



Audit, Risk & Assurance Committee

Date: Tuesday 12 April 2022

Time: 10.00 am **Public meeting** Yes

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

Membership

Mark Smith (Chair)

Councillor Ram Lakha OBE (Vice-Chair)

Councillor Tom Baker- Price

Councillor Nick Bardsley

Councillor Dave Borley

Councillor Alan Butt

Councillor Gary Flint

Councillor John Kraujalis

Councillor Ken Meeson

Councillor Charn Padda

Councillor Carl Rice

Kate Shaw

Councillor Hayden Walmsley

Coventry City Council

Worcestershire Non- Constituent Authorities

Shropshire Council Non- Constituent Authorities

Dudley Metropolitan Council

City of Wolverhampton Council

Walsall Metropolitan Borough Council

Staffordshire Non-Constituent Authorities

Solihull Metropolitan Borough Council

Sandwell Metropolitan Borough Council

Birmingham City Council

Greater Birmingham & Solihull Local Enterprise Partnership

Warwickshire Non- Constituent Authorities

The quorum for this meeting shall be nine members.

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

Contact Wendy Slater, Senior Governance Services Officer

Telephone 07557 831344

Email wendy.slater@wmca.org.uk

AGENDA

No.	Item	Presenting	Pages	Time
Meeting Business Items				
1.	Apologies for Absence	Chair	None	
2.	Declarations of Interest Members are reminded of the need to declare any disclosable pecuniary interests they have in an item being discussed during the course of the meeting. In addition, the receipt of any gift or hospitality should be declared where the value of it was thought to have exceeded £25 (gifts) or £40 (hospitality).	Chair	None	
3.	Chair's Remarks	Chair	None	
Business Items for Noting/Approval				
4.	Minutes - 18 January 2022	Chair	1 - 6	
5.	Matters Arising	Chair	None	
6.	Equity & Inclusion Scheme 2022-24	Anna Sirmoglou	7 - 10	
7.	Delivery of the Annual Business Plan	Fiona Bebbington	11 - 50	
8.	WMCA Strategic Risk Update	Peter Astrella	51 - 70	
9.	Single Assurance Framework -Assurance Performance Report October to March 2022	Joti Sharma	71 - 80	
10.	Internal Audit Annual Report	Peter Farrow/Sandra Kalyan	81 - 126	
11.	2022/23 Internal Audit Plan	Peter Farrow/Sandra Kalyan	127 - 142	
12.	Annual Auditor's Report on West Midlands Combined Authority 2020/21	Grant Thornton	143 - 168	
13.	West Midlands Combined Authority External Audit Plan 2020/21	Grant Thornton	169 - 226	
14.	Draft Annual Governance Statement for 2021/22	Jayne Middleton	227 - 242	
15.	Exclusion of the Public and Press To pass the following resolution: That in accordance with Section 100A(4) of the	Chair	None	

	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 relating to the financial or business affairs of any particular person (including the authority holding that information)			
16.	Cyber Essentials Update	Chair	Verbal Report	
Date of Next Meeting - To be advised				

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**West Midlands
Combined Authority**

Audit, Risk & Assurance Committee

Tuesday 18 January 2022 at 10.30 am

Minutes

Present

Mark Smith (Chair)

Councillor Ram Lakha OBE (Vice-Chair)

Councillor Tom Baker- Price

Councillor Nick Bardsley

Councillor Dave Borley

Councillor Alan Butt

Councillor Ken Meeson

Councillor Charn Padda

Councillor Carl Rice

Kate Shaw

Councillor Hayden Walmsley

Coventry City Council

Worcestershire

Authorities

Shropshire Council

Authorities

Dudley Metropolitan Council

City of Wolverhampton Council

Solihull Metropolitan Borough Council

Sandwell Metropolitan Borough Council

Birmingham City Council

Greater Birmingham & Solihull Local
Enterprise Partnership

Warwickshire

Authorities

Non-Constituent

Non-Constituent

Non-Constituent

In Attendance

Fiona Bebbington

Louise Cowen

Peter Farrow

Mark Finnegan

Linda Horne

Sandra Kalyan

Helen Lillington

Satish Mistry

Carl Pearson

Lorraine Quibell

Anne Shaw

West Midlands Combined Authority

West Midlands Combined Authority

City of Wolverhampton Council

West Midlands Combined Authority

West Midlands Combined Authority

City of Wolverhampton Council

Grant Thornton

West Midlands Combined Authority

West Midlands Combined Authority

The West Midlands Combined Authority

Transport for the West Midlands

Item Title

No.

32. Apologies for Absence

An apology for absence was received from Councillor Flint.

33. Chair's Remarks

The Chair reported that the External Audit Plan would be submitted to the next meeting in April.

The Chair also informed the committee that he had attended meetings of the

WMCA Board and other board/committees recently including the Investment Board and the Overview and Scrutiny Committee and that he had met with the Chair of Overview and Scrutiny Committee, Councillor Cathy Bayton. He added that a further meeting has been arranged with Councillor Cathy Bayton to look at the how the two committees would coordinate their work.

34. Minutes - 2 November 2021

The minutes of the meeting held on 2 November 2021 were agreed approved as a correct record subject to the following amendment/typographical error.

Minute no.23

The Finance Director also provided an update on the auditor appointment process. Linda Horne reported that an approach had been made to extend Grant Patterson's five-year term as Engagement Lead for a further two years to coincide with the end of the current appointing period, in accordance with the Public Sector Appointments (PSAA) and the Local Audit (Appointing Person) Regulations 2015.

Helen Lillington, Grant Thornton advised that the initial approach for the extension of Grant Patterson's tenure had received **ethics** approval.

35. Matters Arising

Minute no. 21 Matters Arising

(ii) Internal Audit Update

In relation to the Chair's enquiry regarding the accreditation status of the WMCA's cyber essentials, the Internal Audit Liaison Officer, Loraine Quibell, advised that the accreditation had not been awarded at this stage as some gaps had been identified. The Chair asked that an update on the matter be brought to the next meeting [it was later decided that an update would be scheduled for the meeting in June, but the Chair would receive a briefing note on the matter in the meantime].

(ii) Investigation and Whistle Blowing Update Report

The Chair asked that an update be submitted to the next meeting as to whether any changes should be made to WMCA employment contracts.

36. Forward Plan

The committee received a report of agenda items to be submitted to future meetings.

Resolved : That the report be noted.

37. WMCA Strategic Risk Register

The committee considered a report of the Finance Director and Section 151 Officer that provided an update on the WMCA Strategic Risk Register.

The Strategic Risk Manager, Victoria Harman, outlined changes to the Risk Register since it was last considered by the committee in November. This included information regarding the 9 highest rated risks, risk trend detail and key material changes.

In relation to a comment from Councillor Meeson regarding his surprise to see the housing risk (residual risk) rated green, given the uncertainty around future housing in West Midlands as many local authorities were waiting the outcome of local development plans, the Finance Director, Linda Horne reported that the risk was rated green as the WMCA was on track with its housing delivery but undertook to provide more detail for the next meeting.

The Chair informed the committee that it was Victoria Harman's last meeting and conveyed his thanks to Victoria for all the work undertaken and wished her well for the future.

Resolved:

1. That the strategic risks contained within the Strategic Risk Register be noted and
2. That the risks highlighted in section 2.3 of the report which have been subject to significant changes since the register was last presented to the committee in November 2021 be noted.

38. Covid-19 Revenue and Capital Costs

The committee considered a report of the Finance Director that set out the financial implications of Covid-19 on the WMCA's revenue and capital monitoring position in 2021/22.

The Financial Controller, Louise Cowen outlined the report that had been submitted to the committee following a request for further information at the meeting on 29 September 2021.

It was noted that the most significant financial impacts of the pandemic to date are the loss of commercial revenue within the Transport Portfolio and the impact on the delivery of the Transport for the West Midlands' Capital Programme.

The Financial Controller advised that the Government has put in place a package of funding to support the loss of commercial revenue and the loss of income from fees and charges which has helped to mitigate losses. She added that the WMCA would be closely monitoring the financial position including the risks to the WMCA's Capital Investment Programme which are monitored in the Authority's Financial Monitoring Report and Strategic Risk Register.

Resolved: That the contents of the report be noted.

39. 2022/23 Treasury Management -Policy, Strategy and Practices

Following the training update provided by Link Treasury Services, the committee considered a report of the Finance Director that set out the draft Treasury Management Policy Statement and draft Treasury Management Strategy for endorsement prior to approval by the WMCA Board in February. The report also sought agreement that the Authority's Treasury Management Practices are adequately maintained.

The Lead Treasury Accountant, Mark Finnegan outlined the report and provided the context to the strategy.

In relation to the Treasury Management Policy Statement, the Chair noted the need to reference the Authority's borrowings which included a balance of fixed and floating interest rates.

The Chair confirmed that this committee would review all reports before they are considered by the WMCA Board.

The Lead Treasury Accountant undertook to update the report accordingly for submission to the WMCA Board.

In relation to an enquiry from Councillor Lakha regarding working capital and how this fits within the Treasury Management Portfolio, the Lead Treasury Accountant advised that he would look to include the information in the financial tables of future reports.

The Chair asked that Mark Finnegan providing a briefing note with regards to Councillor Lakha's enquiry in the meantime.

Resolved:

1. That the draft 2022/23 Treasury Management Policy Statement (referred to in Section 2 of the report) be endorsed for onward approval by the WMCA Board in February subject to the minor amendments made by the committee;
2. That the draft 2022/23 Treasury Management Strategy (attached to the report as Appendix 1) be endorsed for onward approval by the WMCA Board in February 2022 and
3. That the arrangements for ensuring Treasury Management Practices are adequately maintained (as set out in Section 4 of the report) be noted and agreed.

40. Appointment of External Auditors

The committee considered a report of the Finance Director that sought approval for the WMCA to opt into the Public Sector Audit Appointments national scheme for auditor appointments for the 5 years commencing 1 April 2023.

The Financial Controller, Louise Cowen, outlined the report and advised the committee that opting-in to the national scheme again was the preferred

option as it represented the best value for money and assures the appointment of suitably qualified, independent auditor.

The Finance Director reported that six of the seven constituent authorities of the WMCA had confirmed they would be also be opting-in to the national scheme with Birmingham City Council expected to confirm shortly.

Resolved : That the WMCA opts into the Public Sectors Auditor Appointments' national scheme for external auditor appointments for the 5 year appointing period commencing 1 April 2023 be approved.

41. Internal Audit Update

The committee considered a report of the interim Director of Law and Governance that provided an update on the work undertaken by Internal Audit so far, this financial year.

Peter Farrow, Internal Audit, introduced the report and advised the committee of the internal audit reviews completed since the last meeting; Single Commissioning Framework – Land Fund and TfWM Covid-19 Response – Management and Decision Making Arrangements; both reviews were awarded a substantial level of assurance. It was noted an internal audit review had also been completed on the WMCA's Key Financial Systems (draft report issued) that would be reported to the next meeting in April.

Sandra Kaylan, Internal Audit, summarised the final report findings from the two reviews and outlined the process for following-up audit recommendations. It was noted that the Internal Audit Liaison Officer, Loraine Quibell would check with WMCA Officers that audit recommendations have been implemented and Internal Audit would also carry out independent checks.

Councillor Butt congratulated Peter Farrow and Sandra Kaylan for delivering internal audit services and the Chair thanked the WMCA's Strategic Leadership Team for achieving satisfactory and substantial audits.

Resolved: That the contents of the Internal Audit Update report be noted.

42. Draft 2022/23 Internal Audit Plan

The committee considered a report of the interim Chief Audit Executive that set out a draft Internal Audit Plan for 2022/23.

Peter Farrow, Internal Audit, outlined the report and informed the committee that the draft Internal Audit Plan had been shared with the WMCA's Strategic Leadership Team. He advised that the Plan remains a fluid document and could be changed/amended accordingly.

The Internal Audit Liaison Officer, Loraine Quibell, reported that a final review of the Plan would be undertaken with Officers prior to submission of the final Internal Audit Plan to the committee in April.

Resolved: That the draft 2022/23 Internal Audit Plan be endorsed.

43. Exclusion of the Public and Press

Resolved:

In accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during the consideration of the following items of business as they involved the likely disclosure of exempt information relating to the business affairs of any particular person (including the authority holding that information).

44. Update on Midland Metro Track Replacement

Further to the last meeting, the committee received an update from the interim Director of Law and Governance and Monitoring Officer, Satish Mistry and the Managing Director of Transport for the West Midlands (TfWM) Anne Shaw on Midland Metro Track Replacement in Birmingham City Centre.

It was noted that an update on discussions with Balfour Beatty and lessons learnt would be shared with the committee in due course.

Resolved : That the update be noted.

The meeting ended at 12.00 pm.

AUDIT, RISK & ASSURANCE COMMITTEE

Date	12 April 2022
Report title	Equity and Inclusion Scheme 2022-24
Accountable Chief Executive	Laura Shoaf
Accountable Employee	Ed Cox – Director of Inclusive Growth and Public Service Reform Email: ed.cox@wmca.org.uk

Recommendation(s) for action or decision:

The Audit and Risk Committee is recommended to:

Consider and note the publication of the Equity and Inclusion Scheme 2022-24 and note the objectives and activities to help realise the WMCA Equality Vision.

1. Purpose

- 1.1 This report provides the Committee with an update on the development and publication of the Equity and Inclusion Scheme 2022-24.

2. Background

- 2.1 The Equity and Inclusion Scheme 2022-24 is a statutory document setting out the WMCA's vision, ambitions and proposed objectives for promoting equality, diversity and inclusion over the next three years.
- 2.2 Regulation 5 of the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, requires public bodies to publish one or more equality objectives at up to four-year intervals to support the key aims of the public sector equality duties, namely to a) eliminate unlawful discrimination, harassment and victimisation; b) advance equality of opportunity between different groups, and c) foster good relations between different groups.
- 2.3 The Scheme draws out our key commitments, current activities and future plans in relation to equality and diversity. It recognises that our equality and diversity vision is fundamental to our overall vision of improving the quality of life of everyone who lives and works in the West Midlands and highlights the synergies between equality, diversity, inclusion and inclusive growth. It brings together all key WMCA of work and highlights all

different activities that are likely to have direct or indirect positive equality impact under one unified equalities action plan.

- 2.4 The Scheme takes a holistic approach, recognising that true commitment to equality and diversity goes beyond just the nine protected characteristics, with a strong focus on positive socio-economic outcomes. The scheme is fully aligned with the WMCA Corporate Strategy 2022-24

3. Scheme objectives

- 3.1 The Equity and Inclusion Scheme is structured around four key objectives – three external and one workforce/internal one. Developing equality objectives is a key legislative requirement for all public authorities. WMCA Equity Scheme objectives comprise a number of themes and deliverables and is accompanied by an action plan. The objectives are outlined below:

- 3.2 **Objective 1:** Provide accessible, affordable, safe and inclusive transport services to our wide range of customers

Key themes include: Transport safety and security; delivering an accessible and inclusive commonwealth games experience; ensuring services offer good value for money and people are able to access employment, education and leisure opportunities; narrowing the sustainable travel inclusion gap and ensuring sustainable travel modes are more easily accessible; improving customer experience and better understanding diverse customer needs; ensuring infrastructure, information and services are accessible to more people with a customer service that meets individual needs, and ensuring transport strategies are inclusive and promote an equitable network.

- 3.3 **Objective 2:** Deliver schemes, strategies and programmes across the WMCA that help deliver positive equality and inclusion outcomes, also reducing socio-economic disadvantage and poverty, for our region's diverse communities

Key themes include: Affordable and inclusive housing provision; delivering skills equity; delivering on the promise of more inclusive growth shaping investment, infrastructure and services around social and economic goals; supporting positive, proactive and preventative approaches to citizen wellbeing and engagement

- 3.4 **Objective 3:** Ensure equality is embedded within all key WMCA work areas, the WCMA has a strong regional influencing role around the equalities agenda and decision making is informed by the needs of our diverse communities

Key themes include: Embedding equality considerations in decision making; strengthening our approach to community engagement; supporting positive social value outcomes through procurement activities; working with partners to influence change and tackle diversity and inclusion challenges

- 3.5 **Objective 4** Provide an accessible, diverse and inclusive working environment by improving the recruitment, retention, progression, development and overall experience of people employed by the WMCA, enabling the organisation to become an inclusive employer of choice where equality informs our culture and behaviours.

Key themes include: Attracting and appointing a diverse range of candidates; Improving employee equality competencies; Supporting enhanced visibility of the equality agenda in the workplace; giving employees a voice; ensuring equalities is fully embedded within key employee lifecycle processes; supporting employee wellbeing ensuring positive mental health and wellbeing are championed; improving the quality of workforce data

- 3.6 The Equality Scheme includes a comprehensive action plan for each objective to support positive equality outcomes for employees, service users and West Midlands residents.

4. **Public Engagement**

- 4.1 While there is no statutory obligation for us to consult on the Equality Scheme, we finalised a 6-week engagement period where the public (including key regional and local community and equality groups) were given the opportunity to comment on the scheme principles. The scheme was communicated via social media, on our website and to our list of equality contacts. The scheme was available in a number of alternative formats, e.g., easy read, plain English, large print and audio.

- 4.2 Overall 173 responses were received. The majority of responses were from members of the public but there were also a number of organisational responses (e.g., Guide dogs, YCA, No Limits to Health). The feedback received was broadly positive and the majority of respondents supported the Scheme objectives. There were no specific recommendations to make changes to the Scheme content and structure. The Scheme has been published on the WMCA website and is available in a number of alternative formats.

5. **Financial Implications**

There is no financial impact in relation to this report. Activities/initiatives included in the scheme have been considered as part of individual budgets

6. **Legal Implications**

The WMCA has a statutory obligation (Regulation 5 of the Equality Act 2010-Specific Duties and Public Authorities Regulations 2017), to publish equality objectives at up to four-year intervals to support the key aims of the public sector equality duties.

7. **Equalities Implications**

The Scheme is likely to have positive impact on the Equality Act protected characteristics as outlined in the main body of the document and the accompanying action plan

8. Inclusive Growth Implications

Equality is one of the eight fundamentals of the Inclusive Growth Framework, and the Equality Scheme brings detail to how the WMCA can use its power and resources to create a more equal region. The Scheme itself does not create the activity, but it is a lens that is applied to ensure that equality is a consideration whenever plans are made and resources allocated. As such, it is important that when the plans cited in the Scheme are progressed that the detail on how inequality is being addressed is designed in from the outset. For certain investments – such as policies focused on addressing fuel poverty – resolving inequality of outcome is the point of the policy, and it is therefore straightforward to put that at the heart of its design. For others, such as job creation from investments into housing and land – a positive and necessary focus – will not explicitly address inequality unless that is consciously designed in.

9. Geographical Area of Report's Implications

N/A

10. Other Implications

N/A

11. Schedule of Background Papers

N/A



Audit, Risk & Assurance Committee

Date	12 April 2022
Report title	Delivery of the Annual Business Plan
Accountable Chief Executive	Laura Shoaf, Chief Executive Email: Laura.Shoaf@tfwm.org.uk Tel: (0121) 214 7444
Accountable Employee	Linda Horne (Finance Director & Section 151 officer) Email: Linda.Horne@wmca.org.uk Tel: (0121) 214 7508
Report has been considered by	Linda Horne (Executive Director of Finance and Business & Section 151 officer)

Recommendation(s) for action or decision: For Information/Discussion

Audit, Risk & Assurance Committee is recommended to:

- (1) Consider the paper outlining the development and production of the Annual Business Plan 2022/23 (enclosed as appendix 1)
- (2) Note how the dynamic business planning process will support regular conversations across the Combined Authority on resources required to deliver and enable a more flexible approach when new funding sources become available.

1. Purpose

- 1.1 This paper provides the background to the development of the Annual Business Plan (ABP), an overview of content and how it will be used, monitored and measured supporting the move towards data-driven, evidence-based decision making. There is also an outline of how this will be updated through a dynamic process, utilising both Finance and HR Business Partners during 2022/23.

2. Background

- 2.1 The Annual Business Plan (ABP) is a vital link in the 'golden thread' between the WMCA Aims and Objectives, agreed by WMCA Board in November 2021, through Directorate and team plans and into the Individual Performance Management (IPM) goals of staff across the organisation. The ambition was to produce a plan setting out all activity to be delivered in 2022/23 aligned to those aims and objectives.

Identifying all planned activity was undertaken collaboratively across the Finance & Business Hub and delivery Directorates. It was vital to not only look at planned project activity but business as usual (BAU) too and the establishment (staffing) numbers and funding/resources to deliver a balanced budget.

The Strategic Leadership Team were actively engaged in the development of the ABP with Linda Horne as the sponsor. There was also attendance at TfWM Leadership meetings and then sessions with all Heads of Service to identify activity under headings of project, BAU, Covid-response specific and aspirational – the latter for areas where there is the potential for future sources of funding to be announced during the financial year.

- 2.2 The Annual Business Plan adds value in a number of ways. It provides a single source of the truth for delivery activity to achieve the Aims & Objectives expressed as outputs called High Level Deliverables (HLDs), there is also greater visibility of the funding sources and through regular monitoring and reporting to SLT it provides accountability.

It is primarily an internal document intended as a valuable reference guide; a resource for all staff across the organisation to clearly see how the work they are doing supports the delivery of the strategic aims and, ultimately achieve the vision of a *more prosperous and better connected West Midlands that is fairer, greener and healthier*.

3. Performance Monitoring and reporting of the Annual Business Plan

- 3.1 There are 136 High Level Deliverables (HLD) underneath the objectives and these are statements that set out the activity at quite a high level over the financial year. There are SMART milestones beneath each HLD; these provide the detail at a much more granular level of delivery activity and are profiled by month with measures and targets and this information is also used by finance colleagues in budget phasing of the capital programme.

- 3.2 Progress against HLDs and milestones will be collated and analysed against profile monthly and a report produced for SLT. There will also be a 'real-time' dashboard, using Power Bi, that can be accessed at any time that provides a RAG-rated view of performance against profile from the 6 WMCA Aims down to milestone level and where achievable, into individual project level.
- 3.3 This reporting solution delivers a 'single version of the truth' through data that will be triangulated with the Strategic Risk Register and finance cost codes, providing a visually rich dashboard with a hierarchy of data from a strategic aim and objective view down to individual milestone. This will support evidence-based decision making.

4. Dynamic Business Planning process

- 4.1 This first Annual Business Plan, nested underneath the corporate Aims and Objectives, presents an opportunity to continue the engagement across Directorates and continuously improve the process. To replace the current intensive period of business planning aligned to the annual budget planning round, instead there will be regular conversations and a more iterative process involving both Finance and HR Business Partners, led by the Business Planning Specialist and Workforce Management Lead, to review and consider performance and resource. This dynamic process is intended to provide greater engagement across staff teams, alignment to the overall vision and regular reporting will give SLT the assurance where there is the flexibility to respond to new opportunities.
- 4.2 These regular business reviews will focus on three main areas:
1. Workforce Planning – workforce profile, current recruitment plans, vacancies levels, FTC arrangements, absence issues, talent and succession profiling
 2. Financial Management & Planning – spend against profile, budget discussions, efficiency opportunities and risks
 3. Performance reporting against ABP – HLD performance and trends, portfolio pipeline profile, changes to activity, horizon scanning and successes
- 4.3 ARAC can be assured that the integrated planning process that has effectively joined business activity, finance and resources together has allowed us to appropriately resource the team to deliver the requirements of the annual business plan.

We have actively bolstered the HR and Resourcing team to ensure we have resourced work programmes in place to support around CRSTS, UK Shared Prosperity and the Trail-blazing Devolution deal.

We are currently recruiting for 42 vacancies in all areas across the Authority.

Key roles filled in the last quarter are Head of Safety, Security and Emergency Planning (Feb 2022) and Head of Policy & Public Affairs (March 22).

5. Financial Implications

The ABP was developed in an integrated planning approach with Finance and HR colleagues to ensure it was deliverable with the budget and organisational resource plan.

The Budget underpinning this plan was approved by the CA Board at its meeting on 11th February 2022

- 6. Legal Implications**
No implications
- 7. Equalities Implications**
No implications
- 8. Inclusive Growth Implications**
No implications
- 9. Geographical Area of Report's Implications**
No implications
- 10. Other Implications**
No other implications
- 11. Schedule of Background Papers**
None
- 12. Appendices**
Appendix 1 Annual Business Plan 2022/23

WMCA Annual Business Plan 2022 – 2023

**Unlocking the potential
of the West Midlands.**

**A more prosperous and better connected
West Midlands which is fairer,
greener and healthier**



**West Midlands
Combined Authority**



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Foreword from Laura Shoaf

CEO

2022 is going to be a great year for the Combined Authority and the West Midlands as a whole, with all eyes on the region as we host a fabulous Commonwealth Games. But we also have our challenges, as we support recovery from the challenging economic and social impact of Covid 19.

We have a great deal to deliver and the 2022/2023 Annual Business Plan not only sets out what we are going to do, but also how everyone is contributing through the 'golden thread' to the new aims and objectives. This will ensure we achieve the best outcomes for the Region, and make it better connected, more prosperous, fairer, greener and healthier.

How will we achieve this? It isn't only the work that we do, it is the way that we do it. The WMCA is a partnership organisation, our people have a can-do attitude and are innovators. We try new ways of doing things, we aren't afraid to fail, learn from what went wrong and try again. Give it a go, you are empowered to be creative and explore and innovate.

We also have a customer service ethos and should be asking customers, partners, and each other 'how can I help'. If that is our basic approach, then everyone has everyone else's back, and everyone is doing more than their fair share. As long as everyone does that, everyone wins. Helping, by doing what needs to be done, or helping someone else find the solution, even when it is not your responsibility to do so, is the ethos we should work to.

As an organisation, we will continue to adapt and develop to the opportunities and challenges ahead. We will continue to transform ourselves and our organisation into the best we can be, underpinned by our values and behaviours and everyone contributes towards achieving our vision.

I am looking forward to delivering this plan with you all.

The WMCA exists to create a more prosperous and better connected West Midlands which is fairer, greener and healthier

We add value for the region by working only where we're uniquely best placed:

- 1. Connecting Others
- 2. Action with Regional Scale Impact



WMCA Statutory functions : Provision of Regional Adult Education, Delivery of free English National Concession transport for Older and Disabled citizens on Bus, Production of a Regional Economic Strategy and Local Transport Plan.

Values & Behaviours

Our vision

WMCA is committed to a **better connected, more prosperous, fairer, greener and healthier region**. This is our vision.

We will achieve our vision through living our values which are central to how we work and interact with our wider partners and stakeholders.

Our Charter gives us a solid foundation that can both give insight in to what our culture is like and be used to hold us to account when necessary to make sure we are living our Values.

Our values and behaviours

Our behaviours underpin each of our values. They are not all the ways we should behave but they help us to understand better what is expected from us as WMCA employees.

More in depth information on our behaviours including further examples and how they link to our people processes can be found in our behaviour guide in the link below

- [Guide to Behaviours](#)
- [Performance Management System - ClearReview](#)



Collaborative

- Team Focused – working as part of team, managing and leading
- Service Driven – customer, resident and partner focused



Driven

- Empowered and Accountable – taking ownership and leading when needed
- Performance Focused – being ambitious and going the extra mile



Inclusive

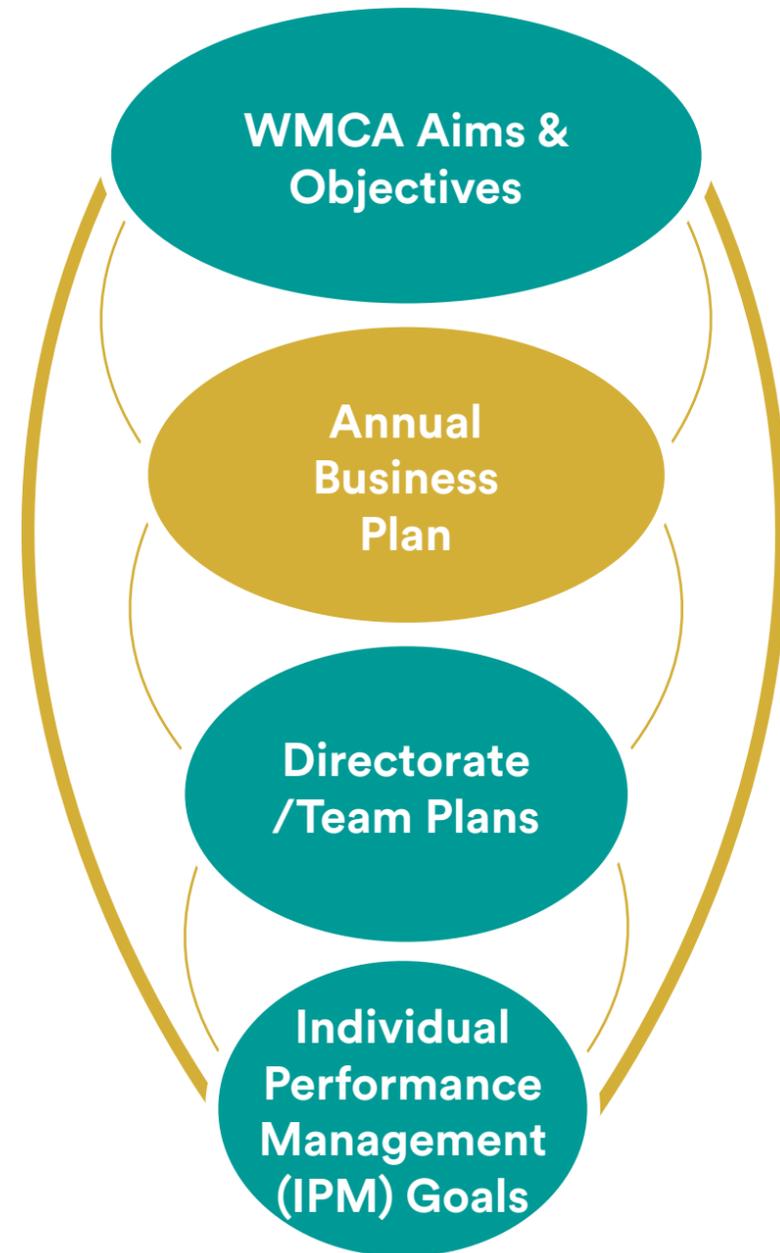
- One Organisation Mindset – believe in each others expertise
- Open and Honest Communication – we do what we say we are going to do



Innovative

- Forward Thinking – embrace change and open to new possibilities
- Problem Solving – go for clear and simple whenever possible

Golden Thread



The Annual Business Plan (ABP) is a vital link in the ‘golden thread’ between the WMCA Aims and Objectives, through Directorate and team plans and into Individual Performance Management (IPM) goals.

There are six aims each with a number of objectives sitting underneath. These are outlined later in this plan and explained in more detail in our overarching document [“WMCA Aims & Objectives: Unlocking the potential of the West Midlands”](#) here.

This Annual Business Plan is a resource for all our staff to clearly see how the work they are doing supports the delivery of the strategic aims and, ultimately achieve the vision of a more prosperous and better connected West Midlands that is fairer, greener and healthier. In addition to the Aims, Objectives and High Level Deliverables there is an overview from each Director on how they will deliver the ABP as well as content on the Enabling Services functions and the Corporate Management Team. In the finance section there is improved visibility and transparency of the sources of funding and detail on how the plan will be measured and reported.

Everyone across the CA has a part to play to unlock the potential of our region and we hope this plan helps you understand how your role contributes.



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Our Executive Team



Laura Shoaf
Chief Executive



Gareth Bradford
Executive Director of Housing,
Property and Regeneration



Ed Cox
Executive Director of Strategy,
Integration and Net Zero



Anne Shaw
Executive Director
Transport for West Midlands



Dr Julie Nugent
Executive Director of Economy,
Skills and Communities



Linda Horne
Executive Director of
Finance & Business Hub





Gareth Bradford

Executive Director of Housing, Property and Regeneration

We work closely with local authorities and other partners in the region and beyond to secure new funding and Government and industry support, develop innovative policy solutions like Help to Own and diverse new initiatives as well as supporting local plans and master planning.

We provide the land, expertise, advice, brokering and financial support to turn sites and opportunities into new homes, jobs and communities.

The Directorate is also responsible for the operation and delivery of high quality and sustainable services at our head office as well as the strategic management of the wider WMCA estate portfolio.

In 2021 the Directorate oversaw the deployment of £100m+ to invest in housing, commercial and regeneration schemes in the region, heavily prioritising brownfield sites. Funding through our landmark bespoke Single Commissioning Framework secured an average 25% affordable housing and saw investment create genuine additionality, including in design quality, innovation, density and zero carbon. Some of these schemes were on the nation's largest and most challenging brownfield sites which in some cases had been stalled and derelict for decades. We continued to build new and strengthen existing relationships as we launched the West Midlands' first Public Land Taskforce, progressed our programme of industry-led taskforces on town centres, zero carbon, modular construction and commercial development, signed a strategic partnership with St Modwen and progressed innovative partnership working with regional housing associations. We strengthened relationships with local authorities through our work supporting local plans and master planning, hybrid working, new investment propositions, comprehensive business cases to Government and further project pipeline development. We also led the transformation of 16 Summer Lane to support hybrid working and our wider WMCA property and estate management goals.

We expect 2022 to bring more devolved funding, opportunities and support to the region so we can step up our land, property, investment and regeneration work. We'll see partnerships, vehicles, collaboration and joint ventures emerging between WMCA and Homes England, housing associations and industry, and a deepening of our relationships with local authorities. Securing brownfield funding and demonstrating delivery on the ground will remain critical to drive private sector confidence and trust and deliver wider placemaking changes, which will continue to be important for economic recovery, inclusive growth and sustainable delivery. 2022 will see us launch new products supporting organisational priorities, hybrid working and key approved deliverables including low carbon and inclusive growth; a Public Land Charter, a new Investment Prospectus, a WMCA Acquisitions and Disposals Framework and a new Business Continuity Plan. We'll be driving the low carbon agenda in all our work by supporting the delivery of Zero Carbon Homes milestones, reviewing our own estate and working to accelerate growth in the regional Advanced Methods in Construction industry.

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Key facts and figures

- 1 Over £15bn of Investment Opportunities in our new 2022 West Midlands Investment Prospectus
- 2 Over £600m of devolved housing and land funds secured from Government since 2018
- 3 Over 8,000 new homes, 3.8 million square foot of commercial space and almost 12,000 jobs unlocked by Housing and Land investment since 2018



Ed Cox

Executive Director of Strategy, Integration and Net Zero

During 2021/22 the Inclusive Growth and Public Service Reform Directorate worked with partners from every sector across the region to find new ways of tackling some of the West Midlands' most complex and deep-rooted challenges: from social, economic and health inequalities to making the shift to a zero carbon region by 2041. Covid shone the spotlight on some of the inequalities that exist in the West Midlands. As a directorate, we worked with partners to identify the solutions that will help us recover from its impacts, delivering on the priorities identified by our Citizen Panel and contained in our Community Recovery Plan.

