
- 10.2 I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt.**
- 10.3 I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.**

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a Mayor or Councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a Mayor or Councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a Mayor or Councillor. If you are unsure, do contact your Monitoring Officer for guidance.

Appendices

Appendix A – The Seven Principles of Public Life

The principles are:

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Appendix B

Registering Interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in "The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012". You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

"Disclosable pecuniary interest" means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

"Partner" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A 'sensitive interest' is as an interest which, if disclosed, could lead to the Mayor/Councillor, or a person connected with the Mayor/Councillor, being subject to violence or intimidation.
3. Where you have a 'sensitive interest' you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.
5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it

Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which **directly relates** to one of your Other Registerable Interests (as set out in Table 2), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

8. Where a matter arises at a meeting which **affects** –

- a. your own financial interest or well-being;
- b. a financial interest or well-being of a friend, relative, close associate; or
- c. a body included in those you need to disclose under Disclosable Pecuniary Interests as set out in **Table 1**

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter **affects** your financial interest or well-being:

- a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward or authority area affected by the decision and;
- b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. Where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must make sure that any written statement of that decision records the existence and nature of your interest.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the Mayor/Councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a Mayor/Councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the Mayor/Councillor or his/her spouse or civil partner or the person with whom the

	<p>Mayor/Councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council —</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land and Property	<p>Any beneficial interest in land which is within the area of the council.</p> <p>'Land' excludes an easement, servitude, interest or right in or over land which does not give the Mayor/Councillor or his/her spouse or civil partner or the person with whom the Mayor/Councillor is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income.</p>
Licenses	<p>Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer</p>
Corporate tenancies	<p>Any tenancy where (to the Mayor/Councillor's knowledge)—</p> <p>(a) the landlord is the council; and</p> <p>(b) the tenant is a body that the Mayor/Councillor, or his/her spouse or civil partner or the person with whom the Mayor/Councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.</p>
Securities	<p>Any beneficial interest in securities* of a body where—</p> <p>(a) that body (to the Mayor/Councillor's knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the Mayor/Councillor, or his/ her spouse or civil partner or the person with whom the Mayor/Councillor is living as if</p>

	they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.
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* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registerable Interests

You have a personal interest in any business of your authority where it relates to or is likely to affect:

- a) anybody of which you are in general control or management and to which you are nominated or appointed by your authority
- b) anybody
 - (i) exercising functions of a public nature
 - (ii) anybody directed to charitable purposes or
 - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)



Audit, Risk & Assurance Committee

Date	4 March 2021
Report title	Update on Cyber Security & ICT processes
Report Author	Jason Danbury Strategic Head of Digital and Data Email: Jason.Danbury@wmca.org.uk

Recommendation(s) for action or decision:

The Audit, Risk & Assurance Committee is recommended to:

- (1) Note the use of the *Protection of Digital and Data Systems and Information - Acceptable Use Policy* (AUP) to provide support to the organisation.

1. Purpose

To provide an update on cyber security and ICT processes.

2. Background

The maturity of WMCA's Information Assurance is an ongoing process that incorporates national frameworks and best practices such as the HMG Security Policy Framework and National Security Centre guidance.

Confidentiality, Integrity and Availability (CIA) of data underpins Information Assurance and Information Security Management, with Cyber Security and its processes forming a sub-set of this subject. To support the organisation and help individuals to better understand areas of personal accountability a *Protection of Digital and Data Systems and Information - Acceptable Use Policy (AUP)* has been created and sets out 5 main categories for awareness.

The AUP is particularly important in the current climate given the necessity of remote and home working. The 5 categories set out in the AUP are:

1) Protection

A general reminder of good practices in protecting individuals and the organisation. Setting out processes to adhere to and what to do if experiencing problems.

2) Working Remotely

The Covid-19 pandemic has resulted in a significant shift in working practices with a reliance on remote working. The AUP provides guidance on how best to work outside of the traditional work environment.

3) Personal Use of WMCA IT

With the blurring of lines between work and homelife during the current situation, the AUP helps provide clarity regards the use of WMCA equipment.

4) Storage

Providing guidance on the transportation and storage of physical and digital information is an important part of maintaining confidentiality and integrity.

5) Loss or Compromise

The AUP provides clarity on what to do in the event of WMCA information or systems being lost or compromised.

All individuals requiring access to WMCA systems will need to have signed up to the *Protection of Digital and Data Systems and Information - Acceptable Use Policy (AUP)* and in doing so, understand the personal accountability of their actions and activities.

The above, supplements the cyber security processes and systems that are already in place and a further update relating to this area will be given in the confidential part of the agenda.

3. Financial Implications

There are no Financial Implications directly associated with this paper.

4. Legal Implications

There are no Legal Implications directly associated with this paper.

5. Equalities Implications

There are no Equalities Implications directly associated with this paper.

6. Inclusive Growth Implications

There are no Inclusive Growth Implications directly associated with this paper.

7. Geographical Area of Report's Implications

There are no Geographical Area of Reports Implications directly associated with this paper.

8. Other Implications

The reliance upon remote working has accelerated the organisations use of technology and the associated skills. Additional support is required for some staff to enhance their experience and their understanding of how best to use the required IT systems.

9. Schedule of Background Papers

Information Assurance and Information Security Management Policies and Procedures

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