- Our Thrive Into Work programme has helped 250 individuals with additional needs to gain, or retain, employment ; while an estimated 270,000 employees are experiencing enhanced workplace wellbeing through Thrive At Work.
- Our social prescribing pilot has encouraged walking and cycling in place of medical intervention and the Include Me has put the West Midlands on the map as an exemplar region for disability inclusiveness.
- The Homelessness Taskforce has worked to design out homelessness for a further 130 people in 2021/22, bringing the number accommodated through its Housing First programme to 500.
- We have supported creative new ideas from community groups across the region through our Community Recovery Innovation Challenge and launched a social economy growth strategy.
- And we have established the West Midlands as a net zero leader with a new Five Year Plan to cut carbon emissions, a national pathfinder for smart energy solutions, action plans for the Circular Economy and the Natural Environment, a Community Green Grants scheme and a pioneering Net Zero Neighbourhood programme to demonstrate new approaches to housing retrofit.

In the coming year, as much of this work folds in with new strategy, public policy and research and intelligence functions, we will develop new programmes to create a fairer and greener West Midlands. This will include:

- Leading the region in the development of a Trailblazer Devolution Deal In response to the government's Levelling Up White Paper.
- Enhancing the WMCA's research and intelligence functions to put evidence-based policy-making and analysis at the heart of our work.
- Supporting the Young Combined Authority to make sure the voice of young people has an impact across the WMCA's corporate plan.
- Continuing to embed our approaches to inclusive growth and social innovation across the organisation and driving forward implementation of the West Midlands' Social Economy Growth Strategy.
- Implementing practical environmental and energy solutions to tackle the effects of climate change.

Key facts and figures

1

First region to move 500 homeless people into secure housing through the Housing First programme as street homelessness hits decade low.

2

3700 people with mental health needs have secured and sustained employment through Thrive-into-Work programme which is proven to be more cost-effective than conventional programmes.

3

Highest scoring mayoral combined authority for our climate action plans according to Climate Emergency UK and second highest of all 409 local and combined authorities.





Anne Shaw

Executive Director of Transport for West Midlands

Essential to achieving our plans for 2022/23 is the recovery of our transport system, following the Covid-19 pandemic. The challenges over the last two years have been significant but we maintained services for our customers, responded to an ever-changing environment whilst carrying out our business-as-usual activity and forging ahead with our investment commitments.

Our investment in infrastructure to build and improve rail stations, extend the Metro and enhance our roads to make bus journeys more reliable and road users safer is keeping us busy and will support our customers, businesses, economic recovery, and preparations for the Commonwealth Games. For the first time, through the City Region Sustainable Transport Settlement (CRSTS) funding, we have the ability to deliver longer term, sustainable transport investment with an established programme of projects.

We are also about to embark on a huge programme of change for our bus services through the implementation of the Bus Services Improvement Plan (BSIP). This will include Bus Service reform and changes to registration powers, welcoming an all-electric bus city at Coventry and introducing hydrogen buses onto our network.

We cannot miss the opportunity that the pandemic has presented, which is why we will be putting cycling at the heart of a green recovery, and with our local authority partners, we will be improving the 500-mile Starley Network and introducing the West Midlands Cycle Hire Scheme.

During 2022/23, TfWM will continue to work with partners to ensure we deliver operational services, improvements, and investments across the region that meet the WMCA's core objectives around social, environmental, and economic outcomes for our residents and businesses, and the many visitors we will see during the Commonwealth Games.

This is an exciting time for TfWM as we embark on a new and exciting agenda transforming our infrastructure and services as well as resetting our statutory transport plan which sets the framework to meet the challenge ahead and truly ensures transport provides access to journeys that help moves the region forward.

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Key facts and figures

1

1/4 of the regional investment in transport spend comes through Transport for West Midlands.

2

The City Region Sustainable Transport Settlement Programme will create over 3,570 new jobs, over 100km of new cycle lanes and 50km of new priority bus lanes doubling the amount in the West Midlands over the next 5 years.

3

At present an average of 5m passengers are using the metro service each year.



Dr. Julie Nugent

Executive Director of Economic Delivery, Skills and Communities

The Directorate of Economic Delivery, Skills and Communities seeks to ensure that every resident has the skills needed to find a good job and progress at work, and that businesses in the region have access to support that will accelerate productivity and deliver economic growth. And we are committed to working with local partners to ensure that all of our communities are able to benefit from this growth.

The team is committed to driving an inclusive regional economy through its policy leadership, commissioning and delivery of economic and skills programmes and championing opportunities for good growth. We will do this by working closely with local authorities, Local Enterprise Partnerships, universities, the West Midlands Growth Company, businesses and business representative groups, colleges, providers and a range of Government partners and agencies as diverse as UKRI, DWP, the British Business Bank and the British Film Institute.

In 2021/22, we invested over £150m of adult skills funding to ensure training provision across the region is both strategically aligned to economic need and targeted at those who need it most. We responded quickly to emerging labour market demand, investing in new provision aligned to key economic sectors in construction, manufacturing, digital and business and professional services – with a 20% increase in job outcomes across our offer. We were ahead of the game in developing and delivering HGV driver training in response to emerging sector pressures – providing a blueprint for subsequent national developments. We successfully delivered the first set of digital bootcamps tailored to in demand job roles. These delivered participation of 50% BME and 50% female participation – with two-thirds of participants finding work.

We have also led the development of the West Midlands Plan for Growth, which sets out the focus by which the region can catalyse above-forecast growth in significant and nascent clusters where the region has comparative advantage and the private sector has confidence to invest.

We have convened fortnightly Economic Impact Group meetings with a diverse range of business voices across the region, chaired by Mayor Andy Street. This has helped partners pinpoint issues, including energy costs and trade priorities, which we have then used to collectively lobby government and inform regional delivery.

We have led delivery of the West Midlands Innovation Programme and overseen the successful commissioning of the Made Smarter West Midlands Programme. And we have supported Create Central to deliver its cluster growth programme for the creative content industry, including stimulating Digbeth's transformation as a centre for creative content production; signed a five year partnership deal with the BBC to boost activity in Birmingham and the wider region, and trialled the Apprenticeships Training Hub scheme.

In the coming year, we will continue to promote strong and inclusive economic growth across the region and ensure everyone has the opportunity to benefit by:

- Championing further devolution, through our trailblazer devolution agreement to extend local leadership of economic, skills and employment support interventions working through simpler and stronger relationships with local authorities and other partners through the Economic Growth Board.
- Leading a regional approach to new economic interventions, including the UK Shared Prosperity Fund, a new Innovation Accelerator, and the commitment to double public R&D investment in the region by 2024/5.
- Continuing to lead a regional approach to the development and delivery of an integrated employment and skills offer across every part of the region, closely aligned to current vacancies and to emerging sectors within our economy.

We will also lead on the WMCA's work on health and communities. This will include:

- Working alongside the new Integrated Care Partnerships to develop programmes to tackle health inequalities at their source.
- Continuing to support mental health in the region through our Thrive programmes and the Mental Health Commission.
- Driving out homelessness in the region through programmes such as Housing First, led by the Homelessness Taskforce.

Key facts and figures

1

Since devolution of AEB funding in 2019 combined with the extra funding that we have been able to secure for programmes and our confirmed allocation for delivery next year, we have seen over half a Billion pounds (£609m) come into the West Midlands.

2

This has enabled us to support 143,364 individual residents across the West Midlands gain new skills and work experience, and seen over a quarter of a million enrolments (287,170) on a wide range of courses.

3

Through this work to date, we have been able to support just over 40,000 residents, both into work and progress in work.



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Linda Horne

Executive Director of Finance & Business Hub

The Finance and Business Hub (FABH) was brought together under one team in April 2021 as part of the ongoing WMCA business transformation programme. The aim was to achieve excellence in our professional services, keeping the organisation safe, supporting its performance and enabling its transformation.

WMCA Professional services of Organisational Planning, Performance, Finance, HR, Commercial and Investments, Appraisal and Assurance, Procurement, Insurance and Risk were consolidated into our New Finance and Business Hub, creating a team of 111 professionals working across the entire organisation.

Over the past few years not all of our professional services have received the investment needed in our capacity and capability to deliver the huge diversity of activity our Organisation is responsible for. As a team, we have taken time to review, reshape and invest to ensure we can deliver the excellent and agile support everyone needs and to be fit for the future.

Our Team Vision :

Helping to deliver the future ambition of WMCA by growing a cohesive team of forward thinking, insightful, innovative, respected and high performing professionals who act as value adding enablers, underpinned by modern integrated systems that provide a single version of the truth, to enable delivery of outstanding services to our customers within a sound internal control framework.

We are already seeing benefits of this new joined up working within our team, sharing intel, knowledge, resources, best practice as well as delivering an improved integrated planning process for the 22/23 financial year linking activity, finances and resource planning to ensure we get best value from our funding. Our Single Assurance Framework and Risk Frameworks have also been reviewed and are being embedded organisation wide and we have developed a brand new 'One source of the Truth' performance monitoring framework, reporting and tool which will launch from April. We have also helped keep the WM economy afloat by delivering an average payment time on our invoices, from receipt to payment, of an average of 8 days.

We have a balanced budget for 22/23 and we can now focus on the financial sustainability strategy heading into 23/24 and we will continue to support everyone as we move into our new ways of Hybrid working. There is new funding, such as City Region Sustainable Transport fund and opportunities from the Levelling Up agenda, Trailblazer Devolution and UK Shared Prosperity funds. In addition, we continue with work on our transformation of systems and processes with the aim to free up and empower the organisation...we have loads to do!

This is all extremely exciting, and I am very proud to be leading such a dedicated, hard working and fabulous 'FABH' Team!

Key facts and figures

1

Since April 2021, the number of job offers made to candidates 192 (149 direct, 17 agency, 26 internal moves).

2

Average time taken to pay an invoice is 8 days.

3

188 procurements in the last 18 months.

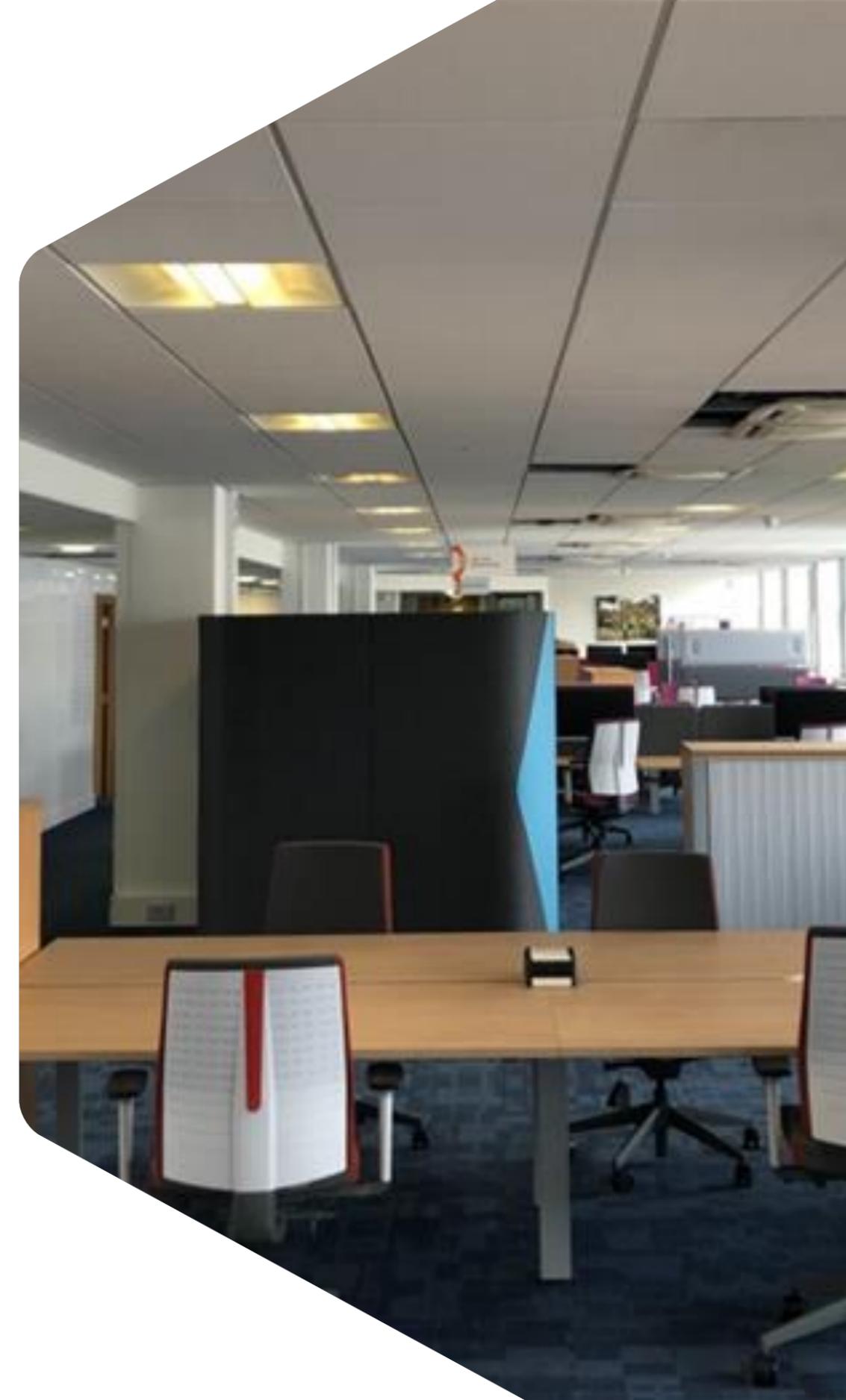
Enabling Services

Our specialist and professional Enabling Services play a critical role in supporting the delivery of the WMCA Aims & Objectives and work in a collaborative and integrated way across directorates.

Enabling Services teams consist of approximately 200 FTE across the following areas:

- Digital & Data – remit spans from building and supplying laptops to business intelligence and systems architecture.
- Finance & Business hub
 - Procurement - responsible for ensuring that WMCA complies with the Public Contract Regulations 2015 when carrying out its procurements of any value.
 - Risk - supports the identification, mitigation and active management of risks within a framework to ensure there is thorough monitoring and escalation happens in a consistent and proportionate way.
 - Insurance - Managing organisational liabilities and reducing exposure to risk.
 - Commercial & Investment - supports the development and implementation of the Combined Authority investment and commercial activities strategy that assists the WMCA's wider objectives across all Directorates.
 - Finance - stewardship of public money and ensuring financial sustainability.
 - HR – provide HR advice & support and get the best from our people from recruitment through to workforce planning within a strategic framework
- Business Planning – Working with colleagues to facilitate and develop a business plan that links the resources we have, the activities we do and the outcomes we want to achieve.
- Performance – providing monitoring, analysis and reporting of progress against both corporate objectives and specific grant funds and focusing on 'metrics that matter' to support decision making.
 - Assurance & Appraisal -Ensures adherence to the Single Assurance Framework (SAF) as a system of internal control applied to projects and programmes receiving devolved funding
- Equalities & Inclusion – focusing on both internal and external diversity and wellbeing including Race Equalities Taskforce, Women in Leadership, Disability Taskforce and communities of practice in community engagement.
- Communications - provide specialist input on media, stakeholder and events, service operations and digital communications
- Learning and Organisational Development - ensuring the WMCA is a great place to work and staff have the right skills and competencies for the future
- Legal and Governance – provision of legal services, ensures good governance, information security/sharing and audit
- Strategic Facilities Management and Assets – ensuring our spaces and services enable us to do our very best work, provide value for money and ensure we can collaborate and do our best work wherever we are

During 2021/22 a programme of Business Transformation led to structural changes within Enabling Services to ensure the most effective and efficient ways of working were being implemented. A key outcome of this work was to build a business partner model, ensuring there was strategic and specialist resource in all teams and that outcomes and requirements are agreed and updated on a regular basis. This inward look will continue throughout 2022/23.



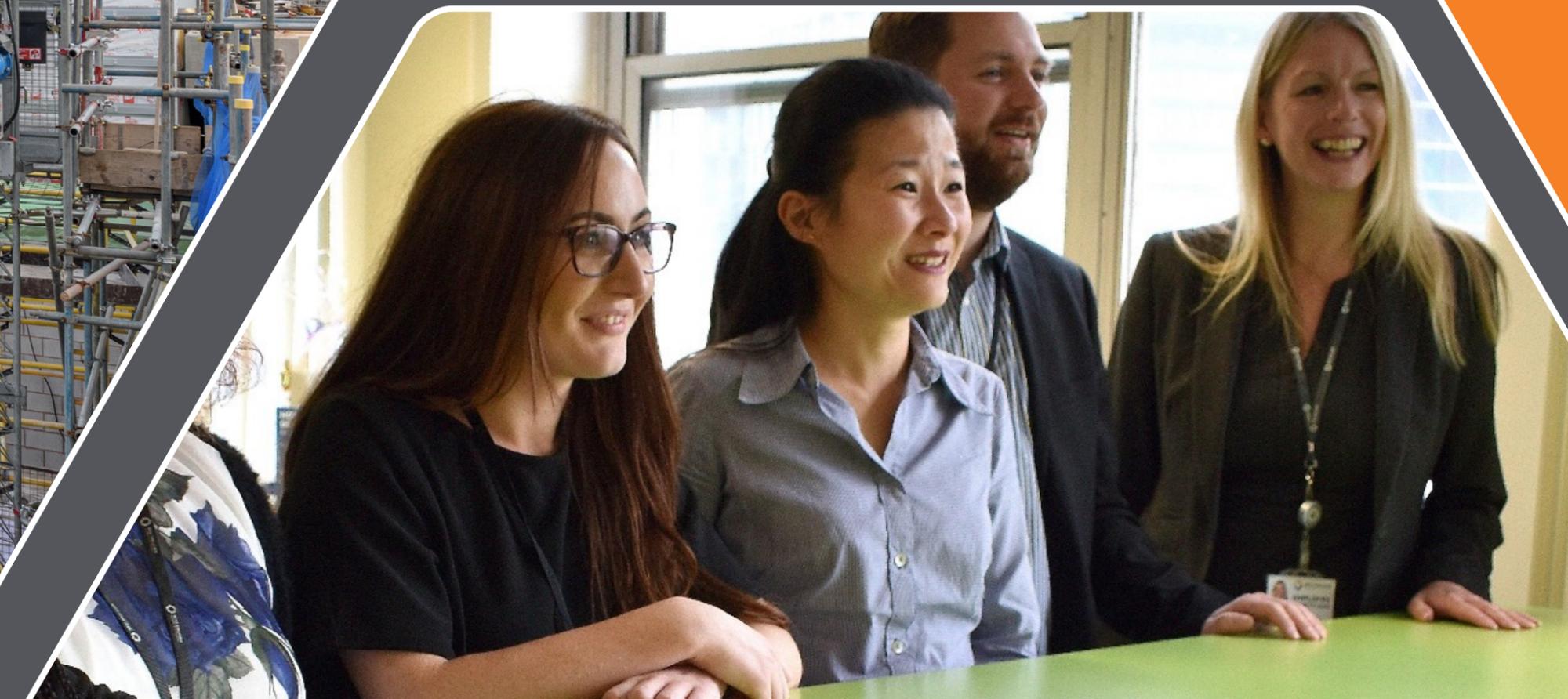
Our Corporate Management Team

Corporate Management Team (CMT) is made up of Heads of Service from both delivery directorates and Enabling Services who work as a trusted team, demonstrating integrated, collaborative and cohesive behaviours. Their role is to provide the day-to-day operational leadership across the organisation including monitoring organisational health and performance.

Our CMT 'own' Aim 6 and will support, lead and deliver this through the golden thread cascading across directorates and teams by:

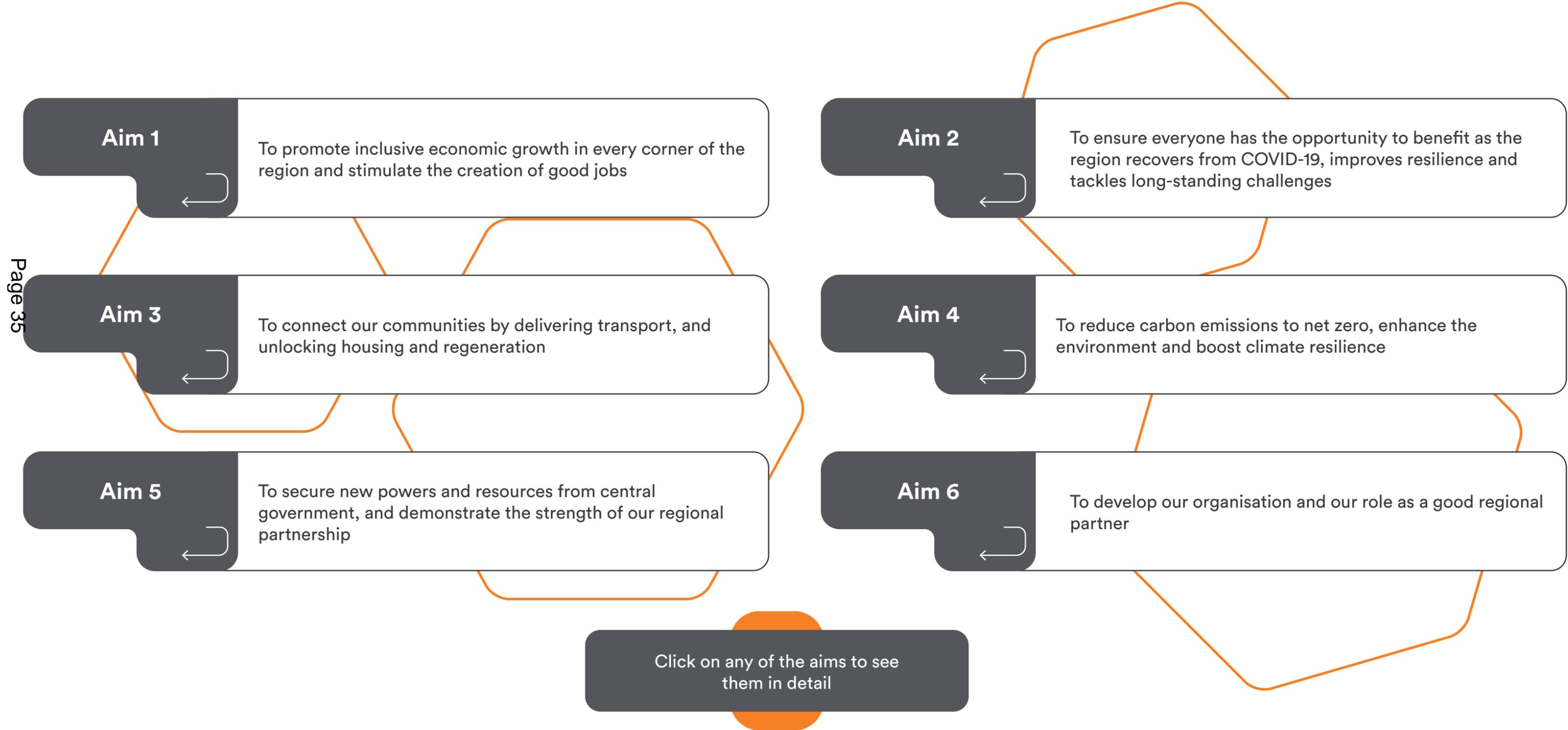
- developing and delivering organisational policy
- monitoring performance – providing challenge, investigating areas of risk and escalating operational concerns to SLT
- prioritising and allocating operational resources where appropriate.

They meet monthly and actively engage with the Business Transformation work.



WMCA Aims, Objectives & High Level Deliverables

We're unlocking the potential of the West Midlands and our corporate Aims & Objectives set out how we'll deliver the region's priorities. The full document can be found on our intranet [\[here\]](#). The table below highlights the six aims and allows you to click through to see the Objectives and High Level Deliverables that align to each of the six Aims.



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Aim 1

To promote inclusive economic growth in every corner of the region and stimulate the creation of good jobs



Objective		High Level Deliverable
Page 36 1.1	We will develop economic strategy for the region to drive inclusive growth, and deliver interventions with partners to boost innovation, secure investment, and support industrial clusters	Develop a broader regional economic policy to drive inclusive growth, co-ordination of policy & support the business taxation commission.
		Adoption, mobilisation and delivery of P4G and P4G implementation plans (cross cutting interventions) - to include influencing funding allocations
		Develop a strategic partnership with a tech firm to deliver a set of core deliverables on the digital economy.
		Deliver the Create Central business growth plan.
		Develop the standards, tools and practices for embedding and delivering inclusive growth including an online IG portal and IG business partners programme
1.2	We will work with partners to create the optimum conditions for businesses to grow, by ensuring they have the support needed to start up, scale up and succeed	Implement each of the 4 strands of the Social Enterprise Growth Strategy with a view to doubling the size of the sector in WM by 2030
		Deliver the WM Innovation Programme and Made Smarter West Midlands programme.
		Convene discussions with BEIS and partners to accelerate innovation programmes (or bodies) for the West Midlands.
1.3	We will invest in training and skills programmes that help our businesses grow and our citizens secure good jobs	Use available evidence to understand and respond to the labour market needs of the region
		Procure new AEB training to meet current and/or emerging skills needs - from August 2022 monitoring, managing and flexing provision as required
		Launch and communicate regional Level 3 training offer to WM residents and employers
1.4	We will work with local authorities to support the role of culture and sport in making the region a good place to live, work, visit and invest	Align cultural activity across the region through support for the Cultural Leadership Board (sector) and Cultural Officers Group (LA, LEP, WMGC).
		Develop proposals and support business cases to increase public investment in culture, particularly in areas where cultural activity is lower.
1.5	We will ensure public and private investment such as HS2 and the Commonwealth Games, create good work opportunities for local people and more contracts for local businesses	Deliver bespoke training for Commonwealth Games in line with committed and new (European Social Fund and National Lottery) funding

Aim 2

To ensure everyone has the opportunity to benefit as the region recovers from COVID-19, improves resilience and tackles long-standing challenges



Objective		High Level Deliverable
2.1	We will work with local authorities, Jobcentres, colleges and training providers to ensure our communities are given training and employment support to access and succeed in new opportunities	Continue to promote youth platform as the 'place to go' for young people and collaborate with partners to generate engaging up-to-date content
		Identify potential new provision to address skills gaps for those in-work, in partnership with DfE and DWP.
		Introduce Outcomes Framework for Community Learning in collaboration with Community Learning providers.
2.2	We will work with partners to identify and address the different barriers faced by our diverse communities	Support and develop the Coalition for Digital Inclusion
		Establish Life Chances Commission
		Convene partners to take action to address race inequalities through the Race Equalities Taskforce
		Support and develop the Young Combined Authority to deliver a programme of activity that puts young people's concerns at the heart of regional policy-making
		Conclude the Mental Health Commission and take forward the recommendations with internal and external partners.
		Support and develop the Leadership Commission through a clear work programme which interfaces with other taskforces and commissions.
		Co-ordinate and support partners in addressing the needs of refugees and asylum seekers arriving in the region through the Strategic Migration Partnership
2.3	We will support social innovation to tackle complex and longstanding challenges facing our communities, where mutually agreed with partners	Continue to deliver and extend the Thrive into Work programme and move to embed it as business as usual in primary and community care.
		Develop and deliver a work programme to promote and enhance an evidence-based approach to preventing and tackling health inequalities in the WMCA and amongst other regional partners.
		Develop new approaches to social innovation in the region including exemplar initiatives, training opportunities and a cross-agency virtual team.
		Ongoing facilitation of the Homelessness Taskforce and associated task and finish groups, members advisory group and pilot activity, including looking at alternative funding models for preventative activity.
		Ongoing oversight of Housing First pilot, Rough Sleepers Accommodation programme and Rough Sleepers Initiative.
		Deliver a Coalition on Trauma-Informed approaches, including implementing a regional vision, training framework and commissioning processes.
		Support a pilot programme of public sector leadership development with CIVIC and explore opportunities for wider roll-out
		Continue delivery of Thrive-at-Work programme as it transitions to becoming a more self-sustaining and autonomous project
Develop collaborative projects with the Police and Crime Commissioner to help reduce crime and improve the criminal justice system		

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Aim 3

To connect our communities by delivering transport, and unlocking housing and regeneration

Objective	High Level Deliverable
<p>Page 38 3.1</p> <p>We will deliver and operate a safe, accessible, affordable, reliable, and sustainable transport system together with our partners that will enable all communities to better access opportunity across the region</p>	Increasing the efficiency and performance of transport delivery in the West Midlands
	Deliver the Commonwealth Games Active Travel Legacy programme
	Fund essential supported services that provide a social benefit including concessions, ring and ride, and tendered bus services
	Develop and enhance frontline services and infrastructure that deliver high quality experiences that meet changing customer demands at TfWM facility, bus stations and interchanges.
	Ensure strategic and operational Health and Safety aims and key deliverables are communicated and embedded throughout the WMCA
	Creating and maintaining accurate and reliable public transport travel information including the requirements set out in the National Bus Strategy and Vision for Bus.
	Work in collaboration with Government, Operators and the wider rail industry to deliver better outcomes from today's railway
	Co-manage the West Midlands rail franchise, through West Midlands Rail Executive
	Managing the West Midlands Transport Network through improved coordination with the Regional Transport Co-ordination Centre
	Keep the transport system safe and secure
	Develop and enhancing the performance of the Key Route Network (KRN)
	Deliver the operational plan for the Commonwealth Games for visitors to the region and ensuring reduced impacts on everyday journeys
	Improving the financial, operational and asset performance of WM Metro to support metro services and network expansions
	Maintain & publish a West Midlands Local Transport Plan and embed transport policy and strategy in the plans and programmes of the wider WMCA & partners.
	Develop and maintain a deep understanding of the needs, attitudes and perceptions of people who use the West Midlands transport system
	Continue to develop and maintain a robust common data environment for the West Midlands transport system
Analyse the transport system to provide deep insight, recommend actions and produce robust and funded evidenced based business cases for schemes and programmes	
Creating a system for easy to use and affordable payments to access the transport system	

3.2	We will build new and develop current transport infrastructure, so that travel in the region is sustainable, active, and low-congestion and integrated with nationally-important projects such as HS2	Deliver the West Midlands Walking and Cycling Programme and continue to invest in making streets more walkable
		Ensure the delivery of the CRSTS Capital Programme, including the TfWM Infrastructure programme
		Delivering our bus vision and BSIP to support inclusive growth.
		Building and planning tomorrow's railways by delivering the Rail Investment Programme
		Extending the WM Metro Network to better serve more people and businesses delivering Westside (Edge), Wolverhampton City Centre, WBHE and Birmingham East Side extensions.
		Keeping the West Midlands Moving by mitigating the impacts of transport investment programmes through Travel Demand Management
3.3	We will invest in and support housing and regeneration schemes across the region, working closely with the private sector and local authorities to unlock and accelerate sustainable delivery	Delivery of key requirements and output targets of Housing Deal & subsequent deals with HMG
		Supporting Local Planning Authorities with evidence for Local Plans and policy requirements
		Develop and collaborate on Board approved policy development work and masterplanning
		Deliver our nationally leading brownfield regeneration and delivery programmes
		Implement the approved Housing & Land Board Covid19 Recovery Strategy
		Run a series of industry led taskforces to provide critical insight and support
		Lead WMCA Strategic Asset Acquisitions, Disposals and Management programme
		Establish a series of new partnerships, ventures and joint ventures with public and private sector partners.
		Support and enable Affordable Housing Delivery including new joint venture and Registered Provider / Homes England partnerships
		Deliver and submit compelling business cases for additional funding from HMG
	Oversee delivery of the regional One Public Estate Programme (OPE)	
3.4	We will support and deliver coordinated investment packages with our partners across key corridors and local, town, and city centres	Produce and launch 2022 WM Investment Prospectus and deliver programme of investor engagement and developer relationships
		Support and enable Town Centre regeneration and repurposing through investment and enabling work
		Support delivery of milestones in charter and routemap for AMC (Advanced Manufacturing in Construction)
		Lobby/engagement programme with HMG on behalf of the region on housing, land and regeneration matters
		Programme of acquisitions and disposals of land in line with the Public Land Charter
		Developing Park & Ride assets to support better access to the transport system including making our transport assets more affordable by increasing commercial revenues
		Support up to three local authority partners with 'Inclusive Growth in Action' schemes: Birmingham, Solihull and Sandwell



Aim 4

To reduce carbon emissions to net zero, enhance the environment and boost climate resilience

Objective		High Level Deliverable
4.1	We will work with partners to facilitate investment in, and delivery of, programmes to support net zero development such as to retrofit homes and develop smart local energy systems	Promote green investment in the region working with partners to leverage commercial finance and co-investment in key investable propositions, building on research and development opportunities in the region
		Develop a system to measure and monitor progress on decarbonisation and other sustainability goals in the region with clear reporting to regional partners
		Develop policies and projects to ensure the energy infrastructure of the region supports competitive, clean and inclusive growth particularly through Local Area Energy Plans and energy devolution
		Deliver Smart Local Energy Systems projects to accelerate innovation in local area energy planning
4.2	We will be national pioneers in advanced methods of construction, zero carbon housing and brownfield regeneration and delivery, informed by research at the National Brownfield Institute	Deliver AMC (Advanced Manufacturing in Construction) investment attraction campaign and investment business case to HMG to accelerate growth in regional AMC industry
		Support delivery of milestones in charter and routemap for Zero Carbon Homes in line with #WM2041 and support partner-led Net Zero neighbourhood pilots
		Develop and deliver the Net Zero Neighbourhood Demonstrator programme to pilot place-based approaches to retrofit and wider decarbonisation through a cohort of 3-5 local neighbourhoods
		Work with partners to develop and deliver projects to tackle fuel poverty in the region
		Establish the SMART Hub to support local authorities to access funding, intelligence and expertise to retrofit homes to reduce carbon emissions
4.3	We will develop programmes to drive industrial decarbonisation, and grow the low carbon and circular economy	Develop and implement the Circular Economy Routemap priorities including an Industrial Symbiosis programme, Zero Carbon Construction Waste Hubs and wider enabling activities
		Develop and implement a programme of activities to rapidly reduce the Scope 1 and 2 carbon emissions of the WMCA including a scheme to decarbonise 16 Summer Lane and staff carbon literacy programme
		Lead and implement initiatives designed to build a sustainability legacy from the B2022 Commonwealth Games including Commonwealth Forest and Carbon Literacy programmes
		Work with partners on industrial decarbonisation and other initiatives to support regional businesses to decarbonise their operations including through the Net Zero Business Pledge
		Develop and deliver a programme of commercial energy efficiency and near/onsite energy generation projects with public and private sector partners

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4.4	We will pioneer and embed transport innovations and drive behaviour change to reduce emissions, improve air quality, and enable the creation of green jobs	Delivering a step change in our Mass Transit Network (including Sprint and Metro delivery programmes) to unlock inclusive growth and tackle climate change
		Develop and agree a strategy and target date to deliver a zero-emission bus fleet and supporting infrastructure across the West Midlands
		Create a strategic transport innovation eco-system by delivering the West Midlands Future Transport Zone programme
		Develop and commence delivery of Green Bootcamps for professional services.
		Deliver a wide-ranging Net Zero Behaviour Change programme to citizens across the region including the development of a WM Net Zero Citizens' Panel
		Implement the key actions in the Infrastructure for Zero Emission Vehicles strategy including delivery of EV Transit Stations spine programme
		Develop and deliver the agreed regional approach to tackling air pollution through the development of a Regional Air Quality Framework
Page 41 4.5	"We will increase investment in nature and our surroundings through a regional natural environment plan"	Implement activities to deliver the Natural Environment Plan including LNRA, Virtual Forest, project pipeline and WM Insetting Fund
		Support community partners to enhance access to quality green space through a Community Green Grants programme
		Develop and support the regional Climate Adaptation Strategy and identify and deliver key activities for the WMCA and our partners



Aim 5

To secure new powers and resources from central government, and demonstrate the strength of our regional partnership



Objective		High Level Deliverable
5.1 Page 42	We will develop our role as a collaborative regional partner, understanding the priorities of local organisations and acting as a convener and bridge to add value	Develop research, intelligence and analytical functions across the organisation to ensure our work is founded upon a strong evidence base and we are measuring, monitoring and evaluating progress against our corporate aims and regional impact
		Develop and maintain a deep understanding of the principles and challenges of our local authority members through sustained engagement at multiple levels across organisations
		Co-ordinate and contribute to pan-regional and national partnerships such as the Midlands Engine, M10 and other associations where there are opportunities for shared advocacy and impact
		Work with the private sector to understand their perspectives and build shared projects and investment propositions both directly and through representative groups such as Chambers of Commerce
		Convene community groups and the third sector to understand their experiences, amplify their voices and support shared endeavours on regional challenges
		Support partners to develop and deliver the 5 missions of the WM Digital Roadmap
5.2	We will work collectively with central government to gain new powers, resources, and investment channels for the WMCA and local authorities, including double devolution	Negotiate the further devolution of powers and flexibilities from central government
		Secure the resources needed for sustainable local and regional institutions and investment in priority projects through government budgets and funding streams
		Co-ordinating WMCA and regional responses to relevant fiscal events and government announcements
		Develop and deliver a co-ordinated regional approach to lobbying through the monthly Public Affairs Network
		Make the case for local rail devolution to deliver better outcomes for a future railway

Aim 6

To develop our organisation and our role as a good regional partner

Objective		High Level Deliverable
Page 43 6.1	We will deliver collectively as one organisation with a collaborative and inclusive culture, underpinned by best in class enabling services	Implement new ways of working identified, during Business Transformation, that ensure our Enabling Services effectively support delivery.
		Support internal stakeholders in the efficient and effective delivery of key WMCA projects across the Region.
		Work with partners to deliver a balanced revenue budget for 22/23.
		Develop WMCAs inclusive culture of best-in-class enabling services when managing land and property assets including asset information, compliance, vacant land management, rates, rents and tenant management, income generation, leases and licenses (relating to acquisitions and disposals)
		Convene Policy Working Group fortnightly to coordinate policy submissions, identify opportunities to work collaboratively and align emerging work to the corporate strategy
		Carry out policy and public affairs horizon scanning and intelligence gathering to cascade relevant insights across the organisation
		Coordinate MP engagement with WMCA senior stakeholders to ensure they understand our role and advocate our priorities
6.2	We will drive cultural change to embed new hybrid and agile ways of working	Ensure Strategic Asset Boards programmes support the transition to, and evolution of, hybrid working and agile practices for Acquisitions; Disposals; Income generation; Public Land Charter & OPE; Strategic Facilities Management, Space & Services; Safety, Security & Compliance
		We will continue to develop hybrid working across the organisation giving staff the support they need to be able to continue to fulfill their roles in both an office and non office environment.
		A Space & Services strategy is developed and implemented to include new ways of working and explore potential opportunities for our Estate.
6.3	Ensure our workforce have the skills and competencies to deliver our strategy	We will continue to develop our coaching, mentoring, recruitment, training and leadership programmes in order to ensure our people can effectively deliver our Corporate strategy.
6.4	We will empower our organisation through digital-first and data enabled ways of working across all our activity	Enhance the organisations digital culture and dexterity through improving and embedding our digital leadership, alignment and skills.
		Improve our digital end to end operational processes by becoming more streamlined, efficient and effective in our ways of working
		Modernise and improve our technology to become more digitally enabled
		Protect and manage our information to enable insight and evidence based decision making
		Enhance the organisations digital experience and interaction with internal and external stakeholders

6.5	We will provide leading support for a diverse workforce and demonstrate excellent equality and diversity practice	We will continue to develop our role in attracting a wider pool of candidates that reflect regional diversity and offer development opportunities to employees from protected characteristic groups.
		We will build staff competencies to ensure they are confident to actively engage in the equality and inclusion agenda, including developing inclusive leadership initiatives.
		We will support positive physical / mental health and wellbeing to ensure it is championed throughout the organisation.
		Improve our workforce data, including transparency, to help us make informed decisions on future initiatives and more consistently monitor and evaluate the impact of these initiatives.
6.6	We will involve citizens with our work to put their views at the heart of our planning, decision-making and delivery	Develop and support a varied portfolio of citizen engagement activity across the WMCA to ensure decisions are shaped by citizens and that our policies, practices and investments deliver real value for everyone living and working in the region
6.7	We will deliver through clear and effective governance and performance management that supports good, timely, and transparent decision making and the best use of public funds	Align business planning with corporate strategy and report on outcome measures every six months
		Support the delivery of key Business projects across the organisation through the Procurement process to ensure best value for money
		A full review of external legal case management systems is being undertaken in line with the corporate objectives to ensure effective working practice with enhanced review analysis and management information.
		Implement the H&S Strategy and ensure strategic H&S aims and key deliverables are communicated and embedded throughout the organisation
		Demonstrable evidence that leadership at all levels of the organisation 'lead and promote a culture' in relation to health and safety.



Financial Position

2022/2023 Revenue Budget Analysis

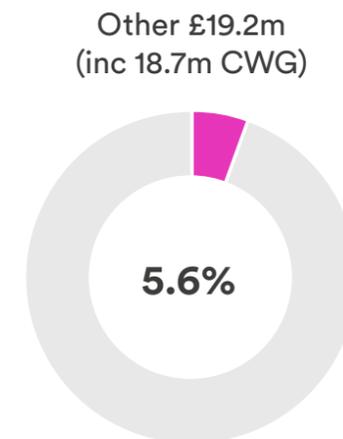
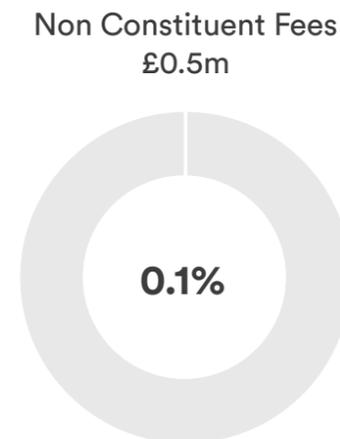
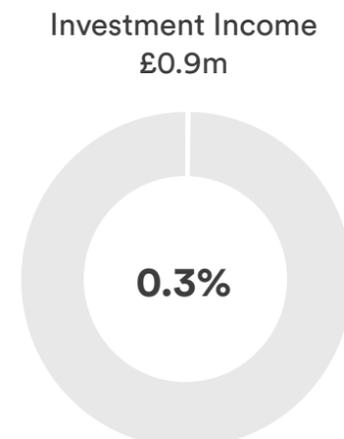
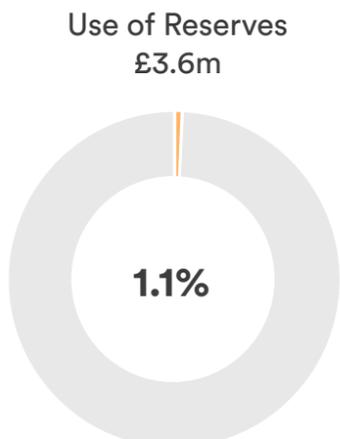
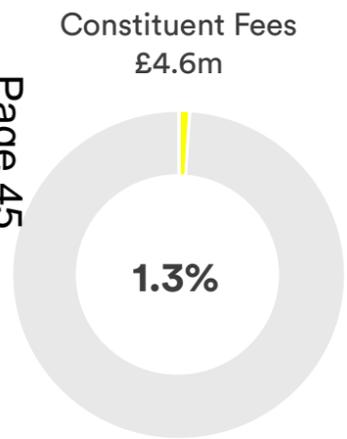
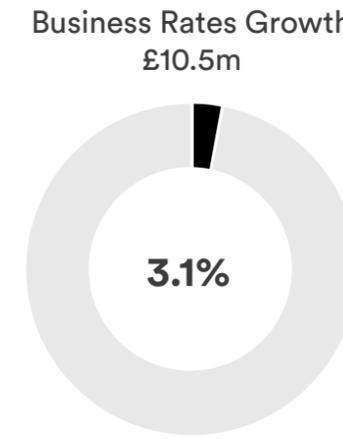
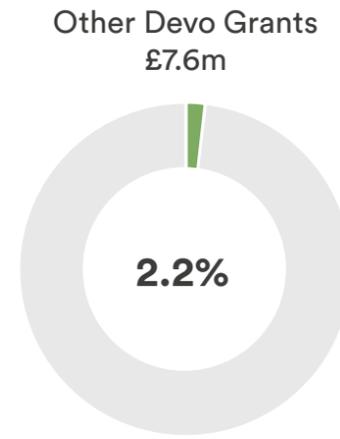
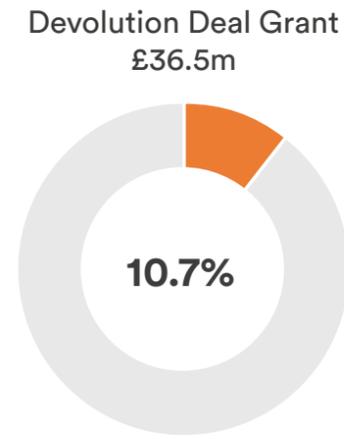
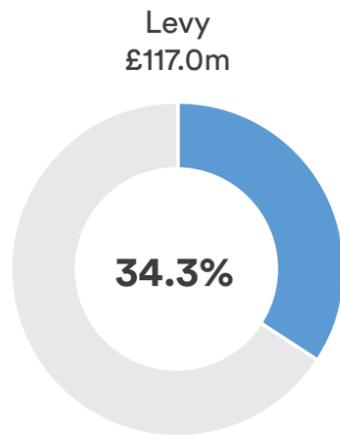
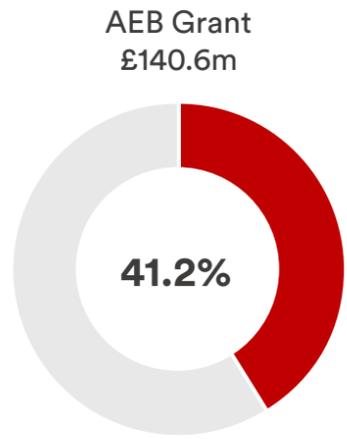


Table on the left shows how the £341m revenue income is sourced and where it gets allocated for expenditure.

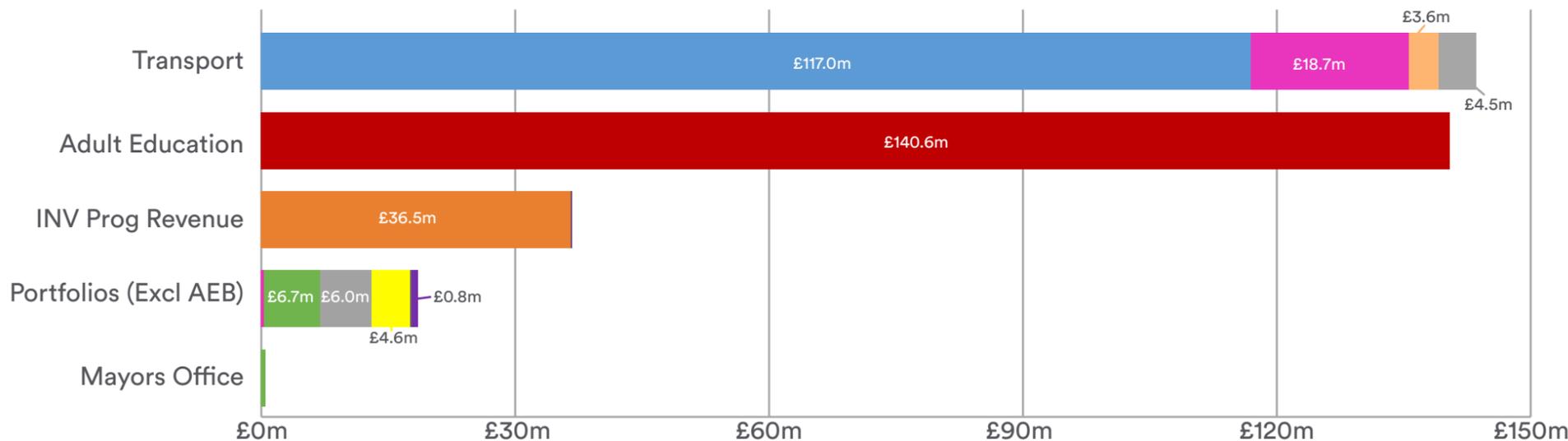
2022/23 Transport expenditure is to be funded by £117.0m of Transport Levy, which WMCA receive from its constituent members, £4.5m of Business Rates and £3.6m of WMCA's existing Reserves. The Transport Levy has been increased by 2% (£2.3m) from 2021/22, having previously remained flat for five years.

Also within Transport, WMCA will receive a grant of £18.7m from the 2022 Commonwealth Games Organising Committee in order to support the delivery of the Games.

2022/23 Non-Transport expenditure includes WMCA's devolved funding in order to deliver Adult Education throughout the region, as part of our Productivity & Skills portfolio. The remaining expenditure in the area includes WMCA's Economy & Innovation, Culture & Digital, Well-being, PSR & Social Economy, Environment and Inclusive Communities portfolios, as well as revenue costs of delivering our Housing & Land Capital Programme.

The Investment Programme and Mayor's Office Budgets are in line with prior years and include the receipt of Devolution Deal grants. A gainshare grant of £36.5m will be used to deliver the Capital projects within the Investment Programme, whilst a £0.8m Mayoral Capacity Funding grant supports the operation of the Mayoral Office.

WMCA have committed to working with Constituent Authorities throughout 2022 to develop a longer-term, sustainable budget and plan, building on the work to develop the 2022/23 Aims and Objectives.

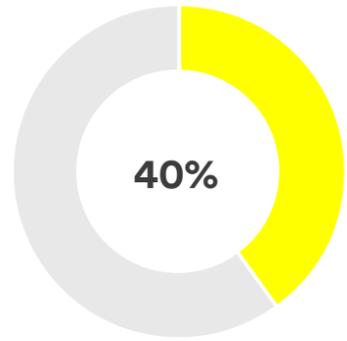


- Levy
- Adult Education Budget
- Other
- Business Rates Growth
- Use of Reserves
- Constituent Member Fees
- Devolution Deal Grant IP
- Non Constituent Fees
- Devolution Grants Other
- Investment Income

Financial Position

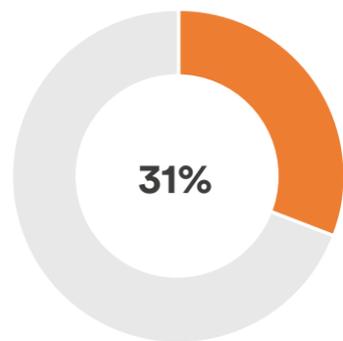
2022/23 Capital Programme

Revenue Backed Debt - IP £871m



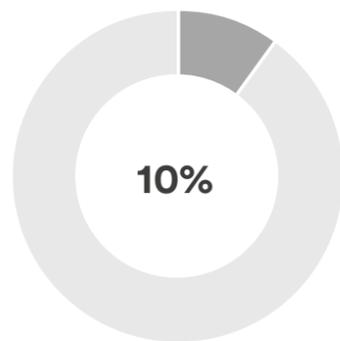
Investment Programme (£871m)

DfT Transport Grants £681m



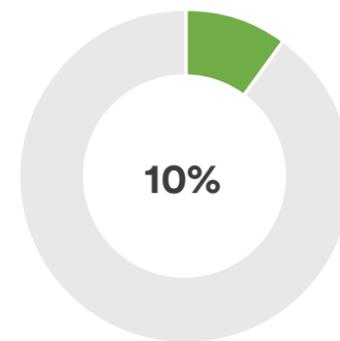
Transforming Cities Grant (£320m)
Metro Eastside (£131m)
Sprint Grant (£35m)

Income Backed Debt £226m



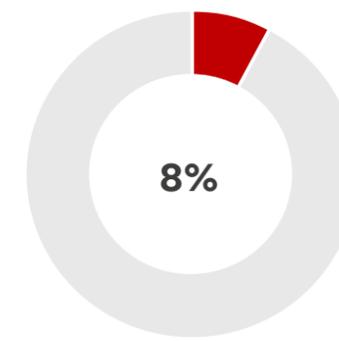
WBHE (£141m)
Metro Eastside (£58m)

Land Fund Grants £208m



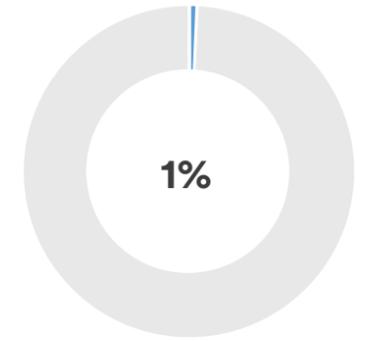
Devo 2 Land Fund (£100m)
Brownfield Grant (£84m)
Additional Brownfield (£24m)

Other Grants £169m



Get Britain Building (£74m)
University Station (£28m)
5G (£25m)

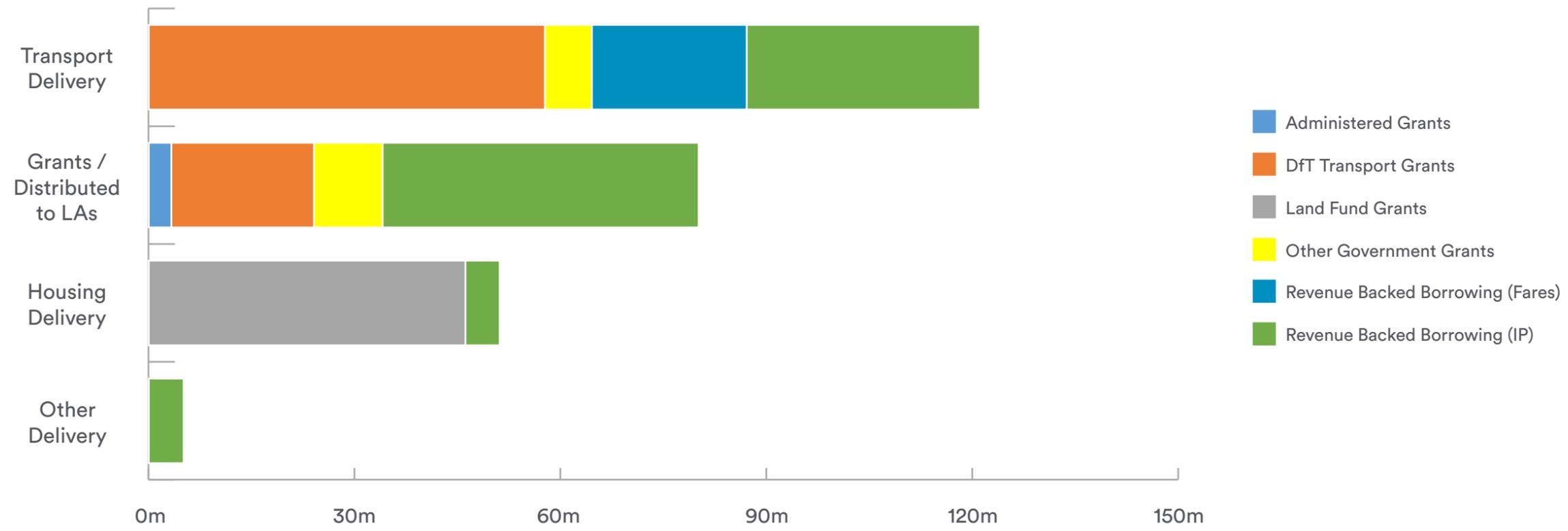
Administered Grants £32m



National Productivity Fund (£17m)
New Bridges Funding (£15m)

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Analysis of Capital Funding by Programme



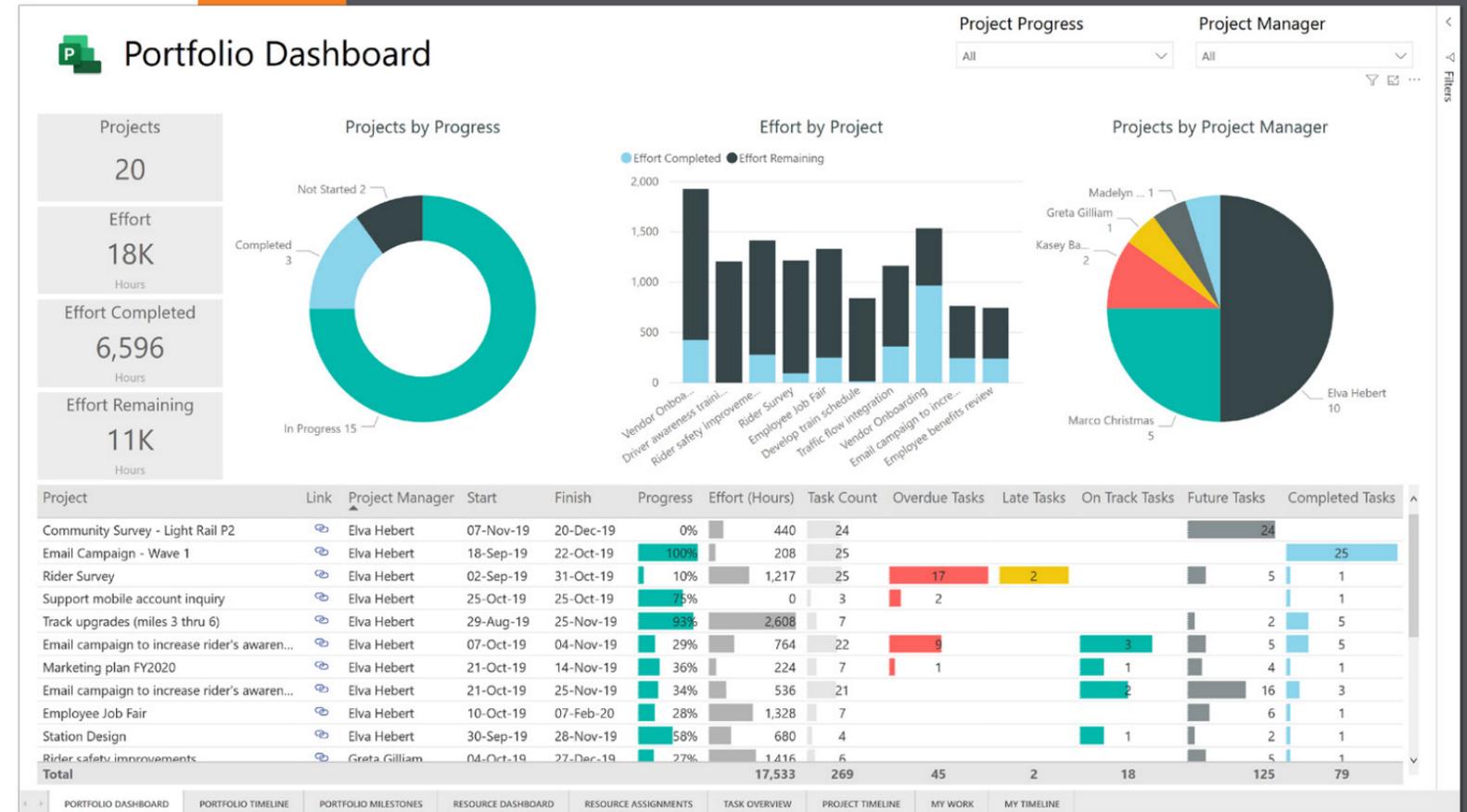
The West Midlands Combined Authority Capital Programme is summarised in these tables highlighting the current planned capital investment between 2021/22 and 2025/26. This position represents the latest 2021/22 reforecast, the final 2022/23 Capital Budget will be presented to WMCA Board at the earliest opportunity in 2022/23 following confirmation of the 2021/22 outturn position. It should also be noted that this view does not include any allocation of the recently awarded City Regional Sustainable Transport Settlement (CRSTS) funding.

Measuring delivery of the Annual Business Plan

- Each High Level Deliverable (HLD) will have a number of milestones underneath that provide more detail on the work being done across directorates.
- Every month we will gather data on how teams are delivering against those milestones and HLDs and whether they are on track, This is analysed and shared with the Strategic Leadership Team (SLT) so they are aware of trends and risks to delivery and can make informed decisions.
- Performance reporting will also be presented to the WMCA Board at least twice a year
- In April 2022 we will launch a new 'one source of the truth' reporting dashboard that will provide greater visibility of performance against the HLDs, triangulated with risk and finance information.
- We want to have more conversations and build confidence about performance.

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Milestones and HLDs = the activity we do = **outputs**
 Objectives = the changes we can bring about or influence = **outcomes**



Filters

PORTFOLIO DASHBOARD | PORTFOLIO TIMELINE | PORTFOLIO MILESTONES | RESOURCE DASHBOARD | RESOURCE ASSIGNMENTS | TASK OVERVIEW | PROJECT TIMELINE | MY WORK | MY TIMELINE

West Midlands Combined Authority Key Documents

Our vision

WMCA is committed to a **better connected, more prosperous, fairer, greener and healthier region**. This is our vision.

We will achieve our vision through living our values which are central to how we work and interact with our wider partners and stakeholders.

Our Charter gives us a solid foundation that can both give insight in to what our culture is like and be used to hold us to account when necessary to make sure we are living our Values.

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WMCA Aims and Objectives

Performance Management Toolkit





West Midlands Combined Authority

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West Midlands
Combined Authority

Audit, Risk & Assurance Committee

Date	12 April 2022
Report title	WMCA Strategic Risk Update
Accountable Chief Executive	Laura Shoaf, Interim Chief Executive Email: laura.shoaf@wmca.org.uk Tel: (0121) 214 7444
Accountable Employee	Linda Horne (Finance Director & Section 151 officer) Email: Linda.Horne@wmca.org.uk Tel: (0121) 214 7508

Recommendation(s) for action or decision: For Information Only

Audit, Risk & Assurance Committee is recommended to:

- a. Consider and note the risks contained within the Strategic Risk Register (SRR).
- b. Note the key messages regarding changes planned for the SRR.
- c. Note the two risks highlighted in 2.11 which will be de-escalated to Directorate Risk Registers and managed operationally via those risk registers:

1. Purpose

- 1.1. This report provides an update on the status of the SRR as presented at Appendix 1 to support the Audit, Risk and Assurance Committee (ARAC) in its function to monitor the operation of risk management at the WMCA.

2. Background

- 2.1 The SRR supports the identification and management of the risks faced by the organisation in achieving its organisational or strategic objectives. The SRR captures only those high-level risks which are of such significance as to require oversight and assurance by the Strategic Leadership Team (SLT). The SLT monitors WMCA's risk environment on a regular basis to ensure key risks are captured on the SRR and effective mitigation measures are in place to reduce or eliminate the resulting effects.

- 2.2 This paper and the Risk Update at Appendix 2 reflects risk owners' review of the SRR in January / February and discussion at the SLT meeting on 23rd March.
- 2.3 The SRR was updated to reflect the risk position in January / February; updates are shown in red text to aid identification. The register contains 22 strategic level risks, including those resulting from the Covid 19 pandemic, however given the timing of its production it does not reflect any new risks, or the effect on existing risks, arising out of the conflict in Ukraine.
- 2.4 We have reviewed and assessed the economic, financial, commercial, and contractual risks associated with the conflict in Ukraine, resulting in the development of the briefing note at Appendix 3. Any emerging financial pressures, particularly in relation to capital delivery and operational costs relating to pay, prices and utilities will be closely monitored and reported through the Authority financial monitoring report. We can confirm that the Authority has no investments or contractual ties to any Russian based companies or direct supply chain connections.
- 2.5 In addition, following the National Cyber-Security Centre's announcement of a heightened cyber threat to the UK, and encouragement to organisations to bolster their online defences, we will be revising the SRR to reflect both this advice and our response.
- 2.6 **Issues Log** - The ARAC will wish to note that one risk has materialised, *Metro - 2GT fleet crack propagation (Suspension of all services from 13 November)* and this is now included in the Issues Log (Appendix 4). This has been revised to reflect recent events when new bodywork cracks were identified.
- 2.7 **High Risks** - The SLT agreed that having now materialised twice, the *Metro - 2GT fleet crack propagation* risk should remain open but will be revised to reflect a wider strategic risk of *Tram availability to operate the network*. Separate from the Metro risk, the register records two further risks with the highest possible residual score of 25:

Financial Assumptions of the Investment Programme & Covid 19 effects and response to risk, and

External Factors

And a further six risks with a residual high-risk score:

Data Protection & Protective Security

Stakeholder & Political Relations

Capacity and Capability & Covid 19 effects and response to risk

Longer term economic impact of Covid-19 on bus service provision

Commerciality & Covid 19 effects and response to risk

Financial resilience of WMCA to absorb fiscal shocks

These risks have not seen any change in risk assessment since July 2021, apart from *Financial resilience of WMCA to absorb fiscal shocks* which had some revision in November 2021.

In discussing these risks, the SLT made two observations

Capacity and Capability & Covid 19 effects and response to risk The SLT asked that the risk be revised to reflect possible post-pandemic recruitment and retention concerns.

Longer term economic impact of Covid-19 on bus service provision The SLT asked that the risk be expanded beyond bus service provision to reflect any evidence of possible longer term economic effects on Public Transport provision more generally.

- 2.8 In addition, the SLT agreed a recommendation that I undertake a thorough review of all eight risks so that we can continue to be assured that our assessment is based on up-to-date evidence. To achieve this, I propose conducting a series of “Deep Dives”, when I will engage colleagues and risk owners to better understand each risk, and ensuring we have all relevant evidence and controls. This will also include the specific revisions requested by the SLT at para 2.7. I will then aim to report back to the SLT through the next Risk Update in May.
- 2.9 **Remaining risks** - The register records a further 10 open risks with a moderate residual level (amber) and one risk rated as low (green).
- 2.10 There have been two significant amendments to the register since it was last reviewed by ARAC, and as such attention is drawn to the following two risks (see appendix 2 slide 8) which have been marked as closed and which will be de-escalated to Directorate Risk Registers and managed operationally via those risk registers:

Delivery Milestones - Housing and Regeneration

Reputation risk - Adult Education Budget

Both risks have been consistently assessed as a limited / low risk. They have been included on the risk register to provide the ARAC with visibility and will be removed in the next review cycle.

3. Financial Implications

N/A

4. Legal Implications

N/A

5. Equalities Implications

N/A

6. Inclusive Growth Implications

N/A

7. Geographical Area of Report’s Implications

N/A

8. Other Implications

N/A

9. Schedule of Background Papers

Appendix 1 WMCA Strategic Risk Register

Appendix 2 Strategic Risk Update

Appendix 3 Ukraine Conflict Note

Appendix 4 WMCA Issues Log

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Open	Threat	SBR 8026	Investment & Commercial Activities Director	Programme Delivery	4	4	14	Delivery - West Midlands SD	<p>Due to uncertainties around the potential funding for WMG and its completion as a multi-stakeholder project which is part of the national T&I and Train programme within DGK.</p> <p>There is managed potential risk (with) within the programme as the market requires the national requirements of a vehicle largely oriented (at least) technology, and the extent to which we as a region can build the mix of supply demanded that will be needed to realise maximum economic and social value for the region.</p> <p>Additionally, a WMG2 has currently no assured guaranteed funding to place beyond March 2022, there is a possibility that continued delivery can not be guaranteed beyond March 2022 if alternative funding is not secured.</p>	<p>Potential resulting in the delivery failure and the need to send down WMG1 if alternative funding is not secured by the end of the year. Skill levels within the CA - Operations teams beyond the T&I Team that will be needed to realise maximum economic and social value for the region.</p> <p>With a low potential of reputational impact.</p> <p>There is a significant potential financial loss for new reasons. 1. If no further funding is received to continue the work of WMG1, then the start up costs have not been spread over many years. 2. Any future digital initiatives that could have utilised the WMG1 skill and knowledge base would need to start from new start up costs.</p>	<p>Finance throughout the project are drawn down subject to robust business case criteria within both DGKs (see an over arching grant agreement) and within WMG's investment programme mechanism). The programme structure further reinforces this - via an arms length, wholly owned subsidiary company of WMCA, overseen by an independent Chair held ultimately to account by a joint venture board - each with senior representation from WMCA, DGK and other stakeholders. As funding is in arrears and all targets met to date, the risk of any failure to deliver is falling. WMG1 Ltd have a staff retention plan in place to mitigate chances and impact of staff leaving before March 2022. Some initial amount of funding has been identified to provide a short, scaled back service from WMG1 after March 2022 and more funding is being sought.</p>	Delivery	2	4	8	6	Jan/Feb 2022	Reduce / Treat	<p>We will continue to monitor the programme according to the contract terms and the profile of funding available and adapt accordingly within the governance framework created for this purpose.</p> <p>WMG1 is funded until March 2022. A plan is being put in place to address potential staff retention issues as it is important to retain focus on delivering results in the 2022/23 period.</p> <p>Partial funding has been identified and we continue to explore funding routes to retain functionality post March 2022. A feasibility of funding to support from WMCA, and the budget for 2022/23 will be critical - the outcome to likely to be known Feb 2022.</p>	20/02/2022	60	8	N/A	N/A	May/Apr 2022	Operations/Regulation	N/A	Not Escalated
Closed	Threat	SBR 8027	Director of Housing and Regeneration	Programme Delivery	4	4	14	Delivery-Midwest Housing and Regeneration	<p>Funding secured from HMG for housing and land delivery programme is subject to robust monitoring and governance. Failure to comply with HMG and WMCA governance</p> <p>May lead to the risk of the possibility of funding being withdrawn and reducing the likelihood of secure further funds in future. The Combined Authority Housing & Regeneration priorities and objectives are contingent on the deployment of funding to comply with HMG and WMCA governance. The ongoing nature of the Covid-19 pandemic on the property market may have consequences for programme delivery, progress towards HMG targets, and the financial risk profile of the CA's investments and acquisitions. The defining, when necessary, of fund flow for investment and non-constituent members is a core element of Government support for the Housing Deal agreed in 2020 and the Housing and Land Deal an equally updated on progress. This is a risk to the Combined Authority not met control, with a consequence for securing continuing funding, support and confidence from Whitehall to advance the Combined Authority's outcomes. In addition, there are practical consequences for developer investment, alongside maintaining relationships with local authorities, delivery of objectives and reputational and political damage.</p>	<p>This could potentially result in funding gaps, delivery gaps, reputational damage. This could lead to an inability to secure further funding, inability to deliver key projects, impact on wider benefits delivered or planned from HMG programmes such as affordable housing, area carbon housing, jobs and skills development.</p> <p>WMCA is in ongoing dialogue with officials in HMGL, Treasury and HM ID to maintain relationships and confirm progress towards the Housing Deal goals and other requirements of recent funding events such as Brownfield Housing Fund and the National Brownfield Fund recently secured. This could lead to an inability to secure further funding, inability to deliver key projects, impact on wider benefits delivered or planned from HMG programmes such as affordable housing, area carbon housing, jobs and skills development. The WMCA is in local authority partners and business sector representatives are currently co-developing a number of business cases to HMG to secure further funding and support, as committed by the Housing and Land Deal. This leads on the approved Covid-19 recovery plan which assessed and analysed the challenges and opportunities brought about by Covid-19 and a series of interventions, including sites of HMG to mitigate risk and maximise public value. Regular dialogue with HMGL continues to establish WM progress, provide assurance of delivery and secure further opportunities for funding programmes. Development of stakeholder engagement tools and engagement plan for Whitehall. Clear working relationships with Members and Officers at local authorities especially on priority projects and sites. Communications plan for Housing & Regeneration to ensure consistent messaging and that LA and other partners are included and engaged in relevant work. Recent measures adopted include: Introduction of Side Fets for LA & Developer awareness, promotion and consistent messaging. Updated SCP Roadmap for new development partner external marketing. Single document of priority housing and regeneration projects for each council. Roll out of individual Risk Registers on all projects, providing early engagement and efficient mitigation measures with all relevant stakeholder from conception to completion. Increased team capacity and experience, including additional external specialist support, to deliver timely, effective and consistent monitoring of the SCP process and delivery of successful applications. Improved due diligence processes and procedures during the SCP application process.</p>	<p>WMCA is in ongoing dialogue with officials in HMGL, Treasury and HM ID to maintain relationships and confirm progress towards the Housing Deal goals and other requirements of recent funding events such as Brownfield Housing Fund and the National Brownfield Fund recently secured. 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Improved due diligence processes and procedures during the SCP application process.</p>	Delivery	1	4	4	4	Jan/Feb 2022	Reduce / Treat	<p>Continued dialogue with civil servants to establish WM progress, provide assurance of delivery and secure further opportunities for funding programmes. Regular reports & programme updates to HMG to demonstrate delivery & outcomes secured. Development of a regional investment prospectus with local authorities, Whitehall, HMGL, HMGL and HMGL to maximise private sector investment into key projects and programmes. Development of stakeholder engagement tools and engagement plan for Whitehall and private sector investors and developers. Continued close working relationships with Members and Officers at local authorities. Meetings of officer Steering Group to include workshops and risk and focus sessions. Communications plan for Housing & Regeneration to be further developed to ensure consistent messaging and that LA and other partners are included and engaged in relevant work.</p>	Details Realisation Environmental Programme Delivery Stakeholder Funding People Skills Reputational	10	Structure	De-escalated to Director's risk register by agreement of SC on 06/02/22					
Open	Threat	SBR 8028	Managing Director, TRM	Operations	2	4	8	Health & Safety	<p>Failure of the WMCA to adopt and embed adequate Health & Safety arrangements</p> <p>May lead to the risk that Health & Safety procedures to ensure safe working conditions for staff, visitors and users of all WMCA facilities could possibly be absent or inadequate. The WMCA is now accountable for the delivery of Metro Operations. A number of project construction sites with the growing number of infrastructure projects in delivery.</p>	<p>Failure to provide a safe environment for users. Audit & inspection of all essential services are undertaken to ensure H&S compliance is maintained. Monthly H&S position statement provided to safety Boards of the Organisation's Corporate representatives, including review and analysis of accident, incident and near miss reports. The WMCA is in local authority partners and business sector representatives are currently co-developing a number of business cases to HMG to secure further funding and support, as committed by the Housing and Land Deal. This leads on the approved Covid-19 recovery plan which assessed and analysed the challenges and opportunities brought about by Covid-19 and a series of interventions, including sites of HMG to mitigate risk and maximise public value. Regular dialogue with HMGL continues to establish WM progress, provide assurance of delivery and secure further opportunities for funding programmes. Development of stakeholder engagement tools and engagement plan for Whitehall. Clear working relationships with Members and Officers at local authorities especially on priority projects and sites. Communications plan for Housing & Regeneration to ensure consistent messaging and that LA and other partners are included and engaged in relevant work. 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Monthly H&S position statement provided to safety Boards of the Organisation's Corporate representatives, including review and analysis of accident, incident and near miss reports. The WMCA is in local authority partners and business sector representatives are currently co-developing a number of business cases to HMG to secure further funding and support, as committed by the Housing and Land Deal. This leads on the approved Covid-19 recovery plan which assessed and analysed the challenges and opportunities brought about by Covid-19 and a series of interventions, including sites of HMG to mitigate risk and maximise public value. Regular dialogue with HMGL continues to establish WM progress, provide assurance of delivery and secure further opportunities for funding programmes. Development of stakeholder engagement tools and engagement plan for Whitehall. Clear working relationships with Members and Officers at local authorities especially on priority projects and sites. Communications plan for Housing & Regeneration to ensure consistent messaging and that LA and other partners are included and engaged in relevant work. Recent measures adopted include: Introduction of Side Fets for LA & Developer awareness, promotion and consistent messaging. Updated SCP Roadmap for new development partner external marketing. Single document of priority housing and regeneration projects for each council. Roll out of individual Risk Registers on all projects, providing early engagement and efficient mitigation measures with all relevant stakeholder from conception to completion. Increased team capacity and experience, including additional external specialist support, to deliver timely, effective and consistent monitoring of the SCP process and delivery of successful applications. Improved due diligence processes and procedures during the SCP application process.</p>	Health & Safety	2	3	8	4	Jan/Feb 2022	Reduce / Treat	<p>Ongoing engagement with all WMCA departments to ensure performance of H&S duties by all. Development of policies, procedures and guidance as necessary to ensure update and sufficient H&S implemented for all areas of the WMCA portfolio. Regular engagement with emergency services and all H&S to provide active management of H&S incidents. Expansion of scope of ISO45001 accreditation to incorporate all WMCA activities. Covid-19 response. Covid-19 Risk Assessments have been produced for all operational environments, with particular attention paid to Transport Operations as the network re-opens. Operations setting out operational norms. Further enhancements to ensure consistent messaging and that LA and other partners are included and engaged in relevant work. Remote Working including the supply of ergonomic equipment to support. Latest HM Government guidance has been reviewed and feedback provided on its application within the organisation. Guidance has been produced setting out the management framework and procedure for "Covid-19 secure" safe activities. H&S reports to re-evaluation and re-mobilisation of projects, due to Covid-19 continue to be completed, working closely with stakeholders to ensure ongoing compliance with Covid-19 requirements. Ongoing work with 10 Summer Law Working Group in relation to the recovery of 10 Summer Law including production of Covid-19 Secure Risk Assessment.</p>	Regulatory/People	10	People	N/A	N/A	May/Apr 2022	N/A	Not Escalated	
Open	Threat	SBR 8029	Investment & Commercial Activities	Programme Delivery	4	5	20	Investment Programme Delivery Reputational Impact	<p>Due to uncertainties created by the use of Delivery Partners/ Delivery Bodies to deliver Projects/Programmes wholly or partially funded by WMCA Investment Programme. This risk may be identified early on and appropriately mitigated if monitoring is not in place.</p>	<p>Resulting in the potential of delays to the delivery of programmes of work, failure to deliver the elements of WMCA's operational commitments. Potentially leading to Reputational damage to WMCA as well as damage to Political relations. Programme Delivery.</p>	<p>Monitoring/Arrangements in place with Delivery Partners to ensure timely monitoring and reporting. WMCA assurance framework is in place and resources being brought. Progress of financial contributions reviewed to enable coverage of all WMCA outcomes or early intervention if possible. Recruitment of a dedicated Investment Programme Monitoring and evaluation team in underway with the Senior Portfolio Manager now started and additional Officer starts in December. Funding agreements now in place with most Delivery Partners.</p>	Programme Delivery	2	5	10	6	Jan/Feb 2022	Reduce / Treat	<p>Recent milestones of project inclusion, development, delivery and monitoring/oversight through the Single Assurance Framework (SAF) which is being rolled out through a phased implementation plan. A new Monitoring Officer is due to join the CA by December 2022 and this will further enhance/support the ability of the CA to monitor the delivery by Delivery Partners/ Delivery Bodies.</p>	11/12/2022	60	10	N/A	N/A	May/Apr 2022	Regulation	N/A	Not Escalated
Closed	Threat	SBR 8020	Director of Productivity and Skills	Programme Delivery	3	4	12	Regulation risk-Adult Education Budget	<p>There is a risk of reputational damage if there is not enough evidence to show that the WMCA A&S funding has been used effectively to support residents into meaningful jobs.</p> <p>Development of A&S represents a significant opportunity to demonstrate the impact of local centres of skills training on communities and jobs, through the ability to align c.£20m a year with Skills Funds to better meet the needs of residents and our business.</p> <p>There is a risk that providers may be unable to deliver the training to meet the needs of residents and not have the other they need. There is a risk of any further Covid measures impacting on providers ability to effectively deliver training and/or supporting learners into positive progression outcomes.</p> <p>There is a risk that poor tracking and data collection will limit our ability to demonstrate the impact the funding is making particularly in moving people into work and progressing them in careers.</p>	<p>Delivery could be impacted if providers are either unable to respond to the changing skills landscape or unwilling to implement training aligned to our priorities. Possible reputational damage amongst government departments and officials, and local providers, if there is a failure to have adequate impact through delivery across the region. The Productivity and Skills teams have reviewed service levels and requirements with college service teams to ensure that the appropriate resource is scheduled to support the business needs. Failure to discharge our legal obligations to ensure statutory settlement provision is available to WM residents. Although very unlikely to ever occur, failure to deliver adequate impact & results could lead to a reputation of funding being mismanaged/ misused or control of funding/delivery transferred.</p> <p>There is a risk of possible reputational damage if there is any further impact from Covid on providers and their ability to deliver face to face or virtual learning, leading to a potential failure to deliver provision requirements and lower the impact across the region we aspire to align to our objectives.</p>	<p>Priorities for A&S agreed as set out within the Regional Skills Plan, with further local tailoring agreed with local authorities. There has now been two full years of the pandemic, WMCA has effectively brought a number of the CA's in place to manage the procurement, contracting and performance management approaches required to deliver. Where gaps in provision against priorities have been identified several agreements with grants funded and contracted providers are being placed to identify how they can be addressed - through facilities and a tighter focus on certain priorities. Approximately £20m will continue to be given funded to local authorities and colleges and delivery agreements are in place to demonstrate how funding will be used to meet regional and local priorities. The recruitment of provision has been secured through competitive tenders and awarded to a range of private and voluntary organisations. The Productivity and Skills teams have reviewed service levels and requirements with college service teams to ensure that the appropriate resource is scheduled to support the business needs. The three annual recommendations from the A&S audit report are being implemented and progress in partnership with finance, legal and strategic risk corporate services.</p>	Delivery	2	2	4	4	Jan/Feb 2022	Reduce / Treat	<p>We will continue to ensure that Finance, Governance and Assurance processes support the development to ensure that A&S delivers regional priorities. Review of capacity to be undertaken as a priority basis to ensure that sufficient resources are in place to successfully manage A&S. Recommendations from A&S audit will continue to be implemented and reviewed on a monthly basis within the A&S Operational Risk Register.</p>	Regulatory/People	10	Structure	De-escalated to Director's risk register by agreement of SC on 06/02/2022					
Open	Threat	SBR 8021	Director of Finance	Financial	4	5	20	Financial resilience of WMCA to absorb fiscal shocks	<p>Reduced levels of reserves / resources which are available to deal with fiscal shocks</p> <p>The revenue budget in recent years has been supported by reserves and other use of cash resources. The nature of this funding limits the degree to which WMCA is able to specify direct funding towards specific priorities for change/growth and also reduce the extent to which WMCA has financial capacity to effectively deal with fiscal shocks resulting from the recent pandemic and related / unrelated scenarios in revenue and capital markets.</p>	<p>Potential to lose the requirement to divert reserves and other use of cash resources from other regional priorities.</p>	<p>In the case of the pandemic, WMCA has effectively brought a number of the CA's in place to manage the procurement, contracting and performance management approaches required to deliver. Where gaps in provision against priorities have been identified several agreements with grants funded and contracted providers are being placed to identify how they can be addressed - through facilities and a tighter focus on certain priorities. Approximately £20m will continue to be given funded to local authorities and colleges and delivery agreements are in place to demonstrate how funding will be used to meet regional and local priorities. The recruitment of provision has been secured through competitive tenders and awarded to a range of private and voluntary organisations. The Productivity and Skills teams have reviewed service levels and requirements with college service teams to ensure that the appropriate resource is scheduled to support the business needs. Failure to discharge our legal obligations to ensure statutory settlement provision is available to WM residents. Although very unlikely to ever occur, failure to deliver adequate impact & results could lead to a reputation of funding being mismanaged/ misused or control of funding/delivery transferred.</p> <p>There is a risk of possible reputational damage if there is any further impact from Covid on providers and their ability to deliver face to face or virtual learning, leading to a potential failure to deliver provision requirements and lower the impact across the region we aspire to align to our objectives.</p>	Financial	4	5	10	10	Jan/Feb 2022	Reduce / Treat	<p>Continuing to lobby Government on a long term financial settlement.</p>	11/12/2022	60	10	N/A	N/A	May/Apr 2022	Regulation/Delivery	N/A	Not Escalated
Open	Threat	SBR 8022	Exec Director TRM	Operations	3	3	20	Metro - 20T fleet (ack propagation Suspension of all services from 13 December), TRM Risk ID: 1242	<p>Cracks to the 20T fleet posing a safety risk to operations and suspension of service.</p> <p>Metro - 20T fleet crack propagation (Suspension of all MML services from 13 December). Temporary repairs were being made to the 20T fleet, pending all items having the full repair undertaken which is in progress. The temporary repairs can no longer be assumed to be sufficient for the safe operation of the train.</p>	<p>Impact on MML train operators and potential impact on WMCA operations projects. Reputational impact.</p>	<p>Repair programme of fleet in action - undertaken in conjunction with the manufacturer under contract. For suspension of services, communication report on all accidents involving the train and all operations except Metro tickets, issue of guidance to metro passengers and direction of customers to buy/fair tickets. Working with rail and bus operators to strengthen services for increased passenger numbers to ensure positive transport options for affected customers.</p>	<p>Repair programme of fleet in action - undertaken in conjunction with the manufacturer under contract. For suspension of services, communication report on all accidents involving the train and all operations except Metro tickets, issue of guidance to metro passengers and direction of customers to buy/fair tickets. Working with rail and bus operators to strengthen services for increased passenger numbers to ensure positive transport options for affected customers.</p>	Operations	3	3	20	15	Jan/Feb 2022	Reduce / Treat	<p>Ongoing monitoring of fleet in conjunction with manufacturer and delivery of repair programme to enable services to restart with a safe and acceptable fleet. Revised programme to ensure priority of repairs to get the full fleet through. Acceleration of entry into service for the 30T to provide additional reliability. Updated communications regarding and preparation for return to service once data is confirmed with train availability.</p>	10	15	SBR-021	11/12/2022	May/Apr 2022	Financial	From Structure	Transferred to issue log issue SBR-021

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ARAC High-level Strategic Risk Update – April 2022

Peter Astrella
Strategic Risk Manager
Finance & Business Hub

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4	WMCA Strategic Risk Trend
5 - 6	High Risks & Key Messages
7	Remaining Strategic Risks
8	De-escalated Risks

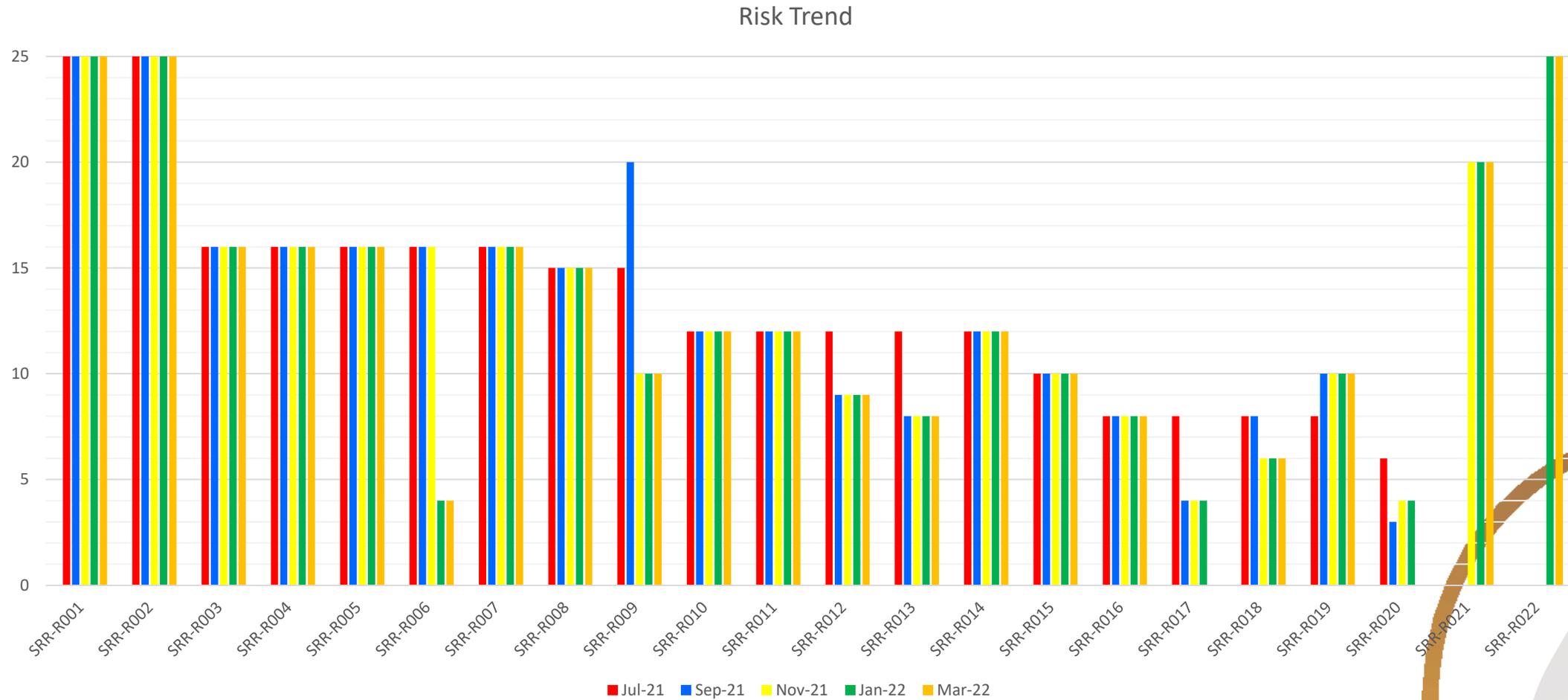
WMCA Strategic Risk Heat Map

		Current Threats					
Likelihood	5	Very high				SRR-R001 ⇄ SRR-R002 ⇄ SRR-R022 (Issue)	
	4	High		SRR-R013 ⇄		SRR-R003 ⇄ SRR-R004 ⇄ SRR-R005 ⇄ SRR-R007 ⇄ SRR-R021 ⇄	
	3	Medium			SRR-R012 ⇄	SRR-R010 ⇄ SRR-R011 ⇄ SRR-R014 ⇄ SRR-R008 ⇄	
	2	Low		SRR-R020 ⇄ (De-escalated)	SRR-R018 ⇄	SRR-R016 ⇄ SRR-R009 ⇄ SRR-R015 ⇄ SRR-R019 ⇄	
	1	Very low				SRR-R006 ⇄ SRR-R017 ⇄ (De-escalated)	
			1	2	3	4	5
			Minimal	Minor	Significant	Major	Critical
			Impact				

Threat Rating	Score Range	Count
Limited	1 - 5	3
Medium	6 - 12	10
Very High	15 - 25	9
Total		22

Note: 2 x De-escalated low risks will be removed ahead of the next review cycle

Risk Trend



Nine Highest Rated Risks

There are currently 9 Risks rated **Very High** (Red) even after mitigants have been applied, of which three have the highest possible residual rating of 25.

- SRR-R001 Financial Assumptions for Investment Programme **(25)**
- SRR-R002 External Factors **(25)**
- SRR-R003 Data Protection & Protective Security
- SRR-R004 Stakeholder & Political Relations
- SRR-R005 Capacity and Capability
- SRR-R007 Longer term economic impact of Covid-19 on bus service provision.
- SRR-R008 Commerciality
- SRR-R021 Financial resilience of WMCA to absorb fiscal shocks (New Oct 21)

Separately, the following risk has now materialised, and is also captured on a separate Issues Log

- SRR-R022 Metro - 2GT fleet crack propagation (Suspension of all services from 13 November) **(25)**

Nine Highest Rated Risks – Key Messages

Key Message for ARAC:

- The CA continues to see a significant level of residual risk at the Strategic Level.
- Nine high risks remain outside of appetite, of which seven have remained static for some time.
- One of these risks *Metro - 2GT fleet crack propagation* is to be revised to reflect a wider strategic risk: *Tram availability to operate the network*.
- SLT have agreed that I should now conduct a series of deep dives into the eight remaining high risks to ensure our assessment is based on an up to date understanding of the risk evidence and controls.

Remaining Strategic Risks

Medium Risks:

- There are 10 risks with a medium rating (scoring 6-12); of which four have reduced in materiality during the last 4 review cycles.
- All risks have mitigation plans in place and are reviewed by individual risk owners and SLT on a minimum of bi-monthly basis.
- There is no particular concern with these risks at present.

Low Risks:

- Three risks have a low rating (scoring 1-5); of which two will now be de-escalated, following agreement at SLT on 6th January 2022, to the relevant Directorate Risk Registers in Housing & Regeneration and Productivity & Skills Directorates and are included for visibility only. See next slide for details.

Key material changes (since January 2022 review)

RISK ID & Name	Change	Details	Score Trend
SRR-R017 Delivery Milestones - Housing and Regeneration	De-escalated to Housing & Regeneration Risk Register	Risk is specifically about securing and maintaining Government funding to enable delivery of our targets. We are managing our relationship with Government and there have been no issues with our funding. This risk has remained within appetite (rated as Limited) since September 2021, SLT have agreed that this risk will be de-escalated to the Housing & Regeneration locally managed risk register. It will now be removed from the SRR.	
SRR-R020 Reputation risk - Adult Education Budget	De-escalated to Productivity & Skills Risk Register	Risk has remained within appetite (rated as Limited) since September 2021, SLT have agreed that this risk will be de-escalated to the Productivity & Skills / AEB operational risk register, where it will be managed along with implementation and review of recommendations from the AEB audit. It will now be removed from the SRR.	



Strategic Risks

1. Currently the most significant risks for the WMCA would appear to be: Economic, Financial, and Security.
2. Even before the war, energy prices had increased significantly, with extreme market price volatility flowing through to significant price rises for consumers. We have been advised to expect a price increase of both gas and electricity costs of around 60-70%. Alongside pressures on food supply and related costs, this is causing significant economic uncertainty.
3. This could exacerbate several of our existing risks, while there is the possibility of new risks if there are any links with Russian suppliers either directly or through supply chains.
4. Finally, there are concerns about increased cyber-security threats.

Exacerbating Existing Risks

5. There is an existing risk relating to our *Financial Assumptions for our Investment Programme* which recognises the possible negative effect on our investment programme because of the *“challenge in securing income streams caused by political and economic uncertainty”*. The risk was revised to reflect Covid 19 uncertainties, and we will want to consider the risk and our options for mitigating it further, in light of current specific threats.
6. The risk goes on to describe a secondary area of concern around: *“the ‘interest rate risk’ and the degree to which any upwards movement in the rate WMCA borrow at erodes the purchasing power of the grants / funding it has secured to date*. Given the increase in inflation, the volatility of the energy market, and

pressure on food costs, it appears these concerns will only exacerbate through the year.

7. Were the WMCA to look towards its financial reserves to deal with any of these issues in the short term, we would need to consider the effect on another high risk, which is the *“Financial resilience of the WMCA to absorb fiscal shocks”*, where we already recognise a risk of *“Reduced levels of reserves / resources available to deal with fiscal shocks.”*

Possible New Risks

8. With concerns about any links with Russian suppliers either directly or through supply chains in mind, we have undertaken a trawl of our current suppliers. We have no live suppliers who are listed as being in either Russia or Ukraine, therefore we have no live contracts either. That’s not to say that that we don’t have contracts with suppliers who deal with Russian or Ukrainian companies as part of their supply chains though.
9. WMCA source both Gas & Electricity through Total Gas & Power via ESPO (Electricity) and CCS (Gas). ESPO have no direct contractual links with Russian gas and electricity suppliers or have now terminated these arrangements in light of recent events. We will continue to press our contracted energy suppliers to reduce reliance on Russian-owned interests within their own supply chains.
10. In respect of MML, gas supplies are with Brooke Green Supply Ltd a UK based company supported by a large Japanese trading company called SCMI Ltd, and electricity supplies are with Npower, which is now owned by Eon, both of which are German companies. We

understand that there are no live contracts with the Russian supplier Gazprom.

Voi eScooters

11. The BBC news website published an article relating to allegations made by a Swedish newspaper *Di*, which claims Russian businessman Alexander Eliseev, who owns shares in Voi, has alleged business connections to Alexei Mordashov, who has been sanctioned by the EU over the Russian invasion.
12. Voi have provided us with a statement confirming their condemnation of the Russian actions in Ukraine, and that they are actively donating to the relief effort. They have told us they have no active operations in Russia, are disposing of any Russian assets, and have ensured their supply chain no longer goes through Russia. On top of this they have confirmed to us that none of their investors were under sanctions at the point of their investment in Voi or currently are so, and that any investor, advisor, or partner who does not join them in vocally opposing the Russian invasions of Ukraine will no longer be associated with the company.
13. We acknowledge the steps Voi have set out and will continue to monitor this situation closely and keep in contact with the company to ensure they enact on what has been set out to us. In the meantime, we will continue to focus on ensuring the safe and effective operation of the eScooter trial, which has been successfully serving hundreds of thousands of travellers over the last 18 months

Security

14. The National Cyber Security Centre (NCSC) has heightened the cyber threat

to British businesses and organisations and is advising organisations to improve their cyber resilience following the Russian invasion. Staff have been made aware of the increased threat and have been made aware of the need for extra vigilance about our cyber security. Whilst we are not aware of any current specific threats to the WMCA, businesses and government bodies should be on heightened alert. To this end, we will be undertaking continual rigorous checks on our systems, services, and accounts to ensure that we are as robust as possible.

Further Information

Lead Officer	LINDA HORNE FINANCE DIRECTOR Linda.Horne@wmca.org.uk
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Issue Priority	Issue Ref	Issue Title	Issue Description	Issue Owner	Issue Due date	Action Reference	Action Title	Action Description	Action Owner	Action due date	Action Status	Issue Status	Over all Status	Lessons Learned Initiated
Red	SRR-1001	Metro - 2GT fleet crack propagation (Suspension of all services from 13 November).	Metro - 2GT fleet crack propagation (Suspension of all MML services from 13 November & 20 March 2022). Temporary repairs were being made to the 2GT fleet, pending all trams having the full repair undertaken which is in progress. The temporary repairs can no longer be assured as being sufficient for the safe operation of the tram.	Exec Director TFWM	Dec-21	SRR-A001	Repair programme	<p>Repair programme of fleet in action - a programme of repairs of the 2GT cracks now needs to be consolidated. Repairs being undertaken in conjunction with the manufacturer under contract.</p> <p>For suspension of services - communication with all customers and stakeholders on disruption, ensuring bus and rail operators accept Metro tickets, cease of trading in metro passes and direction of customers to bus/rail tickets.</p> <p>Working with rail and bus operators to strengthen services for increased passenger numbers to ensure public transport options for affected customers</p>	MMA	ASAP	Open at Risk	Open at Risk	Open	

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Audit, Risk & Assurance Committee

Date	12 April 2022
Report title	Single Assurance Framework (SAF) Assurance Performance Report – October to March 2022
Accountable Chief Executive/WMCA Director	Linda Horne – Director of Finance
Accountable Employee	Joti Sharma – Head of Programme Assurance & Appraisal
Report has been considered by	WMCA Strategic Leadership Team

Recommendation(s) for action or decision:

Read this report and note the content of this report for information.

Audit, Risk & Assurance Committee (ARAC) is recommended to:

This report follows on from the Single Assurance Framework (SAF) updates shared with Audit, Risk & Assurance Committee (ARAC) previously (November 2021). ARAC had requested that Programme Assurance & Appraisal Team present assurance thematic performance information to the Committee on a quarterly basis.

1. Purpose

The report details assurance thematic performance information from WMCA projects where they have been assured to Single Assurance Framework (SAF) standards. ARAC wanted to use this quantitative information to ensure progress is being made for projects transitioning to new SAF assurance and governance arrangements. This report covers programme assurance and appraisal activity from October 2021 to March 2022. The previous assurance thematic performance report covered the reporting period April to September 2021.

Background

1 Single Assurance Framework (SAF) Implementation Progress

1.2 As reported to ARAC in November 2021, the WMCA Strategic Leadership Team approved WMCA Single Assurance Framework to be implemented across all WMCA Project portfolios. This was to mitigate the risk of non-compliance to mandatory devolution commitments. The SAF Implementation Group was established to support with the implementation and recommended that the project would be split into two phases:

- i. Phase 1 – Transition all WMCA Directorates to operate within Single Assurance Framework standards and governance. Key Output – SAF Transition Proposals to be developed for each Directorate (Oct - March 2022)
- ii. Phase 2 – Undertake annual refresh of Single Assurance Framework in accordance with Department for Levelling Up, Housing & Communities (DLUHC) (April – September 2022)

1.3 The table next summarises a comparison of SAF activity between the last reporting period and this quarterly update to ARAC. Several Task & Finish Groups were set up and engagement with each Directorates has been positive to support meeting the objectives of Phase 1. This is demonstrated in the table below which is supporting evidence that there has been increased SAF activity to support transition arrangements, almost the same number of reviews in last 3 months in comparison to 6 months prior.

REPORTING PERIOD	DIRECTORATE/ EXTERNAL DELIVERY ORG.	Business Case Maturity Assessment (BCAT)	Health Check	Risk & Investment Appraisal	Change Requests
Apr-Sept 2021 (H1)	TfWM	5	1	5	3
	Productivity & Skills	1	0	0	0
	Finance & Business Hub	1	0	1	0
	WM Growth Company	0	1	0	0
	Solihull MBC	0	2	1	2
	Strategy and Economy	0	0	2	1
(Q1& Q2) TOTAL		7	2	9	6
Oct-Dec 2021 (Q3)	TfWM	3	1	1	1
	Finance & Business Hub	1	0	1	1
	Solihull MBC	2	0	2	1
	WM Growth Company	0	1	0	0
	Strategy & Economy	0	0	1	1
	Housing & Regeneration	0	0	1	0
Q3 TOTAL		6	2	6	4
Jan-Mar 2022 (Q4)	TfWM	9	2	15	10
	Finance & Business Hub	1	0	1	0
	Solihull MBC	0	0	0	0
	WM Growth Company	0	1	0	0
	Strategy and Economy	0	8	0	2
	Housing & Regeneration	0	0	0	0
	Public Service Reform	2	0	1	1
Q4 TOTAL		12	11	17	13

1.4 A SAF transition approach has been agreed with some Directorates and detailed proposals have been shared with the other Directorates. It is expected that these Directorate transition plans are agreed in April 2022.

1.5 The greatest value of application of SAF is to apply the framework in the earliest stages of project/ programme (business case) development as can be seen from the table below. This then provides opportunity to add lessons learned/ insight from previous and comparable projects into the development of new project proposals.

1.6 Recent increased engagement by most Directorates will provide a greater opportunity for projects to be developed in accordance with SAF and the devolution assurance mandatory expectations.

Directorate Portfolio	No. of Projects Total	% Pipeline in Bid – Development Stage
Public Service Reform	18	72%
Strategy & Economy	15	100%
Productivity & Skills	5	0%
Transport	99	42%*
Housing & Regeneration	131	54%

** Information from Project Pipelines as of 28 Feb 2022. The Transport Portfolio numbers do not yet included CRSTS programme.*

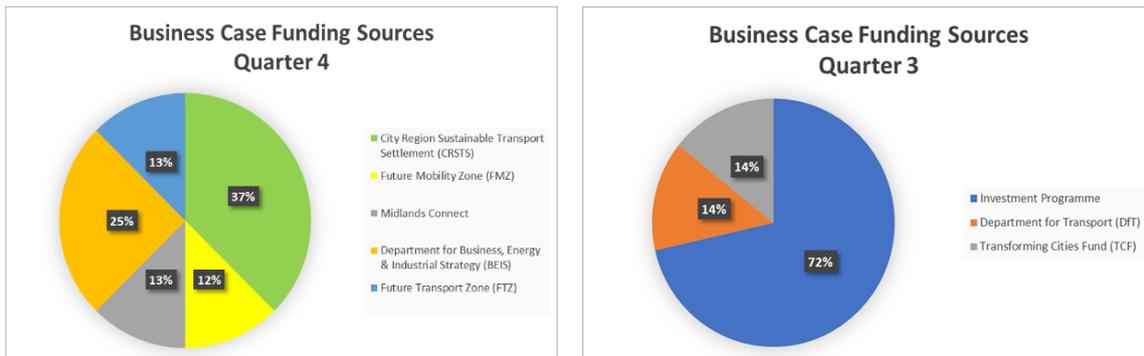
2 Assurance Performance Analytical Insights (Oct 2021 to Mar 2022)

- **Business Case Maturity Assurance Reviews (BCAT)**

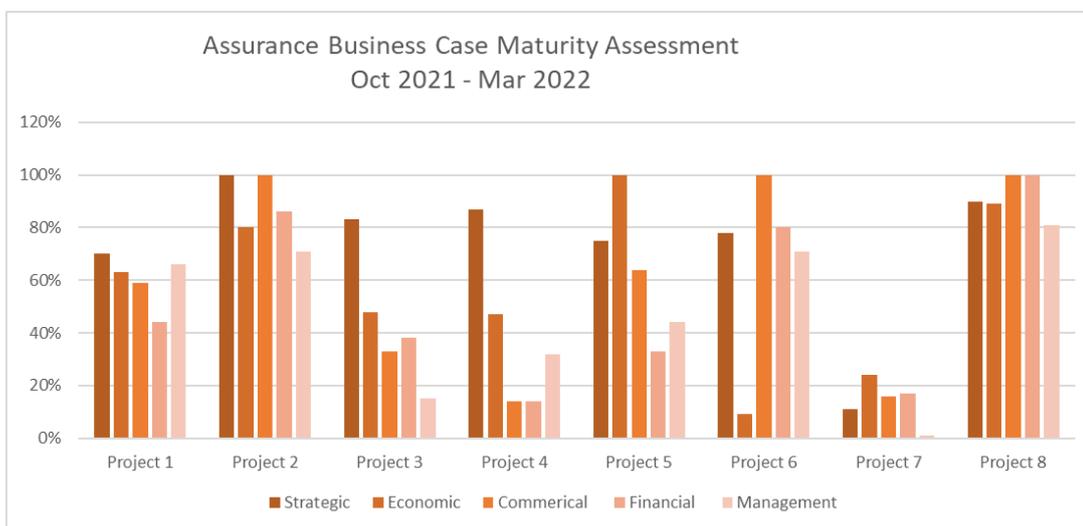
2.1 A total of 12 Business Case assurance reviews were undertaken in this period. 8 of these business cases were reviewed as expected and assessed formally as expected using the BCAT maturity assessments by the independent Programme Assurance Team. Funding Sources for each of the Business Cases assessed cut across several different devolved funding sources. Further details are in the chart below on the left-hand side.

2.2 In this period, due to urgent timescales, 4 programme assurance business case reviews were undertaken not utilising the formal BCAT assessment tool. The assurance reviews were still carried out independently by the Programme Assurance Team and observations against the HMT Treasury Green Books Five Case Model were captured in an Observations Report. These business cases then were then reviewed again independently by the Risk & Investment Appraisal Team. The risk and investment output report accompanied the business case through the governance approvals process and highlighted any gaps to the decision-making authority. However, this approach does not allow sufficient time for projects to take corrective action to further strengthen the business case prior to the approval request.

2.3 The charts below compare the business case reviews for Q3 and Q4 by funding source. SAF standards being rolled out widely across Portfolios, not only the Investment Programme.



2.4 The detail of the assessed maturity of each Business Case, and their maturity across each of the five Business Case Dimensions, is provided in the table below (Maturity has been assessed against expected HM Treasury maturity levels for each Business Case type):

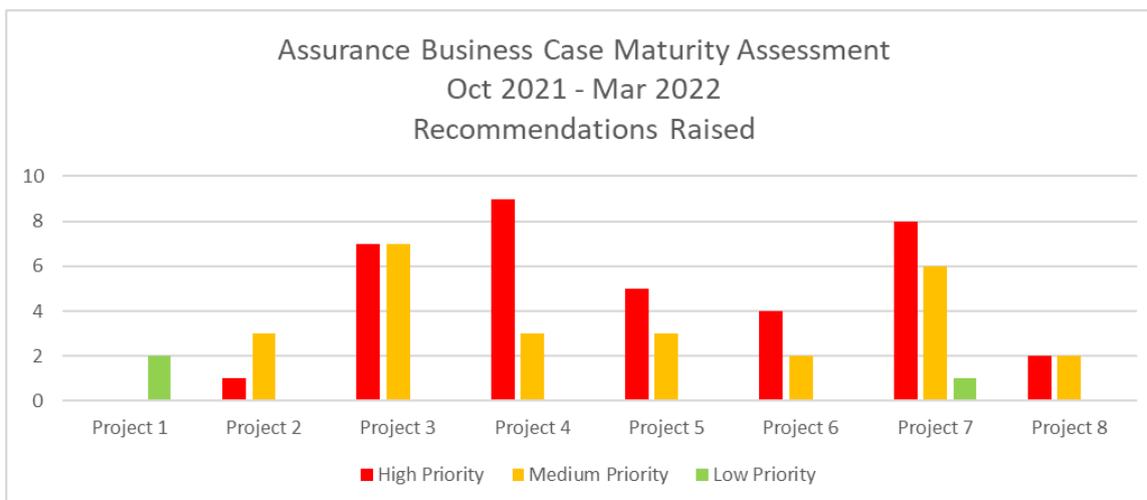


2.5 The average assessed maturity levels of each Business Case Dimension is summarised next. The Strategic Case Dimension is generally scoring higher (74%). This again demonstrates progress from the projects assessed in the last reporting period where the Strategic Case maturity level was 67%. This helps to support the WMCA Strategic Leadership Team requirement for projects to clearly articulate the strategic aims of projects before they are progressed for further development.

2.6 The performance data demonstrates that there should be more evidence of project planning to help strengthen the management case maturity levels. This would enable greater confidence in the likelihood of achieving the strategic aims.

2.7 Once a Business Case assessment is completed by the Programme Assurance Team, an Observations Report is produced and shared with the project lead. This report contains details of the Business Case maturity assessment, together with any findings and recommendations raised. All recommendations are rated as either High, Medium or Low priority, with high priority recommendations expected to be actioned by the project lead prior to the Business Case moving forward for Approval.

2.8 A summary of the recommendations raised across each of the eight Business Cases assessed is provided in the table next:



2.9 The intention of this process is to drive improvements to the maturity of Business Cases prior to approval and to highlight to decision-making bodies any ongoing risks identified with the Business Case being presented.

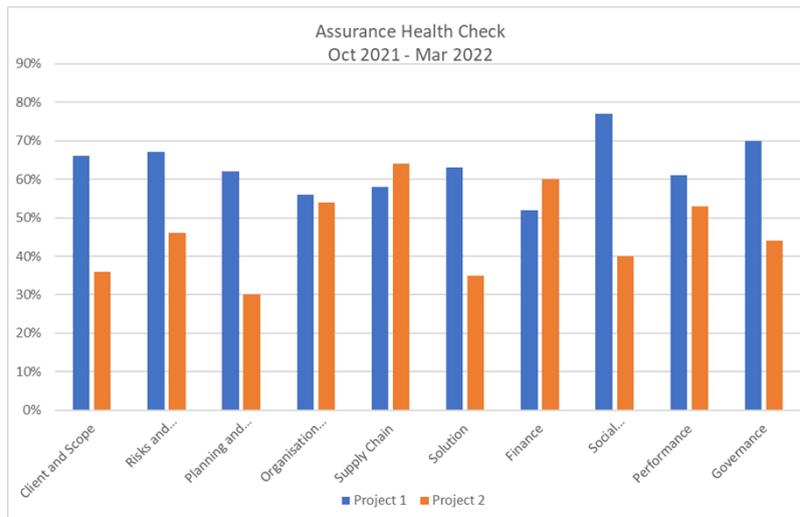
2.10 The 'High rated' recommendation numbers are probably reflective of the pace at which project business cases need to be developed to meet external deadlines. Reassuringly though, of the 35 high priority recommendations raised during the period all the high priority recommendations were addressed prior to going through the approval process.

- **Project & Programme Health Check Reviews**

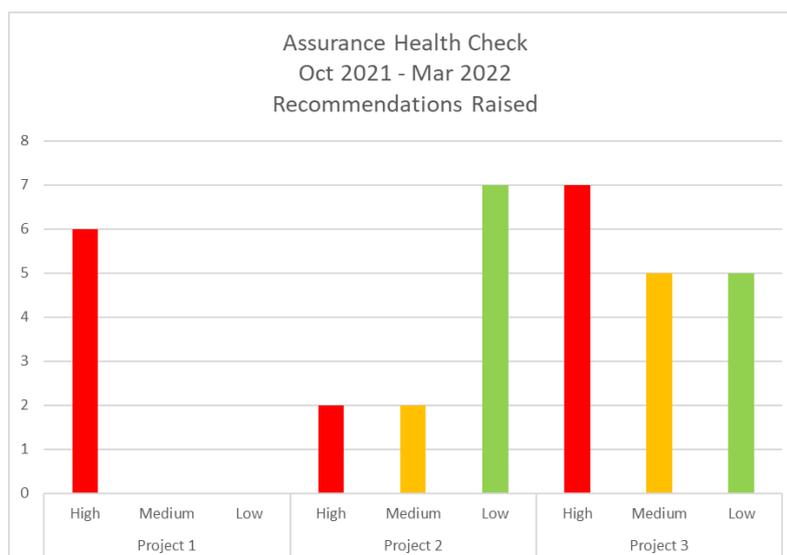
2.11 As with the BCAT process, once a Health Check has been completed by the Programme Assurance Team, an Observations Report is produced and shared with the project lead. This report provides a summary of the Health Check score and RAG rating, together with any findings and recommendations raised. All recommendations are rated as either High, Medium or Low priority.

2.12 A total of 11 Health Checks were completed during the period by the Programme Assurance Team, this compares to 2 in the last reporting period. 2 of the Project Health Checks followed the standard Health Check approach. The remainder of the Health Checks related to Programmes. Due to the nature of those Programmes and the stage of those programmes, bespoke project health checks were developed to meet the programmes' requirements. Again, this is a positive indicator that an increased number of Health Checks has been undertaken in this reporting period across a more project portfolio funding sources.

2.13 The table below details the recommendation's themes raised for 2 of the projects that followed a standard approach:



2.14 The table next summarises the recommendations made for those projects that followed a standard approach:



2.15 There were no high or significant issues raised with the 8 Project Health Checks undertaken for Programme x (which was in a very early initiation stage). The most common recommendation for this programme was the End User Engagement and Communication due to the delays in the projects commencing.

2.16 There were several higher rated recommendations raised for the Project 1 in the bar chart above (this Programme is due to complete in a few months). However, it is quite common and expected due the project stage (close to delivery) of this programme to have a number of high recommendations. It is opportunistic that the Health Check was undertaken by an independent team as it allows the Programme Board and Senior Responsible Owner of this Programme to have sight of a clear action plan that will need to be monitored to ensure objectives are met.

- **Risk & Investment Appraisals Reviews**

2.17 A total of 17 Risk & Investment Appraisals were completed by the Appraisal team during the period, in comparison to the 9 undertaken in the last reporting period. Reassuringly this demonstrates a positive performance trend in that they were from a wider range of portfolios this time around (not exclusively Investment Programme). All the Risk & Investment Appraisals followed earlier independent Programme Assurance Review so a further confirmation on an improving trend. A summary of these is detailed in the table below:

Funding Source	No. Business Case Appraised
Investment Programme	5
Department for Transport	2
City Region Sustainable Transport Settlement	3
BEIS	2
Future Transport Zone	1
Future Mobility Zone	1
Midlands Connect	1
Active Travel Fund	2
Approval Route	No. Business Case Approved
Executive Director	4
Statutory Officer Panel	6 (+1 TBC)
Investment Board	0
WMCA Board	6

- **Change Request Reviews**

2.18 A total of 13 Change Requests were processed by the Programme Risk & Investment Appraisal team during the period (compared to 6 in the last reporting period). This is also supportive as it demonstrates that the corporate independent standard for Change Control is increasingly being followed. Overtime, as the 'Hub & Spoke' model for Programme Assurance & Appraisal is further rolled out, this data will drive improvements in project management maturity and capability by allowing the Centre Enabling Services teams to understand causes for deviation which in turn can be fed into new project proposals. A summary of these is detailed in the table below:

Funding Source	No. Business Case Appraised
Investment Programme	9
Transforming Cities Fund	1
Multiple Funding Sourced Projects	3
Change Request Type	No. Business Case Appraised
Scope (Objective Changes)	2
Value (Cost)	8
Schedule (Time)	3

3 Assurance Performance Trends & Themes Identified October – March 2022

Key emerging assurance themes emerging from this reporting period are:

- a. The Statutory Officers' aim to roll out Single Assurance Framework across all WMCA Directorates has almost been met, with transition approaches shared with two of the outstanding Directorates (one Directorate has a relatively lower level of project/ programme-led activity, for the other Directorate funding is awarded to external project delivery partners to deliver projects). It is the aim to fully complete Phase 1 SAF Implementation objective in April 2022.
- b. Directorate Project Pipelines have now been established which enable the Directorates to work with Programme Assurance & Appraisal and Governance team to better plan assurance approach needed as well as the Approvals route.
- c. Table 1.3 on page 2 demonstrates the achievement in the last 6 months to roll out SAF across all funding portfolios as well as significantly increasing the number of Programme Assurance Reviews (BCATS), Project Health Checks, Risk & Investment Appraisals and Change Requests in Q3 and Q4 of this year.
- d. The quality of the business cases against the Strategic Case has also shown an increased in maturity level. However, there is opportunity to further strengthen other business case dimensions. Although SAF engagement with Programme Assurance & Appraisal has increased, the team will need to work closer with delivery teams further to plan reviews and improve business case quality prior to approval submission.
- e. There are also opportunities to better align the External Funding Application process to the Single Assurance Framework. To support this objective, SLT are going to own the External Funding Application 'BID List' and review on a weekly basis. SLT have supported the recommendation to produce draft business cases as part of the bid submission as good practice that will enable the projects to mobilise quickly if funding applications are successful.
- f. The Programme Assurance & Appraisal team have supported several project delivery teams develop business cases for major funding applications and business case development such as City Region Sustainable Transport Settlement (CRSTS). This is to support and provide confidence to Government that the West Midlands Combined Authority are a reliable project delivery organisation. By embedding SAF further across WMCA Directorates should provide further opportunities when in discussions with Government around Devolution 3 opportunities. The assurance performance information captured in the last year should help drive project management capability improvements across the Combined Authority.

4 Strategic Leadership Team (SLT) Support

- 4.1 The SAF Implementation project's SRO is the Director of Finance. SLT will receive monthly progress reports of the SAF Implementation project via the Director of Finance.

6. Financial Implications (*)

No implications.



7. Legal Implications

No implications.

8. Equalities Implications

No implications.

9. Inclusive Growth Implications

No implications.

8. Geographical Area of Report's Implications

All areas.

9. Other Implications

N/A

10. Schedule of Background Papers

N/A

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Audit, Risk & Assurance Committee

Date	12 April 2022
Report title	Internal Audit Annual Report 2021-2022
Accountable Chief Executive	Laura Shoaf, Chief Executive
Accountable Employee	Satish Mistry, Interim Director, Law and Governance
Report to be/has been considered by	N/A

Recommendation(s) for action or decision:

The Audit, Risk and Assurance Committee is recommended to:

1. Note the contents of the Internal Audit Annual Report 2021-2022.

1.0 Purpose

- 1.1 The purpose of this report is to provide the Audit, Risk and Assurance Committee with an annual internal audit opinion on the adequacy and effectiveness of the Combined Authority's governance, risk management and internal control processes.

2.0 Background

- 2.1 The Annual Internal Audit Report summarises the work completed by Internal Audit during 2021-2022. It also provides an annual audit opinion that based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the Combined Authority by other providers as well as directly by Internal Audit, Internal Audit can provide reasonable assurance that the Combined Authority has adequate and effective governance, risk management and internal control processes.

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

None



West Midlands Combined Authority

Internal Audit Annual Report 2021-2022

Delivered by City of Wolverhampton Council - Audit Services

Introduction

Our internal audit work for the period from 1 April 2021 to 31 March 2022 was carried out in accordance with the approved Internal Audit Plan. The plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of the Combined Authority's governance, risk management and control processes. In this way our annual report provides one element of the evidence that underpins the opinion of the Chief Audit Executive and the Annual Governance Statement the Combined Authority is required to make to accompany its annual financial statements. This is only one aspect of the assurances available to the Combined Authority as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the Combined Authority may rely, could include:

- The work of the External Auditors (Grant Thornton)
- The outcome of assurance activity as part of the Single Assurance Framework
- The result of any quality accreditation
- The outcome of any visits by Her Majesty's Revenues and Customs (HMRC)
- Other pieces of consultancy or third-party work designed to alert the Combined Authority to areas of improvement

The definition of internal audit, as described in the Public Sector Internal Audit Standards, is "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".

Internal audit activity is organisationally independent and further details behind the framework within which internal audit operates, can be found in the internal audit charter.

Overall Assurance

As the providers of internal audit to the Combined Authority, we are required to provide the Chief Executive and the Audit, Risk and Assurance Committee with an opinion on the adequacy and effectiveness of the Authority's governance, risk management and control processes. In giving our opinion, it should be noted that assurance can never be absolute. The most that Internal Audit can provide is reasonable assurance that there are no major weaknesses in the Combined Authority's governance, risk management and control processes. We have considered:

- All audits undertaken for the year ended 31 March 2022.
- Any follow-up action taken in respect of audits from previous periods.
- Any key recommendations not accepted by management and the consequent risks.
- Any limitations which may have been placed on the scope of internal audit.
- The extent to which any resource constraints may impinge on the ability to meet the full audit needs of the Combined Authority.

Internal Audit Opinion

We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out above, our opinion is as follows:

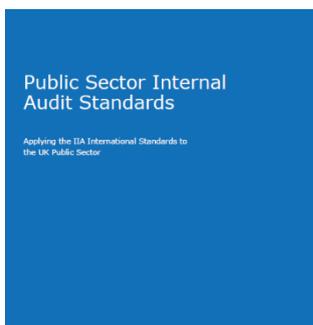
Based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the Combined Authority by other providers as well as directly by Internal Audit, we can provide **reasonable assurance** that the Combined Authority has adequate and effective governance, risk management and internal control processes.

While a small number of 2021-2022 audit reviews had yet to be completed, and therefore did not feed into this opinion, a number of audit reviews were carried forward from 2020-2021 (as a result of the Covid-19 pandemic) and subsequently completed and reported upon in 2021-2022. Therefore overall, we believe that sufficient audit coverage has been delivered and reported upon during the year, in order for us to provide the above opinion.

In reaching our opinion, the following factors were taken into particular consideration:

- The need for management to plan appropriate and timely action to implement our and other assurance providers' recommendations.
- Key areas of significance identified as a result of our audit work performed in year are included in a table at the end of this report.

Compliance with the Public Sector Internal Audit Standards



Internal Audit has a quality assurance and improvement programme. During the year, the internal audit activity has followed this programme and there have been no significant areas of non-conformance or deviations from the standards as set out in the Public Sector Internal Audit Standards.

Summary of work completed

A detailed written report and action plan is prepared and issued for every review where appropriate. The responsible officer will be asked to respond to the report by completing and returning the action plan. This response must show what actions have been taken or are planned in relation to each recommendation.

No Assurance	Limited	Satisfactory	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

16 pieces of audit work were completed in 2021-2022 at the time this report was produced, where an audit opinion has been provided. A summary of the audit opinions given, with a comparison over previous years, is set out below:

Opinion	2020-2021	2021-2022
Substantial	9	9
Satisfactory	4	6
Limited	-	1
No Assurance	-	-

A summary for each completed audit review is detailed below.

Summary of audit reviews completed

The following internal audit reviews were completed during 2012-2022 and have been presented to the Audit, Risk and Assurance Committee at various points throughout the year.

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Internal Audit Reviews previously reported							
Commonwealth Games Transport Plan – TfWM Governance and Management Arrangements	High	-	-	3	3	3	Substantial
Risk Management	High	-	1	3	4	4	Satisfactory
Digital Retraining Fund	High	-	3	1	4	4	Satisfactory
Adult Education Budget	High	-	3	2	5	5	Satisfactory
General Data Protection Regulations	High	-	1	9	10	10	Satisfactory
Corporate Complaints Process	High	-	3	4	7	7	Satisfactory
Freedom of Information	High	-	-	5	5	5	Substantial
Single Commissioning Framework - Land Fund	High	-	-	2	2	2	Substantial
TfWM COVID 19 Response – Management and Decision-Making Arrangements	High	-	-	2	2	2	Substantial
Internal Audit Reviews completed							
Accounts Payable*	High	-	5	-	5	5	Satisfactory
Accounts Receivable*	High	-	-	1	1	1	Substantial

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
Budgetary Control*	High	-	-	-	-	-	Substantial
General Ledger*	High	-	-	-	-	-	Substantial
Payroll*	High	-	-	1	1	1	Substantial
Treasury Management*	High	-	-	2	2	2	Substantial
Longbridge Park and Ride Income Management and Charging Arrangements*	Medium	1	2	-	3	3	Limited
2021-2022 Internal Audit Reviews in progress							
ICT Strategy	High	-	1	3	4	4	Final draft report issued (Satisfactory)
Dudley Interchange	Medium	Review completed and draft report to be issued					
WM2041 Delivery Programme (Environmental Recovery)	High	Fieldwork in progress					
Investment Programme Monitoring and Evaluation Arrangements	High	Fieldwork in progress					
Inclusive Growth Investment Toolkit	High	Fieldwork in progress					
Affordable Housing Delivery Vehicle	High	Fieldwork in progress					
Adult Education Budget – Community Learning Fund Procurement	High	Deferred to May 2022 (pending completion of procurement exercise)					

*Reports appended below.

Summary of individual audits

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

Commonwealth Games Transport Plan – TfWM Governance and Management Arrangements

Our review focused on the governance and management arrangements established by Transport for West Midlands (TfWM) within the Integrated Transport Programme (ITP) for delivery of transport services for the Games, managing existing demand and minimising the impact of any associated disruption.

Under the Birmingham 2022 Collaboration and Funding Agreement established between the Games Organising Committee and TfWM, TfWM undertakes several complex roles and responsibilities, key cross partner working and collaboration, alongside the statutory duty to deliver the Games Transport Plan.

We are pleased to report that we found no major issues and identified several areas of good practice regarding the governance and management arrangements operated by TfWM, as well as alignment with the requirements of the above Agreement.

Risk Management

We reviewed the risk management arrangements and controls in operation for the WMCA seeking assurance regarding the risk management framework and strategy, role of the Audit, Risk and Assurance Committee, reporting and escalation arrangements and Directorate level risk management. We found several areas of good practice within these areas.

To further support the above, one amber rated recommendation was made regarding establishment of Directorate level risk management arrangements and supporting risk management procedures with a clear process of escalation of risks to the Strategic Risk Register. Three green rated recommendations were made covering assigning responsibilities for mitigating actions, provision of risk management training to the Audit, Risk and Assurance Committee at the changeover in Chair, and establishment of monitoring at directorate level regards embedment of risk management.

Digital Retraining Fund

The West Midlands Combined Authority (WMCA) secured initial funding of £5m and top up funding of £1.5m from the Department of Education's (DfE) National Retraining Project to deliver the Digital Retraining Fund project. The three-year Project commenced in September 2019. Good practice was found regarding compliance and performance monitoring arrangements and reporting. We made three amber rated recommendations where improvements could be made. Improvements in the retention of signed versions of grant agreements to demonstrate adherence to Public Procurement Regulations as well as ensuring grant agreements were accurate and complete. Clearer reference to the established compliance and performance management framework within grant agreements as well as greater evidencing of compliance / performance reviews undertaken was required.

Adult Education Budget

We reviewed the governance and management arrangements established for the administration and delivery of the Adult Education Budget. Responsibility for the Adult Education Budget and how it is delivered within the West Midlands region was devolved from the Department for Education (DfE) to the WMCA in August 2019. The academic year 2019 / 2020 was the first year of funding.

The aim of the Budget is to engage adults and employers in providing the skills and learning required for the region to equip adults for work, upskill current employees and facilitate specialist training whilst aligning funding with priority individuals, communities, and sectors. The total funding allocation to Colleges, Local Authorities, and Independent Training Providers for the funding year 2020/ 021 was £126,739,021. Colleges were allocated £76,541,502, Local Authorities £21,811,751 and ITPs £28,385,768.

We found that suitable arrangements had been established covering governance, performance management, risk management including financial due diligence checks and financial health monitoring that mirrored that of the Education and Skills Funding Agency. Audit and assurance arrangements had been established of the undertaking of provider compliance / funding rules audits. Suitable processes had also been established for learner data collection and validation as the basis for performance monitoring and payment. Provider payment arrangements for the validation, approval, and processing of payments due to Colleges, Local Authorities and Independent Training providers were found to be suitably robust.

Whilst the overall compliance, performance and payment arrangements were found to be well established, we made three amber rated recommendations: retention of signed and dated contracts and grant agreements as demonstration of compliance with Public Procurement Regulations, maintaining clear documentary evidence of delegated Section 151 Officer approved of provider payments during the Accounts Payable process for making payments, and documentation of an Adult Education Budget Local Assurance Framework in line with the requirements of the National Local Growth Assurance Framework.

Two recommendations rated green were also made to further enhance provider level risk assessment arrangements and governance arrangements.

General Data Protection Regulations

We reviewed the progress made by the WMCA with fully embedding the regulations introduced in May 2018 utilising the Information Commissioner Office's checklist guidance to confirm compliance. We found that the majority of compliance areas had been met by the WMCA.

We made one amber rated recommendation regarding achievement of Cyber Essentials accreditation for the WMCA's Information Technology systems which had expired in 2020. At the time of review the WMCA was actively working toward to preparing a submission for review prior to accreditation being granted. We made nine green rated recommendations to further enhance embedment of the regulations covering areas such as maintaining a central record and periodic review of individual Information Asset Registers, data accuracy spot checks, communication arrangements, policy review, automated protective marking of emails, and breach notification protocol.

Corporate Complaints Process

A review was undertaken of the corporate complaints process to seek assurance regarding compliance with the WCMA's Complaints Handling Procedure as well as adherence to relevant Local Government good practice. The management of formal complaints falls under the Customer Experience Team. For the period April to June 2021, five Stage 1 complaints had been received and three of these had progressed to Stage 2 of the corporate complaints process.

Several areas of good practice were identified including establishment of a documented procedure and policy (Complaints and Vexatious Complainants), a defined process for the handling of

complaints and by whom within the organisation and monitoring of progress. Review of sample complaints confirmed compliance as well as meeting response targets for Stage 1 complaints.

To further support the above, we made three amber rated recommendations to improve accessibility and communication regards making corporate complaints, maintain detailed documentation of investigations undertaken and resultant outcomes and actions in all cases, and establish a formal recording and monitoring process for addressing lessons learnt arising from individual complaints to ensure any required service improvements are implemented.

Freedom of Information

Our review focused on the arrangements in operation for administration of Freedom of Information Act (FOI) and Environmental Information requests. The audit was based on assessment of current arrangements against the Information Commission Office (ICO) FOI self-appraisal checklist. The FOI Act 2000 provides public access to any recorded information held by public authorities in England, Wales, and Northern Ireland.

We found no major issues, making green rated recommendations as enhancements to existing arrangements covering documentation of process guidance for internal employees, updating of information on WMCA website and including additional details within FOI request records. All recommendations were agreed for implementation by 30 November 2021.

Single Commissioning Framework - Land Fund

The Single Commissioning Framework (SCF) was introduced in April 2019 to provide a consistent end to end process for managing projects seeking investment from Devolved Housing and Land Funds. Our review focused on the governance, risk, and management arrangements in operation for the administration of the Land Fund within the SCF and its applications to funded projects. We found no major issues, making two green recommendations as enhancements regarding completion of project monitoring reports and development of route maps detailing timelines for decisions and processes to be undertaken.

TfWM COVID 19 Response – Management and Decision-Making Arrangements

Our review sought assurance on the effectiveness of the management and decision-making arrangements operated by TfWM as part of the response to the ongoing Pandemic. We are pleased to report an overall assurance opinion of substantial.

Several areas of good practice were identified through clear demonstration of effective arrangements supported by multi agency and organisational engagement within the TfWM led Transport Cell (established within the framework of the Local Resilience Forum consisting of category one and two responders and including representation from TfWM). These arrangements operated in alignment with existing TfWM governance and management arrangements.

The above was further supported by use of timely data and management information, review of risk and mitigating actions and record keeping regarding decisions and actions as well as review of decision outcomes and impacts whilst also seeking feedback from customers and stakeholders to inform ongoing management and decision-making arrangements as the response to and implications of the Pandemic continued.

We made two green recommendations as further enhancements to existing practices for logging decisions and recording presentation of risk registers within governance arrangements.

Key Financial Systems Audits

Our review sought assurance on the core controls in operation for the Key Financial Systems. We are pleased to report that no major issues were identified, and an overall opinion of substantial was given for the following systems:

- Accounts Receivable
- General Ledger
- Budgetary Control
- Payroll.
- Treasury Management

For the above Key Financial Systems, we made four green recommendations: review of current debts within Accounts Receivable, recording of dates of third-party payrolls within emails within Payroll and for Treasury Management, specific minuting approval of the Treasury Management Policy Statement and recording confirmation of independent review of monthly reconciliations.

We gave an assurance opinion of satisfactory for the Accounts Payable Key Financial System. We found that established controls for standard processing of transactions within Business World regarding ordering, goods receipting, and invoice processing were robust and consistently applied when making WMCA creditor payments, which presented core Accounts Payable activity.

However, we made five amber rated recommendations regarding recording of Unique Tax References, processing and approval of payments made via by CHAPS (same day / telegraphic transfer) and Cheque / BACs requests, creating supplier records and amending supplier bank details, checking payment runs and monitoring exception reports to prevent and detect duplicate payments, and maintaining an audit trail within Teams for processing and approval of transactions.

Summary of follow-up reviews completed

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, details of reviews completed or commenced by Internal Audit, or progress monitoring updates collated by the Internal Audit Liaison Officer are provided below.

Auditable area	Total Number of Original Recommendations			Implemented			Outstanding		
	Red	Amber	Green	Red	Amber	Green	Red	Amber	Green
Completed (Internal Audit) – previously reported									
Devolution Deal Objectives and Financial Assumptions, including Business Planning	-	2	-	-	-	-	-	2	-

Progress Monitoring Update (Internal Audit Liaison Officer)							
Auditable area	Overall Opinion	Report Issue Date	Action Date	Agreed Actions			Number Progressed*
				Red	Amber	Green	
Midland Metro Limited Operational Transfer	Satisfactory	19/08/19	31/12/19	-	2	-	2
West Midlands Rail Limited - WMCA Governance and Management Arrangements	Satisfactory	05/05/20	30/06/20	-	3	-	3
Programme and Project Management Framework	Satisfactory	26/05/20	01/09/21	-	3	-	3
WMCA Accessible Transport Services	N/A	06/07/20	31/12/20	-	4	2	#Change in responsible officers
Sprint Programme Management Arrangements	Substantial	30/09/20	31/12/20	-	-	4	4
Third Generation Tram Procurement Project Management	Satisfactory	16/10/20	31/12/20	-	2	3	5
Human Resources Pre-employment checks	N/A	27/11/20	31/12/20	-	2	-	1
Environmental Management System	Satisfactory	06/01/21	30/06/21	-	1	1	1
Procurement (Covid-19 Response)	Substantial	24/02/21	Immediate	-	-	1	1
Harvesttime Project Management Arrangements	Substantial	22/03/21	30/06/21	-	-	5	5

Progress Monitoring Update (Internal Audit Liaison Officer)							
Auditable area	Overall	Report Issue	Action Date	Agreed Actions			Number Progressed*
Commonwealth Games Transport Plan - TfWM Governance and Management Arrangements	Substantial	09/06/21	28/05/21	-	-	3	3
Risk Management	Satisfactory	10/06/21	21/07/22	-	1	3	3
Digital Retraining Fund	Satisfactory	10/06/21	01/11/21	-	3	1	4
WMCA Devolved Adult Education Budget	Satisfactory	07/09/21	30/09/22	-	3	2	4
General Data Protection Regulations	Satisfactory	16/09/21	31/01/22	-	1	9	4
Corporate Complaints Process (appended)	Satisfactory	12/10/21	01/01/22	-	3	4	5
Freedom of Information	Substantial	19/10/21	30/11/21	-	-	5	5
Single Commissioning Framework - Land Fund	Substantial	05/11/21	31/12/21	-	-	2	2
TfWM COVID 19 Response – Management and Decision-Making Arrangements	Substantial	07/12/21	31/03/22	-	-	2	-

* Stated number of actions progressed reflects the opinion of the auditee as of February 2022, and where appropriate an independent sense check by Audit will be undertaken in key areas to confirm status of delivery.

Review of action owners and status required due to changes in responsible officers.



West Midlands Combined Authority

Internal Audit Report: WMCA Key Financial Systems 2021 - 2022

Report Date: 07 March 2022

Report Distribution: Linda Horne – Finance Director
Carl Pearson – Head of Financial Planning and Deputy S151
Louise Cowen - Financial Controller
William Godden – AP/AP Manager
Anne Bull – Chief Accountant
Kate Ketteringham – Group Payroll and Pensions Manager
Mark Finnigan - Lead Treasury Accountant

1. Executive summary

Introduction

An audit of the West Midlands Combined Authority's (WMCA) key financial systems was undertaken as part of the approved internal audit plan for 2021 - 2022.

All the WMCA's key financial systems are considered high risk as they have a material effect on the annual accounts. Therefore, these audit reviews are undertaken on an annual basis. The controls tested as part of this review are deemed as core controls.

The following key financial systems were reviewed covering the six-month period April to September 2021:

- Accounts Payable
- Accounts Receivable
- Budgetary Control
- General Ledger
- Payroll
- Treasury Management

Scope and objectives of audit work

Our audit was conducted in conformance with the Public Sector Internal Audit Standards and considered the following objective, and the potential risks to the achievement of the objectives the adequate controls are in place for the key financial systems and are operated in accordance with the Combined Authority's Financial Regulations and Contract Procedure Rules.

Scope

Accounts Payable

- Adequate controls, including a separation of duties are in place for approval of purchase requisitions / orders and invoices in accordance with the scheme of delegation.
- Adequate controls ensure 3-way matching of invoices to goods receipting and purchase orders.
- Payments have been matched to the correct invoice and allocated to the correct creditor account.
- Payment runs are appropriately processed and authorised (including BACS processing and cheque control).
- Adequate controls are in place in respect of creating supplier records and amending supplier details including bank details.
- Adequate controls are in place for the approval and processing of AP spreadsheet uploads.

Accounts Receivable

- Controls are in place to ensure debtor invoices and credit notes are processed accurately, completely, and only once.
- Receipts are properly identified, recorded, and deposited intact.
- Adequate procedures are in place with regards to aged debts and write-offs.
- Adequate procedures should be in place for setting up new and amending customer details.

Scope

Budgetary Control

- The budget is prepared in accordance with standard guidance and the budget timetable.
- The budget is approved in accordance with delegated responsibilities in the Constitution and the budget in Business World does correspond to the approved budget.
- Budget monitoring reports presented to Committee members are accurate and timely and are in accordance with the Constitution.
- Cost centres are assigned to budget managers.
- Over/under spends are highlighted and corrective action is taken.
- Virements are undertaken and monitored in accordance with the Constitution.
- Final accounts are produced in accordance with prescribed timescales.

General Ledger

- General ledger is regularly reconciled to feeder systems.
- Control and suspense accounts are regularly reconciled.
- Bank accounts are regularly reconciled to the general ledger.
- System error codes are regularly cleared.
- Changes to cost centres / account codes are appropriately authorised.
- Opening balances are reviewed and are in accordance with closing balances from the previous year.
- Journals are authorised in accordance with the scheme of delegation and access controls and are processed on a timely basis.

Payroll

- Starters / leavers / payroll amendments are authorised.
- Payroll runs are authorised and reconciled.
- Adequate segregation of duties.
- Adequate management information.
- Payments to third parties are adequately controlled / managed.

Treasury Management

- Treasury management activities are undertaken in accordance with the Constitution and Code of Practice.
- Treasury management activities are accurately and completely recorded, and appropriately authorised.
- Risks associated with treasury management activities are effectively controlled.
- Cash and investments are effectively managed.
- Transactions are fully accounting for.
- Control accounts are reconciled.
- Appropriate and regular monitoring and reporting arrangements are in place and operated.

Limitations to the scope of our audit

This audit was limited to current year systems and transaction testing.

Overall conclusion

Taking account of the issues identified in this report, in our opinion the controls operating within the systems reviewed provide the following levels of assurance as part of the process to mitigate risks to an acceptable level:

Key Financial System	Overall Opinion
Accounts Payable	Satisfactory
Accounts Receivable	Substantial
Budgetary Control	Substantial
General Ledger	Substantial
Payroll	Substantial
Treasury Management	Substantial

Key:

No Assurance	Limited	Satisfactory	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Key issues identified

We have identified five issues classified as **amber** and four **green** issues. These are further detailed in section two of this report, as well as examples of good practice identified for all audits undertaken.

A summary of this report will be presented to the Audit, Risk and Assurance Committee.

Acknowledgement

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

2. Detailed Findings

Accounts Payable 2021 – 2022

Key issues identified

We found that established controls for standard processing of transactions within Business World regarding ordering, goods receipting, and invoice processing were robust and consistently applied when making WMCA creditor payments, presented core Accounts Payable activity.

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

- Unique Tax References where VAT numbers were not always obtained prior to payment.
- Payments made via CHAPS (same day / telegraphic transfer) and Cheque / BACs requisition forms had not always been fully completed and authorised prior to being processed for payment.
- Supplier record creation and amendments involving bank details changes had not always been suitably evidenced as verified or validated prior to actioning.
- Duplicate payment checks could be strengthened to prevent or detect these occurring, and there was no monitoring or exception reporting arrangements in place.
- Use of Teams messages as the audit trail for recording processing and approvals of transactions was not always clearly referenced.

Examples of good practice identified

During the course of our work, we identified the following examples of good practice in the management of risk, as achieved through the effective design and application of controls:

- Sample testing identified that ordering, goods receipting, and invoice processing were suitably undertaken with appropriate approvals in accordance with the Scheme of Delegation for each invoice payment. Work flowed 3-way matching within the Business World system ensured order values, goods receipting values and invoice amounts agreed.
- Purchase orders had been suitably raised prior to invoice tax date (date services / works / goods provided) in the majority of cases. Where purchase orders had been issued after that date, the delay was minimal and had been raised against an existing contract.
- Separation of duties were suitably in place within Business World and evidenced in all cases tested regards ordering, goods receipting and authorisation.
- For the No Purchase Order invoices / exception payments (i.e., utility bills) sample tested, payments had been appropriately approved in accordance with the Scheme of Delegation.
- Payment of invoices had been suitably made within 30 days in the majority of cases.
- Payments made via CHAPS (Telegraphic Transfer) and Cheque / BACs requisition processes

agreed to supporting information regard details and amount.

- Sundry creditor payments suitably agreed to supporting documentation.
- Payment runs had been appropriately processed and reconciled accurately and completely between Business World and bank statements.
- Sample testing of transactions processed via uploading of spreadsheets directly into Business World confirmed that the payments per Business World agreed accurately and completely to the corresponding spreadsheet. Approval in accordance with the Scheme of Delegation had been suitably evidenced prior to upload by the designated budget manager or Section 151 Officer as applicable.

Findings and recommendations

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

1. Unique Tax References not obtained as a tax evasion preventative measure

Findings:

From testing of 15 transactions, we noted two instances where a VAT registration number had not been stated on the corresponding invoice. In these instances where the supplier was an individual, a Unique Tax Reference (UTR) had not been obtained prior to payment or quoted on the invoices. In one instance VAT (£1,600) had been claimed by the supplier and paid by the WMCA in the absence of a VAT or UTR number. This would therefore have been included in any claim submitted to HMRC.

With regard to ensuring VAT numbers or UTRs are obtained, Legal Services have advised that enforcing the requirement for a payee to provide a VAT number or UTR in respect of all payments would appear to be a preventative measure that WMCA would be expected to observe and a failure to do so could lead to a charge of failure to prevent tax evasion if a payee were subsequently to be convicted of tax evasion. Where there is no VAT number the WMCA would need to satisfy itself that the due tax will be paid so payments where there is no VAT number and no UTR should, if possible, be investigated.

We understand that the BW New Supplier Record form currently includes a field for recording the UTR number. Whilst inclusion of a VAT number is mandatory, the form may require amendment to ensure completion of either a VAT number or UTR number as mandatory to support compliance.

Implication:

The WMCA may find it difficult to demonstrate reasonable preventative measures were in operation in the event of query or challenge.

Recommendations:

- i. Where a supplier does not provide a valid VAT registration number, they should be instructed to provide a UTR instead prior to the WMCA undertaking any engagement with the supplier, as part of the WMCA's tax evasion prevention measures and demonstration of compliance with the Criminal Finance Act 2017.
- ii. A policy decision should be taken to advise current and prospective suppliers who engage with the WMCA that no business will be undertaken unless a valid VAT registration number or UTR is first provided.
- iii. An exercise should be undertaken to review all current supplier records to identify all instances where a valid VAT number or UTR has not been recorded. In these instances, the supplier should be requested to provide a valid VAT number or a UTR if they wish to continue undertaking business with the WMCA. Where a supplier does not provide a valid number, the above policy decision should be enforced.
- iv. Where the above exercise identifies cases where no VAT number and / or UTR was recorded to date, any payments made where tax was due (and paid) should be investigated for appropriate remedial action.
- v. Going forward, the Accounts Payable when scanning and registering invoices that include VAT should check to confirm that a valid VAT or UTR is recorded either on the invoice or within Business World. VAT payments should not be made until a VAT or UTR is first obtained.
- vi. Development of the New Supplier Record Form to accommodate mandatory completion of either a VAT number or UTR number as applicable should be reviewed to ensure the process of supplier record creation / amendment supports compliance as above.
- vii. Guidance on the above reiterating the requirement for WMCA to ensure compliance with the Act should be issued to all service areas to ensure that VAT numbers or UTRs are obtained early on in any supplier engagement and commissioning of goods/services/works.

Agreed Actions:

Action will be taken to address the above recommendations through updating of the New Supplier Record form to include a mandatory field for VAT and UTR numbers as well as contacting all suppliers with no VAT or UTR recorded, requesting the correct information once we have the additional resource in place.

Responsible Officer:

William Godden – AP/AR Manager

Target Date:

30 June 2022

2. Unauthorised and incomplete CHAPS and Cheque / BACs requisition payments and forms

Findings:

Whilst details of payments made via CHAPS (same day Telegraphic Payments) or Cheque / BACs requisition forms agreed to supporting information, we found areas with room for improvement in the processing of such payments based on our sample testing.

Eleven transactions paid by CHAPS forms or BACs / Cheque Requisition forms (total value £11,059,290) were tested. We noted that:

- The CHAPS form or Cheque / BACs form had not been fully completed in nine instances with several sections of the form not completed. Sections relating to Finance processing and bank authorisation had not been completed in any case.
- Checks stated as required on the forms to confirm goods received, order checked, price checked calculations checked had either not been completed or were stated as not applicable in six cases. In the remaining five cases, an AP Officer had initialled to evidence checks being undertaken when these checks should be undertaken by the responsible service area. In these cases, the AP Officer had also completed the details on the form.
- Certification of the forms by a budget manager had not been evidenced in 10 instances. Other supporting evidence of approval however was found in only two cases and was undertaken by officers in accordance with the Scheme of Delegation. In one case authorisation had been undertaken by the Head of Financial Planning rather than the designated budget manager. Whilst some payments may be for an invoice processed in Business World and authorised within workflow, the actual forms to request such a payment method were not authorised as required.

Recommendations to address the above issues had been previously made in 2020-2021.

Implications:

- Unauthorised payments may be made.
- Non-compliance with Financial Procedure Rules.
- Financial records may be incomplete or inaccurate leading to difficulties in determining actions taken in the event of query, challenge, or fraud.

Recommendations:

- i. CHAPS / TT forms should be fully completed and evidenced as approved in accordance with the Scheme of Delegation.
- ii. All checks to confirm that prices are correct, goods had been received and checked to order should be certified within the relevant section once undertaken by the most appropriate responsible officer i.e., within a service area and not Accounts Payable.
- iii. A separation of duties must be maintained between requesting a payment to be raised, completion of the form, checks undertaken and authorisation.
- iv. Incomplete and / or unauthorised forms should be returned for remedial action by the initiating service area to ensure payments are only made on the basis of fully completed and authorised forms.
- v. A review should be undertaken of the current processes (as well as the format of forms used) for actioning payment via CHAPs or Cheque / BACs forms to ensure fit for purpose, facilitates compliance with Financial Procedure Rules and provides a robust audit trail.

Agreed Actions:

Action will be taken to address the above recommendations ensuring that all payments records have the correct documents signed and attached and that this is undertaken as part of invoice posting on BW.

Responsible Officer:

William Godden – AP/AR Manager

Target Date:

30 June 2022

3. Weaknesses in supplier record creation and amendment process**Findings:**

We noted a number of issues in the processing, verification and approval of supplier record creation and amendments and specifically in relation to processing of bank detail changes. Previous recommendations had been made regarding the proper verification and processing of bank detail changes to prevent and detect fraud.

Testing of a sample of eight new supplier records and eight amendments identified:

- The WMCA Bank Details log maintained to record actions and checks undertaken for record creation and amendments had not been fully completed and / or contained inconsistencies in seven cases.
- Secondary validation checks required as part of the WMCA's process had not been evidenced as having been undertaken in any case.
- Documentary evidence that may have been used by officers to verify bank details, and approved exemption forms regards requirement to undertake verification checks could not be located at the time of audit. Consequently, it cannot be confirmed that bank details were created / changed in accordance with verified documentary evidence and that exemptions had been evidenced as approved and were appropriate.
- Several actions previously recommended were not evidenced as having been undertaken checking bank details to a second item of evidence i.e., a supplier's paying-in slip or bank statement header, compliance, and independent checks that processing of record creation and amendments had been undertaken correctly, and that bank details verification checks had only been undertaken by Finance Officers and not service areas.
- Online new supplier request, customer amendment and supplier amendment forms where these had been provided for testing were in some cases incomplete as they did not record the relevant bank details.

We noted that the Business World workflow process for creating new supplier records appeared not to include an approval stage and therefore could be processed entirely by one officer within Business World. As the same officer in some instances had also completed the verification checks, there was a limited separation of duties as well as lack of approval.

The Finance Officer (who has now left the employment of the WMCA) leading on supplier creation and amendments advised that when they took up their post in the 2021-2022 financial year they had not been made aware of previous recommendations and checks required as part of hand-over arrangements.

Recommendations to address the above issues had been previously made in 2020-2021.

Implications:

- Bank mandate fraud may not be prevented or detected.
- The WMCA's systems and records may not sufficiently evidence the checks and controls in operation and so it may be difficult to demonstrate actions taken in the event of query, challenge, or fraud.

Recommendations:

- i. Supplier record creation and amendment procedures specifically in respect of bank details should be clearly defined and documented, ensuring inclusion of robust checks to prevent and detect fraud and maintenance of a clear audit trail of processing and checks undertaken.
- ii. Bank details within supplier records should be subject to robust verification checks and validation processes as well as approval prior to actioning. Previously recommended procedure should be implemented and embedded.
- iii. Clear and consistent records should be maintained of the verification checks, validation processes and approvals undertaken both within manual and system records.
- iv. Supporting evidence used for bank detail verification checks as well as the corresponding online form should be held centrally together within Business World and attached to the supplier record within the supplier master file to create a central record.
- v. Where exceptions are approved for not undertaking the defined verification checks, the approved form should be attached to the supplier record within the supplier master file to create a central record.
- vi. Creation of new supplier records should include a work flowed approval stage within Business World, so as to be consistent with amendment processes.
- vii. Separation of duties should be maintained between request initiation, verification / validation checks, processing within Business World and approval.
- viii. Monitoring arrangements should be established to monitor compliance with the bank detail changes procedure and compliance checks suitably evidenced.
- ix. Periodic independent checks over and above the above monitoring arrangements should be undertaken and suitably evidence.
- x. All employees outside of WMCA Accounts Payable and Finance should be instructed that the bank detail verification checks must only be undertaken by the above Teams.

Agreed Actions:

Action will be taken to address the above recommendations including all new supplier record and amendment supporting documents to be retained directly within BW supplier records once verified as correct to maintain a clear document and audit trail.

Responsible Officer:

William Godden – AP/AR Manager

Target Date:

31 May 2022

4. Duplicate payment not detected

Findings:

We identified from sample testing that a duplicate payment had been made and that this had yet to be detected. The sampled invoice (£20,428 as an advance payment for event services) had been paid once via BACs and then subsequently paid again 16 days later via Telegraphic Transfer (same day payment). In addition, another invoice for the same amount against the same order had also been paid once via BACs and then one day later paid within the above-mentioned Telegraphic Transfer. In total £81,712.80 has been paid when only £40,856.40 should have been paid.

We further undertook a matching exercise of transactions between April 2021 and September 2021 which presented a number of matches on Supplier Name, Invoice Number and Amount. Review with and confirmation from the relevant service areas and the AP / AR Manager found that these were processing errors that had been subsequently rectified.

We noted that no other monitoring or exception reports over and above the standard but limited check within Business World were utilised by the WMCA.

Recommendations to address the above issues had been previously made in 2020-2021.

Implications:

Potential loss of funds as a duplicate payment had been made and this was not detected due to limited duplicate payment checks in operation within Business World, and manual processing and uploading of transactions.

Recommendations:

- i. Duplicate invoice / payment checks should be undertaken prior to payments being made, whether through workflow transactions within Business World or manually processed / uploaded transactions.
- ii. Wider matching criteria for identifying duplicate invoices / payments should be included within the checks undertaken.
- iii. To facilitate checks, duplicate invoice / payment exception reports should be developed and implemented. Such reports should be run, and results checked prior to processing any payment run (and as applicable before making a same day payment).
- iv. All checks and investigations undertaken should be clearly evidenced. Exception reports should be suitably retained as an audit trail.
- v. The above procedures should be clearly documented, and training provided to all relevant Finance employees.

Agreed Actions:

Action will be taken to address the above recommendations with the creation of a BW report to be run to highlight any possible duplicate entries before payment runs are confirmed.

Responsible Officer:

William Godden – AP/AR Manager

Target Date:

30 June 2022

5. Insufficient audit trail due to use of Teams messages

Findings:

We found that whilst Teams messages had been used due to current remote working arrangements which are likely to continue for some time, review of messages as part of testing undertaken indicated that they were insufficient in creating a centrally maintained and retained robust audit trail due to lack of clear referencing of messages, what the chat was specifically referring to and the attachments included.

Whilst it is noted that the Accounts Payable Team were able to retrieve messages for testing purposes, this may be more difficult later in the retention period of six years after the financial year in question.

In addition, although dedicated Teams channels had been established for BACs and Bank related processing and approvals, the Accounts Payable Team were currently not utilising a dedicated Teams channels. As messages would be held within individual officers' chat channels in Teams, this would make it difficult to maintain the audit trail as a centrally held record.

Recommendations to address the above issues had been previously made in 2020-2021.

Implications:

The audit trail may be incomplete, inaccurate, and not centrally held, making it difficult in the event of query, challenge, or fraud to determine actions taken and demonstrate compliance.

Recommendations:

- i. The suitability of Microsoft Teams messages as a means of documenting processing and approval actions undertaken by WMCA Finance should be reviewed to ensure it provides a clear and robust audit trail (to support resolution of queries or challenge or fraud) as part of WMCA's financial records and can be suitably retained according to applicable retention periods.
- ii. If Microsoft Teams messages continue to be used, clear and explicit messages must be maintained for each individual request for payment / processing approval with clear referencing of attachments and messages.
- iii. Language and terminology used within messages should be formal and appropriate for core financial business processes as these form part of the WMCA's financial records.
- iv. If Teams messages continue to be utilised, all messages pertaining to transactional processing and approvals should be within dedicated channels rather than individual officer chat.

Agreed Actions:

Action will be taken to address the above recommendations with all approvals to be recorded and attached to the source records invoice and spreadsheet uploads, as well screenshots of the Teams chat to be saved to the source record for ease of locating and maintaining a clear document and audit trail.

Responsible Officer:

William Godden – AP/AR Manager

Target Date:

31 May 2022

Account Receivable 2021 – 2022

Key issues identified

We found no major issues identifying several areas of good practice and making one **green** recommendation as detailed below.

Examples of good practice identified

During the course of our work, we identified the following examples of good practice in the management of risk, as achieved through the effective design and application of controls:

- Adequate procedures which include an adequate separation of duties were in place for raising and authorising sales invoices and credit notes, workflow within Business World ensures that the correct authorisations are in place.
- Sample testing identified that invoices were suitably authorised by a budget manager in accordance with the scheme of delegation.
- Sound procedures were in place for identifying income received. Income was recorded in a cashbook and then in Business World via a journal which was approved via workflow set up within the system.
- Sample testing of deposits identified that all had been banked intact.
- Adequate debt management procedures, including delegations for the approval of write-off's had been established.
- Reconciliations were suitably performed, and suspense items were promptly reviewed and cleared.
- Adequate procedures were in place for setting up new customers and making amendments to existing records.

Findings and recommendations

Action is advised to enhance risk control or operational efficiency
Green

Overdue debtor invoices

Findings:

The impact of Covid-19 upon businesses was responded to by the WMCA through a decision to support suppliers through suspending debt recovery arrangements for an interim period whilst maintained regular contact with customers.

We noted that of debtor invoices totalling £382,156, 80% (£320,039) had not been paid by the customer at the time of the audit. We noted that whilst these were not aged debtors several were now overdue.

Implication: Funds due may not be successfully recovered.

Recommendation:

An exercise should be undertaken to review current debts to identify any additional remedial action that could be taken to recover funds due.

Agreed Actions:

Agreed. Collection activity has now been recommenced, supported by the establishment of a newly dedicated resource to undertake a credit control approach to ensure daily action is taken to progress collection of debts.

Responsible Officer:

William Godden – AP/AR Manager

Target Date:

31 March 2022

Budgetary Control 2021 – 2022

Key issues identified

We found no major issues identifying several areas of good practice as detailed below.

Examples of good practice identified

During the course of our work, we identified the following examples of good practice in the management of risk, as achieved through the effective design and application of controls:

- Detailed budget guidance was issued to WMCA employees who are involved with budget planning together with a timetable for the 2021 - 2022 budget setting process to assist with budget planning.
- A budget setting process was in place involving budget managers, heads of service and directors.
- The WMCA Board approved the consolidated budget on 12 February 2021 prior to the start of the financial year which corresponded to the budget set in Business World.
- Reporting to the WMCA Board on consolidated and detailed budget monitoring reports was undertaken on a timely basis during the period under review from April 2021 to September 2021 and was found to be accurate when compared to Business World. Under/overspends were being reported to WMCA Board with supporting explanations and actions taken, where required.
- Budgets were being reviewed and monitored at Strategic Leadership Team meeting each month.
- Cost centres were allocated to responsible budget managers.
- Final accounts had been prepared by September 2021 and published on 16 November 2021 which we understand was due to the late preparation of the accounts by External Audit. In accordance with the regulations a notice had been published to explain the reasons for late publication.

General Ledger 2021 - 2022

Key issues identified

We found no major issues identifying several areas of good practice as detailed below.

Examples of good practice identified

During the course of our work, we identified the following examples of good practice in the management of risk, as achieved through the effective design and application of controls:

- The payroll feeder system was reconciled on a regular basis to the General Ledger.
- Control accounts had been reconciled over the period examined and were update to date as of December 2021.
- Ticketing control accounts were reconciled on a regular basis.
- Responsibility for reconciliation and review of the bank statements to the General Ledger had been appropriately assigned and testing confirmed that these processes were being undertaken.
- Responsibility for reconciliation and review of the validation error codes had been appropriately assigned and testing confirmed that these processes were being undertaken.
- An additional level of assurance was provided from a monthly report on the level of overall balances and the explanation of movements provided for the required reconciliations.
- Changes to cost centres / account codes are appropriately authorised.
- Opening balances for 2021/22 had been correctly input into Business World and were in accordance with closing balances for 2020/21.
- Journals were authorised in accordance with the scheme of delegation and access controls and are processed on a timely basis.

Payroll 2021 – 2022

Key issues identified

We found no major issues identifying several areas of good practice and making one **green** recommendation as detailed below.

Examples of good practice identified

During the course of our work, we identified the following examples of good practice in the management of risk, as achieved through the effective design and application of controls:

- Instructions issued by Human Resources to Payroll Services for the creation and termination of employees within the Sage system provided a suitable separation of duties.
- Checks of starters / leavers and payroll amendments were suitably undertaken by two officers to ensure all changes have been correctly actioned.
- Sample testing of starters, leavers and amendments found that these were correctly processed and were in accordance with instructions from Human Recourses and source documentation.
- First salary payments for sampled new starters and final salary payments for leavers were correctly calculated. Sampled changes to current employees' grades or hours of work were also correctly calculated and supported by authorised documentation.
- Pre payroll runs were suitably checked and verified by the Payroll and Pensions Officers, including the review of exception reports.
- All payment runs sampled were suitably approved by the Group Payroll and Pensions Manager before payment made.
- BACS payments were correctly and accurately made in accordance with the monthly payroll calculation reports from SAGE.
- Access to the payroll system was limited to the Payroll Manager and the Payroll Officers and was restricted through password controls.
- Access to the Payroll SharePoint site where documentation was retained had been restricted to the payroll team members.

Findings and recommendations

Action is advised to enhance risk control or operational efficiency

Green

Error in payments to third parties

Finding:

Due to an error in the Payroll Team when submitting monthly emails to the Financial Controller for approval of the BACS payments, the amounts previously paid in April 2021 were again paid in May 2021, instead of the actual payments due in May 2021. This error was also not detected at the point of approval.

At the time of audit, the Payroll Team were aware of the issue and the Accounts Payable Team were in the process of resolving this.

However, we found that the payments for April, June, July, and August 2021 had been correctly made.

Implication:

Lack of information within emails may lead to error and confusion.

Recommendation:

- i. All monthly emails submitted to the Financial Controller should clearly indicate the month to which the payments relate.
- ii. Before approving the third-party BACS payments, the Financial Controller should confirm that the payment information in the email relates to the correct month.

Agreed Actions:

- i. Month of third-party payments to be included in the header of the email
- ii. Confirmation that payment information relates to the correct month will be provided in email approvals going forward.

Responsible Officer:

- i. Kate Ketteringham - Group Payroll and Pensions Manager
- ii. Louise Cowen – Financial Controller

Target Date:

- i. Immediate
- ii. Immediate

Treasury Management 2021 – 2022

Key issues identified

We found no major issues identifying several areas of good practice and making two **green** recommendations as detailed below.

Examples of good practice identified

During the course of our work, we identified the following examples of good practice in the management of risk, as achieved through the effective design and application of controls:

- WMCA had adopted the CIPFA Code of Practice on Treasury Management in Local Authorities.
- The annual Treasury Management Strategy was approved by WMCA Board, following endorsement by the Audit, Risk and Assurance Committee (ARAC).
- The Treasury Management Practices and Treasury Management Policy Statement were scrutinised and endorsed by ARAC.
- Prudential Indicators were appropriately presented and approved by the WMCA Board.
- Treasury Management training was provided to ARAC members.
- A Borrowing Strategy was agreed by WMCA Board, with a debt cap agreed with HM Treasury.
- An Investment Strategy was agreed by WMCA Board, with suitable limits and credit ratings for the financial institutions stated.
- Sample testing of ten investment and borrowing transactions confirmed that the cashflow spreadsheet, Treasury Live (treasury management software system) and Business World were accurately maintained.
- Investments and borrowings were placed with suitable organisations.
- Evidence in support of the transactions was maintained.
- A separation of duties was evident in the majority of instances. Where it was not evident in the case of the overnight placement of monies with the WMCA's bank, suitable compensating controls were in place.
- For long-term borrowing repayments, suitable notification was received in advance of the payment.
- Future repayments of long-term borrowing were scheduled in the cashflow.
- Bank controls prevented inputting officers from authorising the online bank transactions

which provided a suitable separation of duties.

- It was confirmed that for two loans that the WMCA had made, repayment agreements had been suitably established
- Daily reconciliations between the bank statements and cashflow record were completed by the Treasury Accounting Assistant.
- Testing confirmed that investment activity was subject to a monthly reconciliation to the General Ledger in Business World and was undertaken on a timely basis.
- A report on the outturn for 2020-2021 was presented to WMCA Board.
- A report on mid-year treasury management activities and details of external investments for 2021-2022 was presented to ARAC. It is understood that this will also be presented to WMCA Board.
- Both the outturn report for 2020-2021 and the mid-year report for 2021-2022 confirmed compliance with various Treasury Management Indicators, CIPFA's Code of Practice and WMCA's Treasury Management Strategy.

Findings and recommendations

Action is advised to enhance risk control or operational efficiency
Green

1. Treasury Management Policy Statement not presented to WMCA Board for approval

Findings:

Whilst the Treasury Management Policy Statement (TMPS) was presented to the Audit, Risk & Assurance Committee (ARAC) for review and endorsement on 18 January 2021, it was noted in the ARAC minutes that the TMPS would receive “onward approval” from WMCA Board. Although these minutes were subsequently presented and noted by WMCA Board on 19 March 2021, approval by the WMCA Board was not explicitly minuted.

Implication: Incomplete governance records may lead to confusion.

Recommendation:

The Treasury Management Policy Statement should be presented as a specific document and evidenced as approved by WMCA Board.

Agreed Action:

The TMPS will be presented with the relevant year TMS within future Board reports for approval.

Responsible Officer:

Mark Finnigan, Lead Treasury Accountant

Target Date:

28 February 2022

2. Confirmation of independent review of investment reconciliation not consistently provided

Findings:

We understand that an independent review of the monthly reconciliation of investment activity is undertaken by the Financial Accountant. However, confirmation of this was not provided to the Treasury Management team.

Implication:

Potential for errors to be missed.

Recommendation:

Action should be taken in liaison with the officer responsible for independent review to ensure that confirmation is provided post completion.

Agreed Action:

The Lead Treasury Accountant / Head of Financial Planning will agree with the Chief Accountant the most appropriate resource/format for the independent review of monthly reconciliation and report/minute to Treasury Management Group.

Responsible Officer:

Mark Finnigan, Lead Treasury Accountant
Carl Pearson, Head of Financial Planning

Target Date:

31 January 2022

Limitations inherent to the internal auditor's work

This report has been prepared solely for the Combined Authority in accordance with the terms and conditions set out in the terms of reference. Internal audit does not accept or assume any liability of duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted, or referred to without prior consent. Internal audit has undertaken this review subject to the limitations outlined below.

Internal control

- Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Responsibilities of management and auditors

- It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of irregularities and fraud. Internal audit work should not be a substitute for management's responsibilities for the design and operation of these systems.
- Internal audit endeavours to plan audit work so that it has a reasonable expectation of detecting significant control weakness and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.
- Accordingly, these examinations by internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist.

Stage	Date
Draft issued	26 January 2022
Final issued	7 March 2022
ARAC reporting date	21 March 2022
ARAC meeting date	12 April 2022



West Midlands Combined Authority

Internal Audit Report: Longbridge Park and Ride Income Management and Charging Arrangements 2021-2022

Report Date: 30 March 2022

Report Distribution:

TfWM	Anne Shaw - Executive Director for Transport for West Midlands Pete Bond – Director of Integrated Transport Services Andrew Thrupp – Head of Operational Assets
Legal Services	Satish Mistry – Interim Director, Law and Governance Jayne Middleton - Interim Legal Services Manager
Finance	Linda Horne – Finance Director Louise Cowen – Financial Controller Eleanor Yates – Management Accountant

1. Executive summary

Introduction

An audit of the Longbridge Park and Ride Income Management and Charging Arrangements was undertaken as part of the approved internal audit plan for 2021 – 2022.

The car park opened in August 2021 and is a pay on exit car park with Automatic Number Plate Recognition. Payments can be made on departure using cash, contactless or credit/debit card at a ticket machine or one of the smart payment options available e.g. the Swift transport smart card.

Scope and objectives of audit work

Our audit was conducted in conformance with the Public Sector Internal Audit Standards and considered the following objectives, and the potential risks to the achievement of those objectives.

Scope	Potential risks
<p>The following areas were included in the review:</p> <ul style="list-style-type: none"> • Setting of charges • Receipting of income • Reconciliation arrangements • Income monitoring and reporting 	<ul style="list-style-type: none"> • All income due is not received. • Income is not receipted on an accurate, complete, and timely basis. • Reconciliations are not undertaken to confirm all income due has been received. • Misappropriation or loss of income may not be prevented or detected.

Limitations to the scope of our audit

This review included high-level coverage of the above scope areas and sample testing of income received, covering the various methods of income collection used.

Overall conclusion

Our audit provides **Limited** assurance over the adequacy of the controls reviewed as part of the process to mitigate risks to an acceptable level.

No Assurance	Limited	Satisfactory	Substantial
<p>Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks to the achievement of objectives in the area audited.</p>	<p>Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</p>	<p>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>	<p>A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</p>

Key issues identified

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

- Appropriate signed contractual documentation had not been evidenced as having been established for the commissioning of car parking services for Longbridge and other sites leading to non-compliance with Contract Procedure Rules and Public Procurement Regulations.
- Car parking charges had not been evidenced as approved in accordance with WMCA governance / delegated authorities prior to implementation.
- Receipting for cash and phone payments and reconciliation of all income was yet to be fully established or undertaken on a regular basis.

A copy of this report will be presented to the Audit, Risk and Assurance Committee.

Acknowledgement

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

2. Findings and recommendations

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

1. No contract in place

Findings:

We identified that there was no evidence of current appropriate signed contractual documentation having been established for the commissioning of car parking services (including collection of cash within controlled parking and enforcement management) for Longbridge and other sites leading to a breach of the WMCA's Contract Procedure Rules.

Only a specification for Considerate Car Park Enforcement services dated 2016 in respect of the Sutton Coldfield Railway Station Park and Ride was provided as evidence of a contract being in place. It is understood that a contract was awarded to Vehicle Control Services Ltd (VCS Ltd). However, there was no evidence available to support this. The specification included provision for similar services to be provided at additional locations if called upon at a later date. Discussion identified that this was extended to include Bromsgrove and Longbridge.

We understand that an original contract commenced 1 June 2016 for an initial period of three years with options to extend for two additional years which were taken up, ending on 31 October 2021. It was noted that the extension letters were not signed and had been issued to Excel Parking Services Ltd, understood to be the parent company of VCS Ltd. However, there is no documentary evidence to demonstrate the decision making and procurement activity to award to another contractor.

Although the contract period ended 31 October 2021, service provision continues to be provided at the time of review. Whilst a briefing note was drafted by the Head of Operational Assets and laid out the contractual arrangements to date and a recommendation to further extend for an additional 12 months from 1 November 2021 to 31 October 2022 (until a new contract is established for all Park & Ride facilities expected to be in place by 1 November 2022), there is no evidence of where and when and by whom the recommendation stated had been reviewed or approved by appropriate officers. In addition, there is no evidence of review by Legal or Procurement to confirm compliance with Contract Procedure Rules.

Consequently, the above arrangements and lack of documentary evidence fail to demonstrate and / or achieve compliance with the WMCA's Contract Procedure Rules (Section 18) and the Public Procurement Regulations (Part 2, Chapter 4).

Implications:

- A breach of the WMCA's Contract Procedure Rules (Section 18) and the Public Procurement Regulations (Part 2, Chapter 4).

Recommendations:

Legal Services

- i. In accordance with the WMCA's Contract Procedure Rules (Section 18) "all contracts must be concluded formally in writing before the supply, service or construction works begins and no payments should be made until the relevant contracts are formally concluded, except in exceptional circumstances and then only with the written consent of the Head of Governance".
- ii. Signed copies of all contracts should be securely and centrally retained as a formal record of the WMCA, and as demonstration of adherence with the Contract Procedure Rules and Public Procurement Regulations in all cases.
- iii. Copies of signed contracts should be provided immediately after signing to the responsible service area for their operational use and local retention. This should not be a substitute for central retention by Legal Services.
- iv. As part of the above, resolution of award to a subsidiary company instead of the original parent company should be addressed.
- v. All Variations / extensions to contracts should be signed by the relevant WMCA senior officer and issued prior to the commencement of the extension and service delivery.

TfWM Operational Assets

- vi. Action should be taken (in liaison with Procurement and Legal Services) to bring about compliance with the Contract Procedure Rules in respect of the current commissioning of car parking enforcement services (including cash collection) for all sites including Longbridge, ensuring appropriately executed contract documentation for the remaining period is put in place.

Agreed Actions: Legal Services

Actions (i) to (ii)

The recommendations are agreed. It is acknowledged that there are historic gaps in processes that have led to the department not being able to provide signed copies of contracts in a timely manner. However, steps have been taken to address the areas of concern identified.

Processes have been established to ensure that once a contract document has been reviewed by Legal Services, the contract signature form will be signed by the relevant Budget Manager and Head of Service, and subsequently by Procurement and Legal Services, prior to approval by the Interim Director, Law and Governance ensuring the contract is executed in accordance with the Constitution and Public Procurement Regulations. The Contract is then executed by both parties with the authorised signatory for the WMCA using the contract signature form to provide comfort for signature. A Business Support Team for Legal Services has been established to support this process.

Signed copies of all documents are now scanned and sent to the client. Legal and the client are working towards establishing a closed Share-point space to store all signed contracts, both past and current, for all Directorates.

Target Date: Immediate

Action (iii)

Action is being taken to review the facilities and processes for storage and documentation. Recommendations for a long-term storage solution for electronic and hard copy documents to be put into place a process for storage and documentation will be pursued. The process will consider where, and by who, the contracts will be held, retention periods and information governance and data security issues, and ensure that the contracts are centrally accessible and that the process is subject to regular spot checks to ensure compliance.

A procurement exercise is currently being undertaken to commission an electronic signing system for execution of contracts to facilitate signing by internal and external parties.

Target Date: 31 July 2022

Action (iv)

Agreed. A review will be undertaken to ensure the issue of contract award to a parent company but delivery of services by a subsidiary will be resolved as part of the issuing of a formal extension letter to cover the period until November 2022.

Target Date: 30 April 2022

Action (v)

Agreed, Formal variations would be required in this instance. This will be addressed going forward for current and future extensions and variations in accordance with the Constitution ensuring appropriate documentary evidence is maintained.

Target Date: Immediate

Responsible Officer: Jayne Middleton – Interim Legal Services Manager

Agreed Actions: TfWM Operational Assets

Action (vi)

To bring about compliance for the current commissioning of car parking enforcement and income collection services, a briefing note detailing the required arrangements going forward has been drawn up. This will now be presented to the Interim Legal Services Manager for authorisation. A formal extension letter will then be issued once certified by Interim Legal Services Manager and the contractor. Purchase orders had already been issued to the contractor for current period and will also be issued for the coming period.

Target Date: 30 April 2022

A procurement exercise is currently being undertaken to commission car parking compliance and income collection services for all car parks applicable from 1 November 2022.

Target Date: 1 November 2022

A review will be undertaken of all current contracts in liaison with the Interim Legal Services Manager to ensure that there is an appropriately sign contract in place and that a copy is held centrally and by the Assets Team. In addition, for all new contracts a copy of the signed contract will be obtained and held within the service area.

Target Date: 31 July 2022

Responsible Officer: Andrew Thrupp – Head of Operational Assets

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

2. Unapproved parking charges

Findings:

Formal written evidence to demonstrate approval of parking charges for the Longbridge car park in accordance with delegated responsibility had not been located by officers at the time of review.

The WMCA Board on the 9 February 2018 delegated the responsibility for setting exact levels of car parking charges for Longbridge car park jointly to the WMCA Lead Member for Transport and the Managing Director of Transport for West Midlands, in consultation with Birmingham City Council Lead Member for Transport, to enable the ability to set and adjust charges in line with achieving modal shift objectives and repayment requirements for scheme borrowing.

However, an email dated 16 October 2019 indicated that a verbal approval had been received from the relevant Members and that the Managing Director, TfWM and the TfWM Leadership Team had approved the charges.

Implications:

- Unapproved parking charges may be in operation.
- Setting of charges may not ensure they fully align with achievement of modal shift objectives and repayment requirements for scheme borrowing.

Recommendations:

- i. Car parking charges should be reviewed and approved in accordance with delegated responsibilities ensuring that all requirements have been taken into consideration.
- ii. Review should be undertaken on an annual basis and suitably evidenced within governance records. Where charges are amended, approval should be sought and evidenced.
- iii. If applicable, the outcome should be reported to the WMCA Board.
- iv. The above should be undertaken in accordance with the WMCA's Financial Regulations as applicable regarding charging for services.

Agreed Actions: TfWM Operational Assets

Agreed. Action will be taken to address the above issues. Going forward charges will be reviewed taking account of current usage levels since opening. Formal approval will be sought and suitably evidenced.

Responsible Officer: Andrew Thrupp – Head of Operational Assets

Target Date: 31 October 2022

3. Lack of effective receipting and reconciliation of income

Findings:

We found that receipting and reconciliation for all payment methods was yet to be fully established and that reconciliations were not undertaken on a regular and frequent basis. Whilst it is noted that at the time of review a total of £4,021 had been received in car parking income, there is a need to ensure processes are appropriate and embedded going forward as usage of the car park and income increases in due course.

Based on information prepared by the contractor, emptying of ticket machines was not being undertaken on a regular and consistent basis. In addition, the audit reference (sequentially generated by the ticket machine) was not being recorded on the information submitted by the contractor. As a result, it would not be possible to confirm that WMCA had received all monies collected or instances where there are any missing collections.

Since the Longbridge car park opened in August 2021, only one reconciliation had been undertaken covering the five-month period between August and December 2021 for income received through Swift related payment methods.

However, no reconciliation had been undertaken for cash and phone payments at the time of review. In addition, no independent system generated records detailing cash collected via ticket machines and monies collected via the phone app had been received to enable reconciliations to be undertaken.

Implications:

All income due but not received may not be identified on a timely basis or at all, for remedial action.

Recommendations:**TfWM Operational Assets**

- i. All ticket machines should be emptied on a suitably regular and frequent basis. The frequency of collections should be agreed with the contractor in writing as part of documented contractual arrangements.
- ii. The audit reference (sequentially generated by the ticket machine) should be recorded on the information submitted by the contractor to inform identification of any missing collections.
- iii. Independent ticket machine and phone payment system generated reports should be obtained to ensure effective reconciliations between income stated as collected by the contractor and that recorded by the machine / system.

Finance

- iv. Reconciliations should be undertaken appropriately for each income type on a monthly basis as a minimum until such time that processes have fully embedded, subject to outcomes of reconciliations regarding discrepancies and the levels of income received.

Agreed Actions: TfWM Operational Assets**Actions (i) to (iii)**

Agreed. Action will be taken to address the above issues. The formal extension letter will cover the above arrangements.

Responsible Officer: Andrew Thrupp – Head of Operational Assets

Target Date: 30 April 2022

Agreed Actions: Finance**Action (iv)**

Going forward reconciliations will be undertaken on a monthly basis. On receipt of the independent ticket machine and phone payment system generated reports a full reconciliation will be undertaken for all income received.

Responsible Officer: Eleanor Yates - Management Accountant

Target Date: 30 June 2022

Limitations inherent to the internal auditor's work

This report has been prepared solely for the Combined Authority in accordance with the terms and conditions set out in the terms of reference. Internal audit does not accept or assume any liability of duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted, or referred to without prior consent. Internal audit has undertaken this review subject to the limitations outlined below.

Internal control

- Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Responsibilities of management and auditors

- It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of irregularities and fraud. Internal audit work should not be a substitute for management's responsibilities for the design and operation of these systems.
- Internal audit endeavours to plan audit work so that it has a reasonable expectation of detecting significant control weakness and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.
- Accordingly, these examinations by internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist.

Stage	Date
Draft issued	24 February 2022
Exit meeting	11 March 2022
Final issued	30 March 2022
ARAC reporting date	1 April 2022
ARAC meeting date	12 April 2022



Audit, Risk & Assurance Committee

Date	12 April 2022
Report title	Internal Audit Plan 2022-2023
Accountable Chief Executive	Laura Shoaf, Chief Executive
Accountable Employee	Satish Mistry, Interim Director, Law and Governance
Report to be considered by	N/A

Recommendation(s) for action or decision:

The Audit, Risk and Assurance Committee is recommended to:

1. Review and approve the updated version of the Internal Audit Plan for 2022-2023, which now includes an indicative timetable for its delivery.

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 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. 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 In addition, the WMCA Senior Leadership Team was consulted as part of development of the internal audit plan prior to presentation to the Audit, Risk and Assurance Committee.
- 1.4 The internal audit plan was provisionally approved at the January 2022 meeting of the Committee, with the proviso that an updated version of the plan to include an indicative timetable would be presented at the April 2022 meeting.

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 – 2022-2023

Delivered by City of Wolverhampton Council - Audit Services

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A quick guide to the audit and assurance planning process

Step 1- Audit universe/auditable areas

WMCA's Internal Audit Liaison Officer identifies 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.
- 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 past knowledge, management requests and experience etc. is used.



Step 2 – Ranking

Using an assessment of the assurance need the WMCA Internal Audit Liaison Officer identifies 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 2022-2023 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.

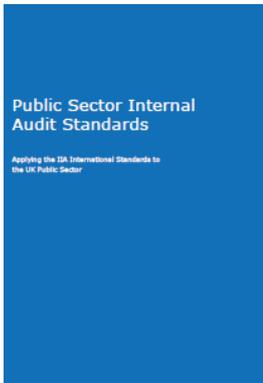
Audit, Risk and Assurance Committee

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.
- 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. 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, where appropriate within each audit review, to help 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.
 - WMCA's Internal Audit Liaison Officer 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 2022-2023 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
 - 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 (scoring 20 or above) as potentially impacting upon its ability to achieve its key priorities:
 - Financial assumptions for Investment Programme (SRR* R001)
 - External challenges and policy changes (R002)
 - Data Protection and Information Security (R003)
 - Stakeholder and political relations (R004)
 - Employee capacity and capability (R005)
 - Commerciality through use of company delivery models (R008)
 - Project and programme appraisal and assurance (Single Assurance Framework) (R009)
 - Governance arrangements (R010)
 - Reputation (R013)
 - Delivering the 2041 Carbon Budget reduction (R015)
 - Investment Programme delivery – reputational impact (R019)
 - Financial resilience of the WMCA to absorb fiscal shocks (R021)
 - Metro tram service suspension (R022)

The above risks consider and reflect within their respective risk scores, the impact and likelihood of Covid19 effects and response to risk including long term economic and service delivery impact.

*Strategic Risk Register ID

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 continues to be of particular importance for 2022-2023 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 Professional 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 2022-2023

Auditable area	Purpose	Rating	Quarter (month)	Indicative ARAC Meeting
Cross Organisation				
External Funding Applications (Bid Management)	A high-level review of the newly developed External Funding Application Process as part of WMCA's Bid Management approach to ensure the process suitably reflects robust arrangements and best practice.	High	Quarter 1 (April)	September 2022
Business Continuity	A review of the business continuity arrangements in place within WMCA to ensure it reflects and can respond to the business needs of an agile workforce in the event of disruption to ICT services and/or the working environment.	High	Quarter 3 (November)	April 2023
Information Assurance and Cyber security	A review of the Security policy framework to demonstrate appropriate Information security management arrangements are in place in order to protect WMCA's data assets.	High	Quarter 1 (June)	November 2022
Organisational change	A review of the management arrangements for recruitment and changes to the establishment, including departmental restructuring, ensuring the adoption of and compliance with the Managing Organisational Change Policy and Changes to Establishment Policy.	High	Quarter 1 (July)	November 2022
Key Financial Systems	To provide assurance that the key financial processes are operating, including: <ul style="list-style-type: none"> • Payroll (full systems audit due to system change) • Accounts payable • Accounts receivable • General ledger 	High	Quarter 3 (October)	January 2023

Auditable area	Purpose	Rating	Quarter (month)	Indicative ARAC Meeting
	<ul style="list-style-type: none"> Budgetary control Treasury Management 			
Procurement Exemptions	A review of the policy and procedure for Exemption forms, ensuring compliance with Delegations of Authority, Public Procurement Regulations, and financial obligations with contractor supply.	High	Quarter 4 (February)	June 2023
IR35	A review of the management of IR35 to ensure WMCA has robust systems and procedures in place to manage compliance with IR35 to avoid the risk of financial penalties.	High	Quarter 4 (January)	June 2023
Corporate Asset Acquisition and Disposal Framework	To review the structure of, and operational compliance with the Corporate Asset Acquisition and Disposal Framework.	High	Quarter 4 (March)	June 2023
Environmental Management System	A review of the Environmental Management System to ensure an effective system is in place within the organisation demonstrating how it addresses and minimises environmental impacts and manages legal compliance as part of the compliance obligations for retention of ISO 14001.	Medium	Quarter 3 (December)	April 2023
Transport				
Bromsgrove Rail Station	A high-level review of the management and contractual arrangements for the operation of the Bromsgrove Rail Station including compliance with the contractual obligations of the WMCA and its partner organisations.	High	Quarter 2 (July)	November 2022
Land and tenant management	A review of the arrangements in place for retail lettings and management of tenancies across TfWM's infrastructure.	Medium	Quarter 3 (December)	April 2023

Auditable area	Purpose	Rating	Quarter (month)	Indicative ARAC Meeting
Housing				
Single Commissioning Framework	A review of the effectiveness of the Single Commissioning Framework in delivering value for money and desired outcomes to meet funding aims and associated strategic objectives.	High	Quarter 2 (August)	January 2023
Productivity and Skills				
Adult Education Budget	A review to seek assurance on the robustness of provider performance management arrangements and controls in ensuring compliant and effective use of funding and delivery of education provision by suppliers.	High	Quarter 2 (September)	January 2023

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

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.

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Audit, Risk & Assurance Committee

Date	12 April 2022
Report title	Auditor's Annual Report on West Midlands Combined Authority 2020/21
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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 Auditor's Annual Report on West Midlands Combined Authority for the year ended 31 March 2021; and
- (2) Approve publication of the report on the Combined Authority's website.

1.0 Purpose

1.1 This report presents West Midlands Combined Authority's Auditor's Annual Report for the year ended 31 March 2021, which summarises the key findings arising from the work carried out by the external audit team at Grant Thornton.

2.0 Background

2.1 The report attached as an Appendix summarises the key findings arising from the work that Grant Thornton has carried out at West Midlands Combined Authority for the year ended 31 March 2021.

2.2 This report is intended to provide a commentary on the results of Grant Thornton's work, to the Authority and external stakeholders.

2.3 In preparing this report, Grant Thornton has followed the National Audit Office's Code of Audit Practice.

2.4 In terms of overall Value for Money arrangements, Grant Thornton is required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified/unqualified Value for Money conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses identified during the audit.

2.5 Grant Thornton's work has not identified any significant weaknesses in arrangements at the Authority, but two potential improvement areas have been noted in the report as follows:

- Officers should consider more explicit reporting of the way financial decisions impact on the performance of the authority; and
- Where Audit, Risk & Assurance Committee is required to make decisions that impact upon deadlines, assurances should be sought from members that they are able to be present or will send a substitute so that the meeting will be quorate.

2.6 Members will recall that Grant Thornton reported the detailed findings from their audit work to the Committee as those charged with governance in their updated Audit Findings Report on 2 November 2021. Grant Thornton subsequently gave an unqualified opinion on the group financial statements on 4 November 2021.

2.7 Following consideration by the Committee, the Auditor's Annual Report for the year ended 31 March 2021 will be published on West Midlands Combined Authority's website.

3.0 Legal Implications

3.1 There are no legal implications arising from this report.

4.0 Equalities Implications

4.1 There are no equalities implications arising from this report.

5.0 Inclusive Growth Implications

5.1 West Midlands Combined Authority will continue to have due regard to proactively delivering inclusive growth in the West Midlands region. The Authority's financial statements reflect that commitment.

6.0 Geographical Area of Report's Implications

6.1 There are no geographical area implications arising from this report.

7.0 Appendices

7.1 Appendix – Auditor's Annual Report on West Midlands Combined Authority 2020/21

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Auditor's Annual Report on West Midlands Combined Authority

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We are required under Section 20(1) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issues by the National Audit Office (NAO) requires us report to you our commentary relating to proper arrangements.

We report is significant matters have come to our attention. We are not required to consider, nor have we considered whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in it use of resources are operating effectively.

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Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria, which are below. Our work has not identified any significant weaknesses in arrangements at the Authority, but we have noted two potential improvement areas. We have not had to apply any of our formal auditor's powers. Information on the powers we can deploy are set out at Appendix D.

Criteria	Risk assessment	Finding
Financial sustainability	Risk of significant weakness identified	Our work has not identified any significant weaknesses in arrangements to secure the financial stability at the Authority.
Governance	No risks of significant weakness identified	Our work on both business as usual governance and adapted structures has not identified any significant weaknesses in arrangements but we have identified two improvement recommendations
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	Our work has not identified any significant weaknesses in arrangements at the Authority

	No significant weaknesses in arrangements identified.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weakness in arrangements identified and key recommendation made.

2020/21 was an unprecedented year, in which the Authority operated with the majority of its staff home working whilst supporting key local services through the pandemic. The Authority incurred significant cost pressures relating to Covid-19, largely as a result of the impact on the transportation network. Officers and members adapted well to the challenge, this included enhanced monitoring of spend, and close collaboration both locally and nationally to ensure that government support was available for the most disrupted of services.

The Authority chose not to publish an Annual Business Plan for 2020/21, instead focusing on performance reporting and refining priorities based on addressing the new challenges that were brought about by the impact of the pandemic. As a result the Authority were able to deliver some key improvements, which included;

- Through the Adult Education budget enrolled over 26,000 people in either level 2 or level 3 qualifications, and a further 2500 people received training through pre-employment programmes.
- The Authority approved the region's first Net Zero Five Year plan to achieve its ambition of being Net Zero by 2041.
- Working in partnership, supported 401 individuals into Housing First accommodation across all 7 constituent authorities.
- Made funding approvals of £59.9m from the Authority's Investment Programme, bringing the total cumulative funding approvals to £834.9m as at 31 March 2021.
- Secured £100m funding to the emerging 5G network for the region.

Our key findings in relation to each of the specified criteria are as follows;

Financial sustainability



The Authority is operating in an increasingly uncertain financial environment, and while successful completion of the first gateway review has secured the gainshare grant from Government of £36.5m for the next five years, funding from other sources is less certain. Particularly, when funding for other projects will come from the constituent authorities, who themselves are facing significant pressures and planning without a long term settlement from Central Government.

Despite this uncertainty, and the challenges posed by Covid-19, the Authority has maintained a good financial position, largely as a result of revised structures and a focus on transformation and developing sustainable efficiencies.

Executive summary continued



Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Authority and the changes instigated as a response to the pandemic. From the information gathered and our discussions with officers it is clear that there is a strong focus on the governance arrangements in place, with structures regularly reviewed to ensure they are fit for purpose and designed in a way that will enable the Authority to meet its objectives. Our work on both business as usual governance and adapted structures has not identified any significant weaknesses in arrangements but we have identified two improvement recommendations.

Further details are provided on pages 10-12.



Improving economy, efficiency and effectiveness

The Authority has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work in this area has considered how the Authority uses the information available to identify areas for improvement, how services are procured and how well it engages with partners. In particular, we noted that the infrastructure and relationships that already existed as a result of the Combined Authority meant that the region as a whole has been able to put a rapid response in place when faced with the key challenges the pandemic presented.

Our work has not identified any significant weaknesses in the arrangements at the Authority.

Further details are provided on pages 15-16

Opinion on the financial statements



We have completed our audit of the Authority's financial statements and issued an unqualified audit opinion on 4 November 2021.

Audit Findings Report (AFR)

Our detailed audit findings can be found in our AFR, which was published and reported to the Authority's Audit, Risk and Assurance Committee (ARAC) on 29 September 2021. At this Committee meeting we updated members on the progress that had been made since writing the report and the date of the meeting, commenting that areas were now complete, and verbally outlining the changes that were required to the draft accounts in respect of the MiRS. The Committee was not however able to approve the accounts, as the meeting was not quorate, with not all required elected members present. As a result, the deadline for the publication of audited accounts was missed.

The next meeting of ARAC was held on 2 November 2021, and an updated AFR was presented, which confirmed the verbal comments made when presenting the AFR in September. This meeting was quorate, and therefore ARAC were able to approve the accounts, enabling the opinion to be signed shortly afterwards. A summary of the key changes to the draft financial statements presented for audit and those adjustments not made are set out below:

Adjusted misstatements

The Authority made six changes to the disclosures within the financial statements, however none had an impact on the resources available to the Authority.

- 1) Correction of £9.307m relating to the treatment of revenue grants where the expenditure relating to them had not yet taken place. £16.2m was also corrected in the prior year.
- 2) Additional note added to explain the reconciliation of the Expenditure and Funding Analysis (EFA) with the Comprehensive Income and Expenditure Statement (CIES).
- 3) Revision of the pension scheme balances following an updated report from the actuary
- 4) A reclassification of £4.9m of employee benefit expenses within note 6 to the financial statements. The cost of employee benefits had been correctly recorded in the income and expenditure statement. This was a matter of disclosure.
- 5) A correction on the disclosure of the fair value of a soft loan, from £18m to £16.3m. Again this did not impact on the valuation held with the balance sheet.
- 6) An additional disclosure added in the narrative report to demonstrate how the information reconciled with the Expenditure and Funding Analysis.

Unadjusted Misstatements

There were 3 unadjusted misstatements reported, which management did not adjust for on the grounds of materiality i.e., if omitting, misstating or obscuring them could reasonably be expected to influence decisions that users of the financial statements make on the basis of those financial statements:

- 1) Impairment of tram track between Bull Street and Grand Central. Officers had identified an impairment trigger and estimated the potential impact of the value of the asset held on the balance sheet. The estimate suggests a maximum potential impairment (reduction) of £5.5m.
- 2) £1.4m of IT assets had been fully depreciated for, but were still included in the gross book value. The impact on the balance sheet however is nil.
- 3) The pension fund auditor identified a potential understatement in the assets of the pension fund. The share of this understatement relating to the Authority was calculated at £1.5m.

These errors were considered immaterial both individually and in aggregate.

Other opinion/key findings

We did not identify any significant unadjusted findings in relation to other information produced by the Authority, including the Narrative Report or the Annual Governance Statement.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Authority. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. We will complete our work on the Whole of Government Accounts consolidation pack in line with the national deadline, when it is announced.

Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Authority's are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Authority's responsibilities are set out in Appendix A.

Authority's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Authority makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 6 to 15. Further detail on how we approached our work is included in Appendix B.



Financial sustainability



We considered how the Authority:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

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Background

There is no doubt that reduced central government funding has meant immense challenges for the local government sector. To some extent the devolved nature of the services provided through the Authority has insulated it from the reductions in government grant faced by many local authorities. Given its limited range of services, it has not faced the demand led pressures seen in both adult and children's social care. However, in the short-term, the impact of the pandemic on travel patronage has impacted significantly upon the transport element of the budget.

There are a number of government reviews looking at the funding of local government, and how the total resources should be shared. This will be key in determining what available resources constituent authorities will have available to them to support the wider objectives of the combined authority. The Authority continues to lobby government alongside other Mayoral combined authorities for a sustainable and long term funding solution. Whilst not directly impacting upon arrangements in 2020-21 the recently announced Levelling Up White Paper indicates negotiations on a third devolution deal for the West Midlands with additional powers and control over funding are likely to be forthcoming.

In the audit plan we identified a risk of significant weakness in relation to financial sustainability. Below is the extract from the plan.

Financial Sustainability

The Authority has set a balanced budget for 2021/22. To reach a balanced budget a gap of £18.9m needed to be closed. This was achieved through a combination of additional government grants, identifying efficiencies and a use of earmarked reserves. The medium term financial outlook is more uncertain, with budget gaps of £19.2m identified for the 2022/23 financial year rising to £32.2m in 2025/26.

We will review the plans the Authority has in place to close the gaps, paying particular attention to the robustness of any savings plans.



Financial position 2020/21

The Authority has historically performed well, with a strong record of financial and budgetary management. Reports continue to demonstrate the risks inherent in the budget, and particularly the lack of certainty regarding the funding arrangements for combined authorities and the impact that this has on delivery of the long term vision. The impact of Covid-19 created significant pressures on the budget in terms of both bus and light rail, with the Authority being provided with central grant funding to cover the impact of reduced passenger numbers. There remains continued uncertainty over passenger numbers in the medium term. In 2020/21 the Authority has maintained its level of general fund balance at £2.3m and has increased its level of earmarked reserves from £26.6m to £41.0m. Total usable reserves stood at £187.8m at 31 March 2021.

Savings

Significant work has been undertaken by the Authority to identify savings opportunities to balance the books, and the medium term financial planning undertaken demonstrates a prudent approach, with a recognition that future funding levels remain uncertain. There is no evidence that there are unrealistic plans in place.

In order to balance the 2021/22 budget, the Authority was required to achieve savings of £3.9m in 2020/21. The savings were included in the 2021/22 budget and the achievement of this budget with a small surplus of £0.046m demonstrates that savings of £3.9m were achieved and these have been carried forward for use in the 2021/22 budget as intended.

Savings have been achieved through a mixture of transformation and efficiencies. A business transformation project has been agreed focusing on ensuring that there is a one organisation approach. This recognises the significant and rapid growth of the Authority since its inception and looks to address the organic way in which the growth took place. Phase 1 (enabling services) of the project is essentially complete, with phase 2 underway (communications, stakeholder relationships and policy) and this will be followed by phase 3 looking at strategy.

In addition to the transformation process the Finance Director has chaired an internal productivities and efficiencies board. The board was initially set up recognising the potential significant financial impact that Covid-19 could place on the Authority, and in the first instance focused on limiting spend to what was essential. This developed into a mechanism for tracking savings, but also translating these into longer term efficiencies that would support the development of the Medium Term Financial Plan (MTFP). While this is an officer group, it is overseen by the Portfolio Lead for Finance.

Medium Term Financial Plan

The MTFP was considered as part of the budget setting process for 2021/22 in February 2021. This was developed against a backdrop of continuing Covid-19 uncertainty and as the Authority prepared for the delayed Mayoral Election which took place in May 2021. As a result it was noted that a full financial strategic planning exercise would need to be completed during 2021/22 to take account of any changed strategic priorities that may flow following the election.

Consolidated Medium Term Financial Plan (from 2021/22 budget)

	22/23 £m	23/24 £m	24/25 £m	25/26 £m
Transport Levy	114.7	114.7	114.7	114.7
Commonwealth Games	20.7			
Adult Education Funding	128.8	128.8	128.8	128.8
Share of Business Rates	10.5	12.0	13.5	15.0
Membership and precept	12.3	12.4	12.5	12.6
Other	39	37.6	37.9	38.6
Total Funding	326.0	305.5	307.4	309.7
Transport for West Midlands	121.7	124.1	127.2	131.0
Commonwealth Games	20.7			
WMCA Delivery Budget and shared services	140.5	142.3	144.1	145.2
Investment Programme	53.6	55.2	56.8	58.3
Mayoral Office and Election	1.9	1.9	1.9	1.9
Total Expenditure	338.4	323.5	330.1	336.4
Covid-19 impact	6.8	4.3	4.9	5.4
Net Expenditure	(19.2)	(22.3)	(27.6)	(32.2)

The MTFP was refreshed in June 21 and November 2021 reported to the board, this showed a revised future funding gap position as follows;

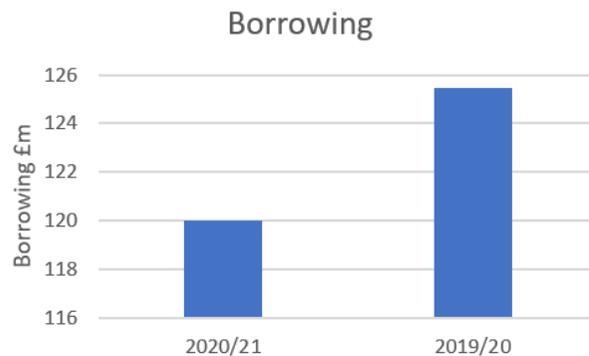
	22/23 £m	23/24 £m	24/25 £m	25/26 £m	26/27 £m
Deficit as at June 2021	(21.7)	(33.7)	(39.2)	(49.3)	(52.0)
Deficit as at November 2021	-	(23.1)	(33.7)	(44.7)	(45.0)

The position recognised a ‘stand still’ position, and did not take account of the full strategic planning process that was ongoing following the Mayoral elections. In line with expectations, the MTFP is revised on a regular basis, as plans are developed, and the latest plan was presented to the Board as part of November 2021 monitoring. This showed a balanced position for 2022/23, with significant gaps in 2023/24 and beyond. Detailed planning is now underway as to how the Authority can deliver its objectives within the funding envelope in the medium term.

The budget position is monitored through revenue monitoring reports, which go on a bi-monthly basis to the board. These identify any issues with the budget and highlight the mitigating actions in place if they are needed. Capital is also monitored in a similar way, through these reports, but given the nature of the Authority, this is also supplemented by monthly monitoring from the Investment Board.

Borrowings and cash

The level of borrowing has fallen in 2020/21 compared to 2019/20. The Authority have used internal resources to manage the external borrowing position, and as a result, no new borrowing was undertaken in 2020/21 to meet financing requirements.



Historically, borrowing is made up from three sources, HM Treasury’s Lending Facility – Public Works Loan Board, Barclays Bank and inherited West Midlands County Council Debt which is administered on behalf of the constituent Local Authorities. The level of borrowing is reviewed on a regular basis, and is again reported through the Board.

The Authority’s cash and cash equivalents balances increased from £78.793m as at 31 March 2020 to £144.413m as at 31 March 2021. This was largely due to the receipt of Government Grants in advance of when needed. As part of the accounts process for 2020/21, management completed a going concern assessment. This confirmed the assertion that the Authority remains a going concern.

2022/23 Budget

The Authority will set its budget for 2022/23 in February. It is proposing to spend £343m on services. To arrive at a balanced position for 2022/23, the Authority consulted extensively with Constituent Authorities throughout 2021 to identify and consider options, recognising that Constituent Authorities are also facing significant budget pressures and funding challenges which do not allow them to significantly increase their contributions. The agreed funding solution is a blended approach of government grants and:

- a 2% increased funding requirement from Constituent Authorities in respect of Transport Levy compared to 2021/22, which will generate an extra £2.3m to support Transport operations annually.
- the re-purposing of WMCA’s share of 2022/23 Business Rate Retention income, totalling £10.5m, of which £4.5m will be used to support Transport operations, and £6.0m will be used to support WMCA’s Non-Transport functions.
- a one-off use of £3.6m of existing reserves to close the remaining gap on Transport operations.

The Finance Director recognises that the existing General Reserve Balance of £2.3 million (1.9% of the aggregate proposed 2022/23 Constituent Authority contributions) is below their suggested benchmark of 3-5% and that there are inherent risks within the budget, especially within Transport where there is the risk that costs will escalate when current subsidised service contracts expire. The Authority has concluded that without any additional funding, it appears highly probable that difficult choices would need to be made regarding access standards. To seek a long term funding solution officers have committed to work with the Mayor and Leaders to develop a long-term, sustainable budget and plan throughout 2022, building on the 2022/23 agreed Aims and Objectives and a sustainable financial plan.

This approach is consistent with our detailed work on the 2020/21 arrangements and demonstrates that the Authority is aware of the challenges it faces and is taking appropriate steps to address them.

Conclusion

Overall, we are satisfied that the Authority has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses.

Governance



We considered how the Authority:

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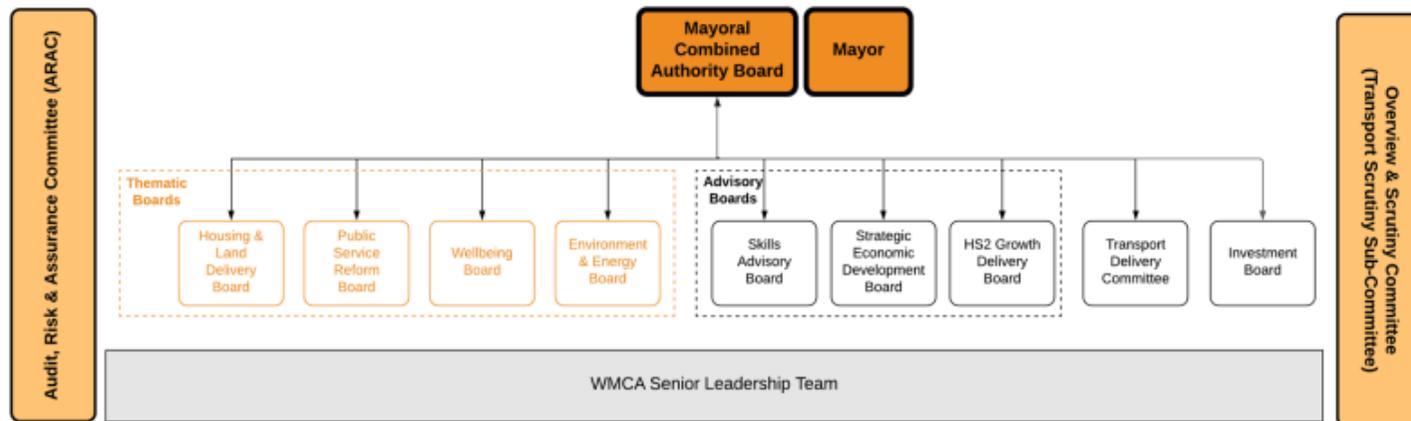
- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Background

The Authority was established in June 2016 following the signing of the first devolution deal in November 2015. Leadership of the Authority comes from the directly elected Mayor and the seven constituent local authorities from the West Midlands area. Each constituent local authority provides 2 members of the Combined Authority Board and have full voting rights. In addition to the constituent members, there are also non constituent members, who have reduced voting rights. Non constituent members include the 3 Local Enterprise Partnerships and local authorities from outside the West Midlands area.

The WMCA board is the legal and accountable body for funding devolved to the WMCA. The WMCA exercises its powers and duties according to the constitution in place. The board is supported by a range of sub boards, committees and a senior leadership team. The governance structure is represented in the diagram below.

WMCA has a single assurance framework in place, which is regularly reviewed, and published on their website. This sets out the systems, processes and protocols in place to ensure good governance.



Assessment of Risk and Internal Control

The arrangements for risk management are included within the risk management strategy in place. The strategy recognises that risks need to be identified, monitored and managed appropriately both at strategic level and on a project level. Strategic risks are fed through from departments and collated for consideration by the WMCA management board. These are discussed with the Audit, Risk and Assurance Committee (ARAC), prior to going before the board. The strategic risk register includes the controls in place and assurance gained around the risk identified and each risk has an assigned risk owner. The risks are ranked according to the scoring system agreed by the members.

The Authority has an internal audit function in place that complies with the Public Sector Internal Audit Standards. The risk based plan for 2020/21 included 17 audits across the range of functions carried out by the Authority, 13 of these were completed. The audits completed didn't identify any significant weaknesses in internal control and the Head of Internal Audit's opinion gave a reasonable level of assurance for 2020/21. A reasonable level of assurance is one where there is a sound system of governance, risk management and control in place, however some areas for improvement have been identified.

Annual Approach to Budget Setting

There is a well developed approach to budget setting, which starts in the autumn and then gets more and more refined up until approval at the Board in February. The budget is developed in consultation with budget holders, but also wider consultation across the whole of the West Midlands area. Detailed briefing sessions are held with members, and there is a formal question and answer session with the Mayor prior to the budget being approved.

Budgetary Control and Financial Information

Budgetary control happens across the organisation, starting at the most simple level with budget holders. This information is collated via business partners to provide an overall picture of the Authority. Budgetary reporting goes to the board on a bi-monthly basis and provides appropriate explanations of the financial position of the Authority, along with any necessary actions needed or potential risks arising. The Authority has a good track record of achieving the revenue budget as set out, and there are arrangements in place to monitor and achieve the efficiencies as set out in the budget.

We have not identified any weaknesses in the production of financial information, with statutory deadlines met for the production of the financial statements. Performance information is regularly reported to the board, and this is often on the same agenda as financial information, however, there is little explicit commentary on the link between financial and non financial performance, the level of detail needed at each stage of the business case and approval process.

Informed Decisions

The primary objective of the devolution deal was to attract investment and deliver an enhanced infrastructure that would support the regions ambitions. As a result, the most significant decisions taken are those in relation to the £835m investment programme in place.

Officers and members have worked hard to ensure that sufficient and appropriate information is available to enable decisions to be taken in an informed manner. This has developed as the Authority has become more established. Decisions are framed within the overall context of the single assurance framework. The framework focuses on the information provided to members of the investment board before decisions are taken, and specifies the level of detail needed at each stage of the business case and approval process.

The Authority has an active overview and scrutiny committee, that meets on a monthly basis and discusses a wide range of topics. As part of this process, the Mayor is invited at least twice a year to engage in a question and answer session. The two specific areas covered are the budget and overall policy. Members see this as a key mechanism of holding the Mayor to account.

There is evidence that the Authority has a focus on a long term strategic direction. While the impact of Covid 19 created an urgency on decisions to maintain services in the short term, discussions continue on how the Authority can build back better. A programme of transformation within the Authority has recently been completed, which aimed to provide long term efficiencies, but also to promote a one organisation approach.

The Authority has a well established Audit, Risk and Assurance Committee (ARAC), and this is overseen by an experienced independent Chair. The constitution is such that membership includes thirteen individuals, of which eleven are Councillors from the constituent and non-constituent bodies. For the meeting to be quorate and enable decisions to be taken, nine members need to be present. Historically, the Authority has often struggled to be quorate, however the move to virtual meetings as a result of the pandemic resulted in all meetings of ARAC being quorate during 2020/21. The emergency legislation ran out on the 6 May 2021 and, as a result, all Authority meetings were required to be held face to face. As already noted, the deadline for approval of the audited accounts was missed for the 2020/21 financial statements, as the ARAC held to approve the accounts, was not quorate, resulting in a delay of six weeks to the statutory deadline.

Standards and Regulation

All processes have been designed to ensure that legislative and regulatory standards are met. Reviews by officers and Internal Audit have not identified any significant weaknesses. The Authority has recently adopted a new Code of Conduct, which outlines the standards expected of the Mayor and members. Within the Code are the required policies on gifts and hospitality and registers of interest.

We have not identified any breaches in standards or regulation during the course of our audit work.

The Authority has been quick to react to the changing legislative background over the last 12 months, with changes made to ensure decision making could continue in a remote environment, either with use of delegated authority, or via remote meetings. Remote decision making meetings have operated well, and have been a particular benefit given the geographical spread of the Authority. In prior years, the Audit Risk and Assurance Committee have struggled to achieve a quorum in person, however the shift to remote meetings during the pandemic resulted in all meetings held being quorate. Officers have made the necessary arrangements to shift decision making meetings back in person following the end of the legislation permitting remote meetings, which expired on the 6 May 2021.

Conclusion on Governance

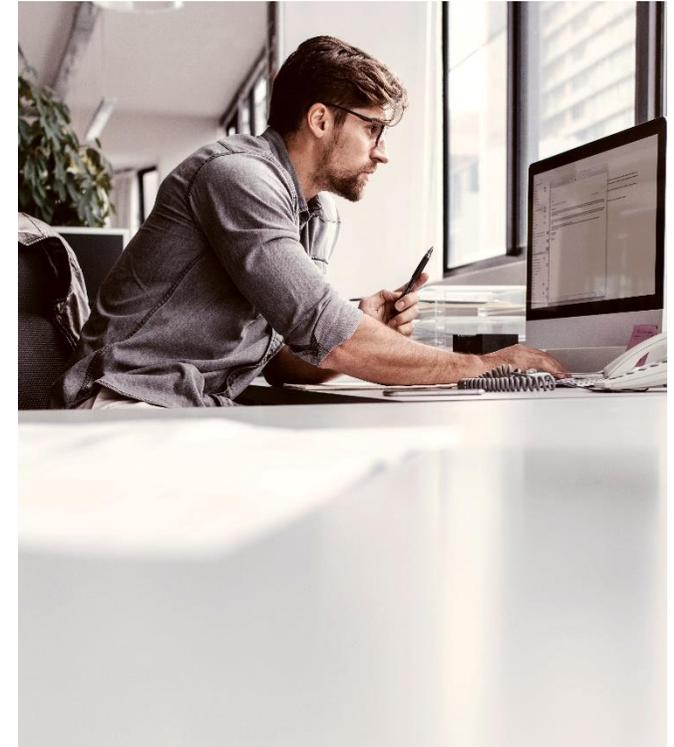
The audit plan did not identify any risks of significant weakness in relation to Governance, and our detailed work in this area has not identified any additional risks to consider. We have not made any key recommendations in this area, but have noted two recommendations for improvement, set out overleaf

Improvement recommendations



Governance

Recommendation	Officers should consider more explicit reporting of the way financial decisions impact on the performance of the authority.
Why/impact	The Authority has limited resources available to achieve its stated aims. When decisions are needed on an allocation of resources, these are better informed where it is clear what impact these decisions will have on service performance.
Auditor judgement	The Authority reports a huge range of information to members, and this is well structured and in an appropriate level of detail. Performance is reported via a structured reporting framework, with information provided against the objectives of the Authority. Similarly, Financial information is provided via a structured reporting timetable, again with detail on progress against budgets and challenges into the medium term. This information is provided in separate reports, and there is little explicit commentary on the links between cost and performance information. Improving these links can assist in monitoring, transparency and decision-making.
Summary findings	Performance information is regularly reported to the board, and this is often on the same agenda as financial information, however, there is little explicit commentary on the link between financial and non financial performance.
Management comment	Work is underway to develop a more holistic approach to explicitly linking management of our finances with our performance. Our first Corporate Strategy was approved by WMCA Board on 19 November 2021. This overarching strategy has allowed us to develop a schedule of activity by portfolio for the coming year as part of our annual planning process which was approved together with the 2022/23 budget in a single report for the first time on 11 February 2022. We are also developing a performance management system also known as 'A Single Version of the Truth' which will further develop our improved approach to explicitly reporting the way financial decisions impact on the performance of the authority in the coming months.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

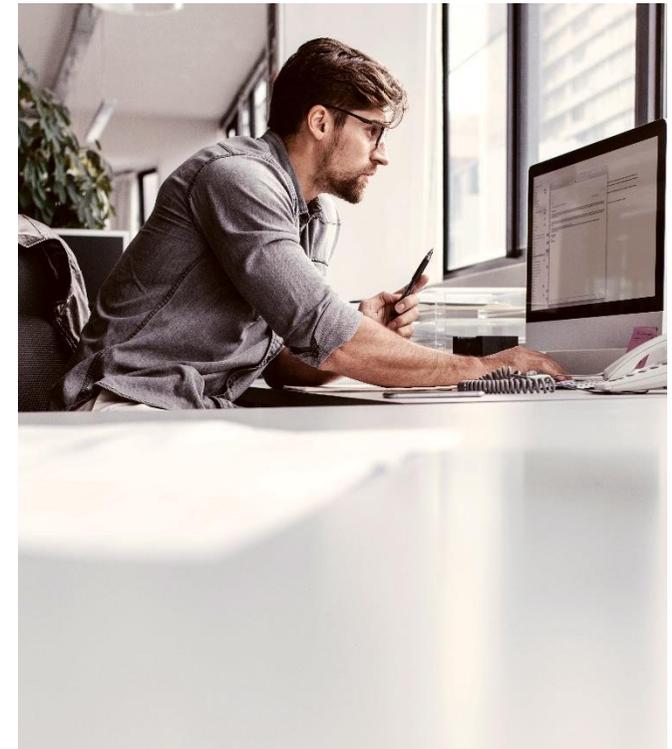
Recommendation Where the Audit Risk and Assurance Committee (ARAC) is required to make decisions that impact upon deadlines, assurances should be sought from members that they are able to be present or will send a substitute, so that the meeting will be quorate.

Why/impact The ability to make timely decisions is an important aspect of the Governance of the Authority, and being unable to make decisions can impact on the Authority's ability to meet statutory deadlines.

Auditor judgement Historically, when meeting face to face the Authority have often struggled for ARAC to be quorate, however the move to virtual meetings as a result of the pandemic resulted in all meetings of ARAC being quorate during 2020/21. The emergency legislation ran out on the 6 May 2021, and as a result all Authority meetings were required to be held face to face and quoracy was not achieved at the September 2021 meeting.

Summary findings The deadline for approval of the audited accounts was missed for the 2020/21 financial statements, as the ARAC held to approve the accounts was not quorate, resulting in a delay of six weeks to the statutory deadline.

Management comment We will work in conjunction with our Independent Chair of ARAC to ensure that meetings of ARAC are quorate. We will also continue to lobby HM Government around the strict quoracy requirements by which we are currently bound.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

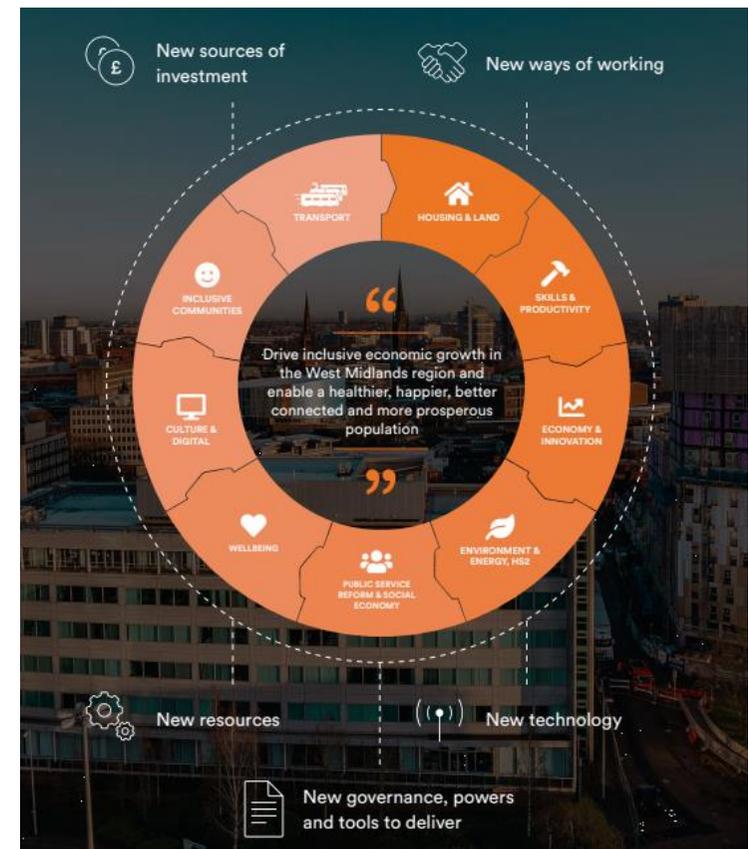
Background

Partnership is at the heart of the Authority, recognising that it has been set up as a way to help deliver better outcomes for the West Midlands as a whole. Through the devolution process, the West Midlands have been awarded long term investments funds to use to design and deliver programmes to accelerate local economic growth. These funds are subject to a gateway review process by Central Government every five years. The decision from the first gateway review is awaited, following a delay in completion as a result of the pandemic.

A Strategic Economic Plan is in place, which sets out what the Authority aims to achieve by 2030, and an Industrial Strategy which runs alongside this. These are filtered down into an annual plan, which provides a set of actions supported by key performance indicators.

A draft plan for 2020/21 was developed, however the impact of Covid 19 in March 2020 and the postponement of the Mayoral election changed the context the authority were operating in. As a result the board agreed to update plans to align with more immediate priorities.

Extract from the Annual Plan



Using information to identify areas for improvement

In line with the performance management framework of the Authority there are a range of indicators that have been developed to measure performance against the Annual Plan. These indicators are reported to Strategic Leadership team on a monthly basis, with a formal mechanism in place for escalation of emerging issues. These indicators are then used to report back to the board.

As services have been devolved, in bespoke arrangements, the opportunity for benchmarking with others is limited. Where possible, officers look to others with similar services to review data. A particular example of this would be transport authorities, which meet on a regular basis. Learning from others happens through regular meetings with the other combined authorities. The Mayor and leaders from these authorities meet on a regular basis to discuss key issues and share information. Information from this forum is used to improve performance.

Evaluation of service performance to identify areas for improvement

Until recently, the most significant service provided by the Combined Authority has been in relation to transport. The transport delivery committee meets on a monthly basis to consider a range of performance data and looks at how that can be used to improve services. A transport recovery cell has been established to assess the impact of Covid 19 and look at how services can be restarted and the potential financial impact. Patronage and capacity are being monitored on a regular basis to identify trends. This data is being used in conversations with the Department for Transport (DfT) about ongoing recovery support.

In 2019/20 the Authority became responsible for the provision of Adult Education across the region, and procured a range of contracts with local providers, including colleges. The Authority recognised the challenges faced by providers during the pandemic and have secured an additional £5.3m into the Adult Education Budget in response to the crisis.

The Authority has been keen to learn the lessons from Covid 19 and commissioned an evaluation to identify areas where the pandemic had had a positive impact on outcomes. This information is being used to drive improvements in services in the future.

Engaging with partners

The Combined Authority is itself a partnership, bringing together the seven local authorities within the West Midlands to drive economic growth. To demonstrate compliance with the required gateway review process, a series of reports have been provided which demonstrate how the partnership is working to deliver outcomes for the region. The report highlights some important outcomes that have been delivered, including;

- 850 meters of new Metro line, including two additional stations,
- A new station at Wolverhampton Interchange
- 15km of walking and cycling infrastructure, and

- 11.5 hectares of brownfield land remediated. This has enabled to date 190 new homes and 4,800 sq. m of educational floorspace.

The existing infrastructure and relationships already in place as a result of the Combined Authority has meant that the regions as a whole has been able to put a rapid response in place to Covid. The Authority has played an important role in convening, facilitating and presenting a voice to central government, particularly in relation to inclusive growth, skills and the economy. Through its Kickstarting the West Midlands Economy case to government, it has secured an additional £1.5m of funding for further digital bootcamps, aimed at providing flexible courses focusing on the skills local employers need to fill vacancies.

Procurement of services

The Authority has a procurement strategy in place, and given that most of the services provided by the Authority are provided through sub contractors, regular reviews on the arrangements are in place. Internal audit have completed reviews on these arrangements, and not identified any significant weaknesses. The impact of Covid 19 resulted in the need to revise procurement and supplier practices and ensure compliance with central government directives. Again, internal audit have carried out a review of these revised arrangements and given the audit a substantial assurance rating. Our discussions with officers have identified how officers have worked in collaboration with suppliers, particularly in relation to transportation services, to ensure they have remained solvent during the crisis, and been able to continue to deliver vital services in line with changing national guidance.

The Authority has arrangements in place to learn the lessons from any procurement decisions. A review of the arrangements for the award of the contracts for the Adult Education provision was undertaken following a challenge by one contractor over how these had been awarded. No significant weaknesses were identified. Also during March 2019, the contractor responsible for the provision of the ring and ride service went into administration. Again, internal audit conducted a review of the circumstances surrounding this, and while they made four recommendations, no significant weaknesses were identified.

Conclusion on Improving Economy, Efficiency and Effectiveness

The audit plan did not identify any risks of significant weakness in relation to improving economy, efficiency and effectiveness, and our detailed work in this area has not identified any additional risks to consider. We have not made any key recommendations in this area.

Covid-19 arrangements



Since March 2020 Covid-19 has had a significant impact on the population as a whole and how services are delivered.

We have considered how the arrangements have adapted to respond to the new risks they are facing.

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Financial sustainability

Officers first reported the potential impact of Covid 19 on the financial sustainability of the Authority in July 2020. At this stage early indications were that there would be an adverse movement of £11.1m when compared to the original revenue budget for 2020/21. This was largely as a result of transport related income drops as a consequence of Covid 19 and the restrictions introduced to limit the spread of the virus. Mitigating actions were taken to bring the forecast positions back in line, these included a review of staffing and recruitment activity, a review of discretionary spending led by the Productivity and Efficiencies board and a review of reserves and provisions. As a combined authority initial government Covid support funding was not awarded, however £1.6m has been received to cover revenue losses from planned income from sales fees and charges, and support has been provided to support bus and rail operations. Officers have confirmed that support for bus and rail operations will continue for 8 weeks after the end of social distancing, and discussions remain ongoing as to the level of recovery support that will be available as services start to resume. The biggest risk to the financial sustainability of the Authority remains the uncertainty over future passenger numbers.

Governance

As a result of the lockdown restrictions announced on the 16 March 2020, the Authority moved to ensure all but a handful of essential staff were able to work from home. This has continued throughout the pandemic, with no significant impact identified on productivity. Following the introduction of regulations to hold formal meetings via remote attendance committee meetings moved to video conferencing. In the intervening period, some decisions were needed to be taken by the Chief Executive under delegated powers, however a mechanism was put in place to ensure that any key decisions that had to be taken had the informal approval of Board members. Governance has been strengthened in the areas of procurement, where additional checks were required for any new contracts entered into over £250k. The arrangements around procurement have been reviewed by Internal Audit, who reported substantial assurance in this area. The strategic risk register has also been updated to ensure Covid related risks are appropriate recorded, mitigated and monitored. Initially, there was separate reporting to the Board on Covid, and arrangements were also reviewed in September 2020 by the monitoring officer and reported through to the Audit, Risk and Assurance committee.

Improving economy, efficiency and effectiveness

In February 2021 the Authority received the findings from work they had commissioned to learn about the system level response to Covid 19. The report highlighted a number of areas where the pandemic had had a positive impact on the combined Authority, most notably collaboration on homelessness and providing food provision. In particular, deeper relationships were formed with existing partners and wider relationships developed. Decision making was more streamlined, and the better use of technology meant that issues were resolved quickly. The Authority has reflected back on the 12 months of the pandemic, and used the response to date and progress made as a platform upon which to identify the issues that need to be focused on going forward. Existing plans have been adapted and discussed with a wide range of partners and five interconnected challenges have been identified to guide the recovery.

Appendices

Appendix A - Responsibilities of the Authority



Role of the Finance Director:

- Preparation of the statement of accounts
- Assessing the Authority's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

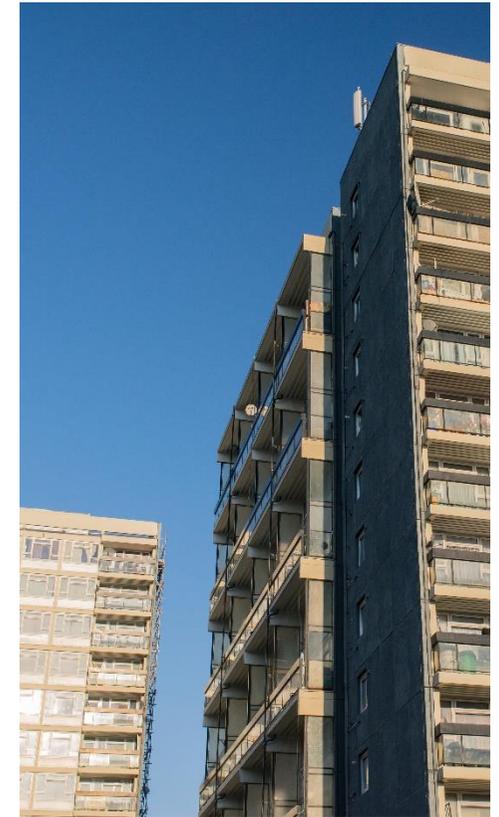
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Finance Director is 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 Finance Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Finance Director is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. In preparing the financial statements, the Finance Director is responsible for assessing the Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - Risks of significant weaknesses - our procedures and conclusions

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, the conclusions we have drawn and the final outcome of our work:

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Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
Financial sustainability was identified as a potential significant weakness, see page 6 for more details.	<ul style="list-style-type: none"> We have considered the outturn report for 2020/21 and progress made towards closing the gap in future years We have discussed with officers the arrangements in place for identifying savings, and monitoring those 	Our work in this area is already reported as part of financial sustainability at pages 7 and 8	Appropriate arrangements in place.

Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the Authority's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as 'key recommendations'.	No	
Improvement	These recommendations, if implemented should improve the arrangements in place at the Authority, but are not a result of identifying significant weaknesses in the Authority's arrangements.	Yes	11 and 12



Audit, Risk & Assurance Committee

Date	12 April 2022
Report title	West Midlands Combined Authority External Audit Plan 2020/21
Accountable Chief Executive	Laura Shoaf, Chief Executive Email: Laura.Shoaf@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Linda Horne, Finance Director & S151 Officer to the WMCA Email: Linda.Horne@wmca.org.uk Tel: (0121) 214 7508
Report to be considered by	Audit, Risk & Assurance Committee

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

- (1) Note the External Audit Plan for the year ending 31 March 2022 presented by Grant Thornton.
- (2) Note the Informing the Audit Risk Assessment report for West Midlands Combined Authority 2021/22.

1. Purpose

External Audit Plan

The External Audit Plan attached as Appendix 1 provides an overview of the planned scope and timing of the statutory audit of the West Midlands Combined Authority for those charged with governance.

The National Audit Office has issued a document entitled Code of Audit Practice ('the Code') which summarises where the responsibilities of auditors begin and end and what is expected of the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments, the body responsible for appointing Grant Thornton as auditor of West Midlands Combined Authority.

The scope of the audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). Grant Thornton is responsible for forming and expressing an opinion on the:

- Group's financial statements that have been prepared by management with oversight of those charged with governance (Audit, Risk and Assurance Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency, and effectiveness in its use of resources.

The audit of the financial statements does not relieve management or Audit, Risk and Assurance Committee of their responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for. Grant Thornton has considered how the Authority is fulfilling these responsibilities.

Their audit approach is based on a thorough understanding of the Authority's business and is risk-based.

The Informing the Audit Risk Assessment

The purpose of the Informing the Audit Risk Assessment attached as Appendix 2 is to contribute towards the effective two-way communication between West Midlands Combined Authority's external auditors Grant Thornton 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.

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.

As part of the risk assessment procedures Grant Thornton is 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,
- Going Concern, and
- Accounting Estimates.

2. Financial Implications

There are no financial implications arising from this report.

3. Legal Implications

There are no legal implications arising from this report.

4. Equalities Implications

There are no equalities implications arising from this report.

5. Inclusive Growth Implications

There are no inclusive growth implications arising from this report.

6. Geographical Area of Report's Implications

There are no geographical area implications arising from this report.

7. Other Implications

There are no other implications arising from this report.

8. Schedule of Background Papers

8.1 External Audit Plan year ending 31 March 2022

8.2 Informing the audit risk assessment for West Midlands Combined Authority 2021/22

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West Midlands Combined Authority DRAFT Audit Plan

Year ending 31 March 2022

West Midlands Combined
Authority
2 April 2022
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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 planning 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 the Authority or all 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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Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

Quality Assurance Department (QAD) Reviews

In addition to the reviews undertaken by the FRC on major local audits, the QAD team from the ICAEW undertake annual reviews of non-major local audits as well as reviews of Foundation Trusts on behalf of NHSE&I.

The QAD reviewed five of our audits this year and graded all of them (100%) as 'Satisfactory / generally acceptable' for both the financial statements and VFM elements of the audit, which is the highest grading.

Grade	Number 2020/21	Number 2020/19	Number 2019/18
Satisfactory / generally acceptable	5	6	2
Improvement required	0	1	0
Significant improvement required	0	0	0
Total	5	7	2

Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Key matters

Factors

Authority developments

While the national economic picture has improved in the last 12 months the Authority continues to operate in a challenging and uncertain environment. The impact of Covid 19 continues to be felt across the country, and for the Authority this is largely reflected in the pressure on the transport budget. The Bus network continues to come under sustained pressure, and while it is operating at 96% of pre-Covid 19 levels this has been sustained since the start of the first lockdown with substantial government support directly to operators. Rising fuel costs and labour shortages coupled with the uncertainty around the recovery is impacting on the resilience in the market.

The Authority is currently predicting a small surplus for the 2021/22 financial year and has set a balanced budget for 2022/23. This has been arrived at with increased funding support from Constituent Authorities, re-directing the Authority's share of Business Rate Retention Income and a one off use of £3.6m of existing reserves to close the gap on transport operations.

As part of the 2021 Comprehensive Spending Review, £1.05bn was awarded to the Authority as part of the City Regional Sustainable Transport Settlement Fund. This is a capital grant, and therefore allows continuation of the capital programme, it does not provide any additional support for the ongoing costs of the transport network. Officers continue to work with the relevant government departments to identify all additional funding opportunities to help achieve financial sustainability in the long term.

In February 2022, the Authority approved a capital programme up to 2025/26 that totalled £2.438bn. This represents the significant acceleration of the investment programme as projects are approved to meet the aims of the whole combined area. Around half of the programme will be incurred by Transport for West Midlands and just over a third will be given as capital grants to local authorities.

Impact of Covid 19 pandemic

The impact of previous lockdown restrictions has resulted in the audit being conducted on a remote basis for the last two years. While we have worked with officers to make the process as efficient as possible, there is a sector wide recognition that a more hybrid approach is needed to ensure the audit can be completed in a shorter timescale. This audit plan assumes that part of the audit will be able to be conducted on site, with access to key officers in person.

Financial Reporting and Audit

The Financial Reporting Council continues to raise the bar in terms of its expectations on improved financial reporting from both organisations and auditors. As the Authority has grown, and become more complex, this will result in further scrutiny and challenge. Key areas for challenge this year will be around the treatment of Infrastructure, capital financing and MRP – the latter being linked to the recent consultation on changes by DLUHC and the impact upon the Authority's current approach. We have also noted that the tram network has had to be suspended again in March 2022 as a precaution in respect of new cracks being identified in carriages. We will follow up on any impairment implications as part of our audit work.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Finance.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will consider progress made by the Authority in addressing our previously reported recommendations.
- We will continue to provide you with sector updates via our Audit Committee updates.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of West Midlands Combined Authority ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of West Midlands Combined Authority. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Authority and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit, Risk & Assurance Committee); and we consider whether there are sufficient arrangements in place at the Authority [and group] for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit, Risk & Assurance Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

Group Audit

The Authority is required to prepare group financial statements that consolidate the financial information of both Midland Metro Limited and WM5G. During the year, HT01 and HT02 have become operational, and as a result officers are working on the proposed accounting treatment in respect of these two associates.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Revenue and expenditure recognition (rebutted);
- Management override of controls; and
- Valuation of net pension fund liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £8.4m (PY £8.2m) for the group and £8m (PY £7.9m) for the Authority, which equates to 1.5% of your estimated gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.4m (PY £0.4m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have not identified any risks of significant weakness:

Audit logistics

Our interim visit took place in March and our final visit will take place between July and September. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

It should be noted that nationally DLUHC has extended the publication deadline for 2021/22 audited accounts to 30 November 2022. Whilst the planned completion date for the audit of the end of September is later than was achieved pre-pandemic it will still be significantly ahead of the national deadline. Looking forward, no date has been set for 2022/23 but DLUHC has indicated it expects the deadline for 2023/24 onwards to move to 30 September.

Our fee for the audit is still to be confirmed £[TBC] (PY: £66,805).

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
West Midlands Combined Authority	Yes		As set out on pages 9 to 11	Full scope audit performed by Grant Thornton UK LLP
Midland Metro Limited (MML)	No	Specified audit procedures relating to significant risks of material misstatement of the group financial statements.	Management override of controls.	Specific scope procedures to be performed by the component auditor Williamson & Croft Audit Ltd. The nature, time and extent of our involvement in the work of the component auditor will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the audit documentation and meeting with appropriate members of management.
VM5G	No	Specified audit procedures relating to significant risks of material misstatement of the group financial statements.	Management override of controls.	Specific scope procedures to be performed by the component auditor Cooper Parry. The nature, time and extent of our involvement in the work of the component auditor will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the audit documentation and meeting with appropriate members of management.

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Key changes within the group:

In addition to the companies identified above for consolidation, the authority also has West Midlands Development Capital Limited which is not included within the group on the basis of materiality, West Midlands Growth Company which is accounted for as an investments and West Midlands Rail Limited which is accounted for as an associate. The following three companies are dormant, Centro Property Limited, Network West Midlands Limited, and Midlands Development Capital Limited. During 2020/21 WMCA in partnership with Wolverhampton City Council set up HT01 and HT02. Officers are currently determining whether these entities need to be included in the group consolidation. The outcome of this will be reported as part of the AFR.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	Risk relates to both the Group and the Authority	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including West Midlands Combined Authority mean that all forms of fraud are seen as unacceptable. 	No specific work is planned as the presumed risk has been rebutted.
The expenditure cycle includes fraudulent transactions (rebutted)	Risk relates to both the Group and the Authority	<p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition".</p> <p>Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.</p> <p>We have rebutted this presumed risk for West Midlands Combined Authority because:</p> <ul style="list-style-type: none"> • expenditure is well controlled and the Authority has a strong control environment; and • the Authority has clear and transparent reporting of its financial plans and financial position to the Board. <p>We therefore do not consider this to be a significant risk for West Midlands Combined Authority.</p>	No specific work is planned as the presumed risk has been rebutted.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls	Risk relates to both the Group and the Authority	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of the pension fund net liability	Risk relates to the Authority only	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of the West Midlands Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Infrastructure Assets.	Risk relates to the Authority only	The Code requires infrastructure to be reported in the Balance Sheet at depreciated historical cost, with a requirement to reconcile the gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. These requirements of the Code are derived from IAS 16 <i>Property, Plant and Equipment</i> .	We will assess the risk associated with the infrastructure assets held by the authority, and in particular consider the approach to component accounting and the method used to determine the appropriate useful lives. In addition, we will review how the Authority determines whether there are any indicators that would trigger an impairment review on infrastructure asset.

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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Introduction

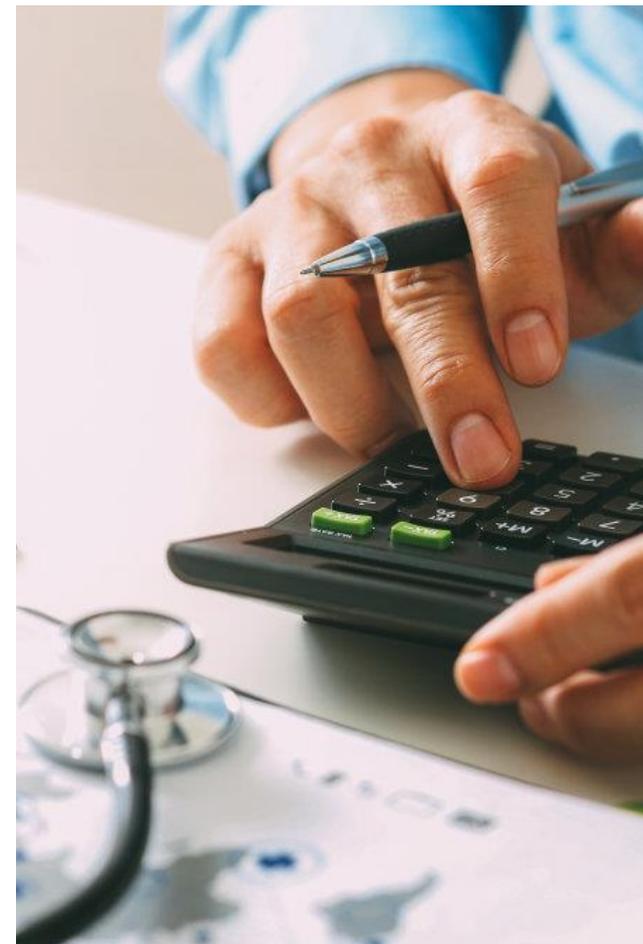
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- 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 ARAC 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?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Authority we have identified the following material accounting estimates for which this is likely to apply:

- Depreciation
- Valuation of defined benefit net pension fund liabilities
- Accruals
- Fair value estimates

The Authority's Information systems

In respect of the Authority's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Authority uses management experts in deriving some of its more complex estimates, e.g. pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Authority (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

How management understands the degree of estimation uncertainty related to each accounting estimate; and

How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have made enquiries of management. There are also specific questions for ARAC to consider. We have raised these in a separate document.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Authority.

We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.

We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
- issuing a report in the public interest or written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 (the Act).
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act

- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £8.4m (PY £8.2m) for the group and £8.0m (PY £7.9m) for the Authority, which equates to 1.5% of your forecast gross expenditure for the year.

We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £22.5k for Senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

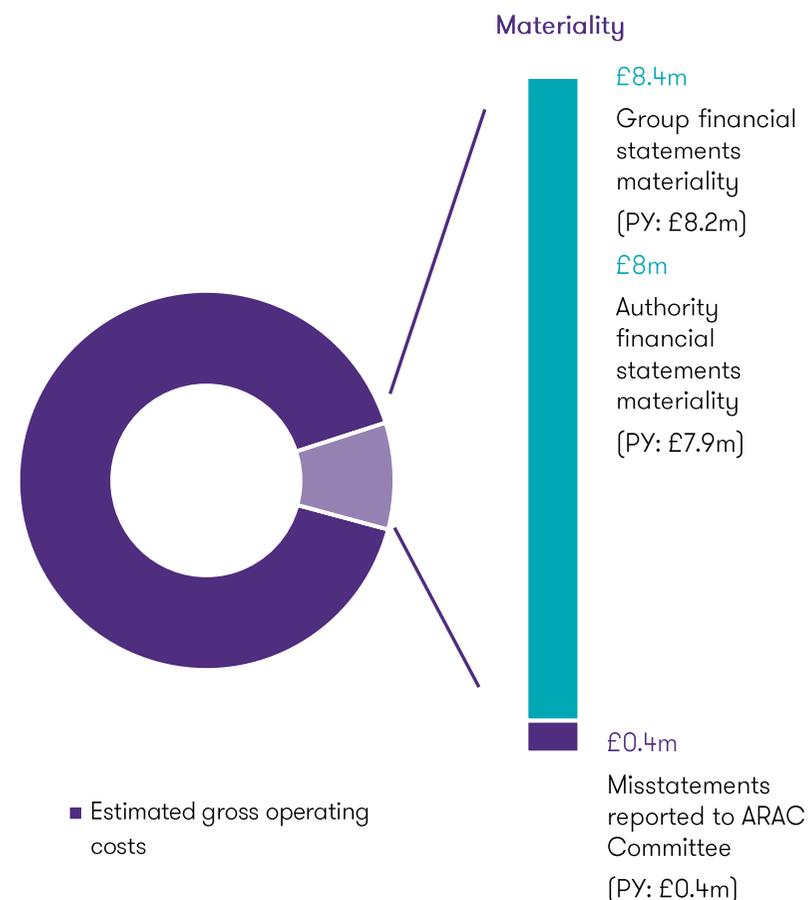
Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to ARAC any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.4m (PY £0.4m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to ARAC to assist it in fulfilling its governance responsibilities.

Estimated gross operating costs

£533.8m Authority
(PY: £530.1M)



IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Business World	Financial reporting	<ul style="list-style-type: none"> Streamlined ITGC design assessment
SageLine	Payroll	<ul style="list-style-type: none"> Streamlined ITGC design assessment

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

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We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.



Audit logistics and team



Grant Patterson, Key Audit Partner

Grant is the engagement leader, taking overall responsibility for ensuring we provide a high quality service. He will work with Helen and the audit team to ensure we have fulfilled our responsibilities as your auditor and sign the audit opinion and auditor's annual report.

Helen Lillington, Audit Manager

As manager, Helen will manage the audit process and work with officers and our on-site team to ensure the smooth planning and delivery of the audit. She will oversee the on-site team and discuss any issues with your during the audit process as well as any questions that you may have throughout the year

Ellena Grant-Pearce, Audit Incharge

Ellena will be the on site first point of contact and will work with the team to gather the necessary evidence and complete the audit testing in advance of both the manager and engagement lead review.

National context

Public Sector Audit Appointments (PSAA) has reported that only 9% of local government audits for 2020/21 were completed by the end of September. This is the third successive year where the number of accounts produced on schedule has reduced. PSAA acknowledge that the challenges posed by Covid 19 and due to a range of factors, as outlined in the Redmond Report, performance has been impacted. The need to deliver high quality audits against a backdrop of increasingly complex structures is affecting the whole sector. There is a growing backlog of audits, which is further impacting upon the current year timeline.

As a firm we are committed to deliver a high quality audit, however this will be delivered later than in prior years owing to the constraints posed by Covid 19 and the backlog that this has caused. We have scheduled your audit as early as possible after the completion of health accounts, and would aim for this to be one of the first signed off within the Midlands.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

PSAA awarded a contract of audit for West Midlands Combined Authority to begin with effect from 2016/17. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 12 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We are currently finalising discussions with PSAA in respect of fees for 2021/22. These will then be discussed and agreed with the Director of Finance.

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	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
West Midlands Combined Authority Audit	£55,975	£66,805	£TBC
Total audit fees (excluding VAT)	£55,975	£66,805	£TBC

Assumptions

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of financial statements, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies. We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams and component audit firms providing services to the Authority.

There is one matter that impacts on our independence as auditors that we wish to draw to the attention of ARAC.

Under ethical standards an Engagement Lead can complete no more than seven years with any one client to reduce the risk of familiarity. An additional safeguard is in place for any audit's under the PSAA contract, and this requires further approval from PSAA for any engagement leads having an association with a client for more than five years. The audit of the 2021/22 financial statements will be the 6th year of association for the engagement lead. PSAA have granted Grant Patterson and extension for both the 2021/22 and 2022/23 financial statements and this has been confirmed by our own internal ethics function. We are satisfied that the matters above provide sufficient protection to enable us to remain independent to the audit of West Midlands Combined Authority.

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Non-audit fees for other services	Proposed Fees £	Threats	Safeguards
Audit Related Services - None			
Non-audit related			
Review of bus and light rail operator grant applications for the DfT. One of the submissions is for Midland Metro via the Combined Authority.	5,000	Self Review	The work is part of a much wider remit covering all bus and light rail operators in the UK and so the proposed service fee of £15,000 reflects the WMCA part of a much larger fee.
		Self Interest	The amount of the grant paid by the DfT to WMCA (who then pay it to MML) is less than 5% of the income of WMCA and our role would only ever focus on a small amount of the grant. As such, overall the work for the DfT will be a very small proportion of WMCA's income.
Total	5,000		

Appendix 1: Progress against prior year audit recommendations

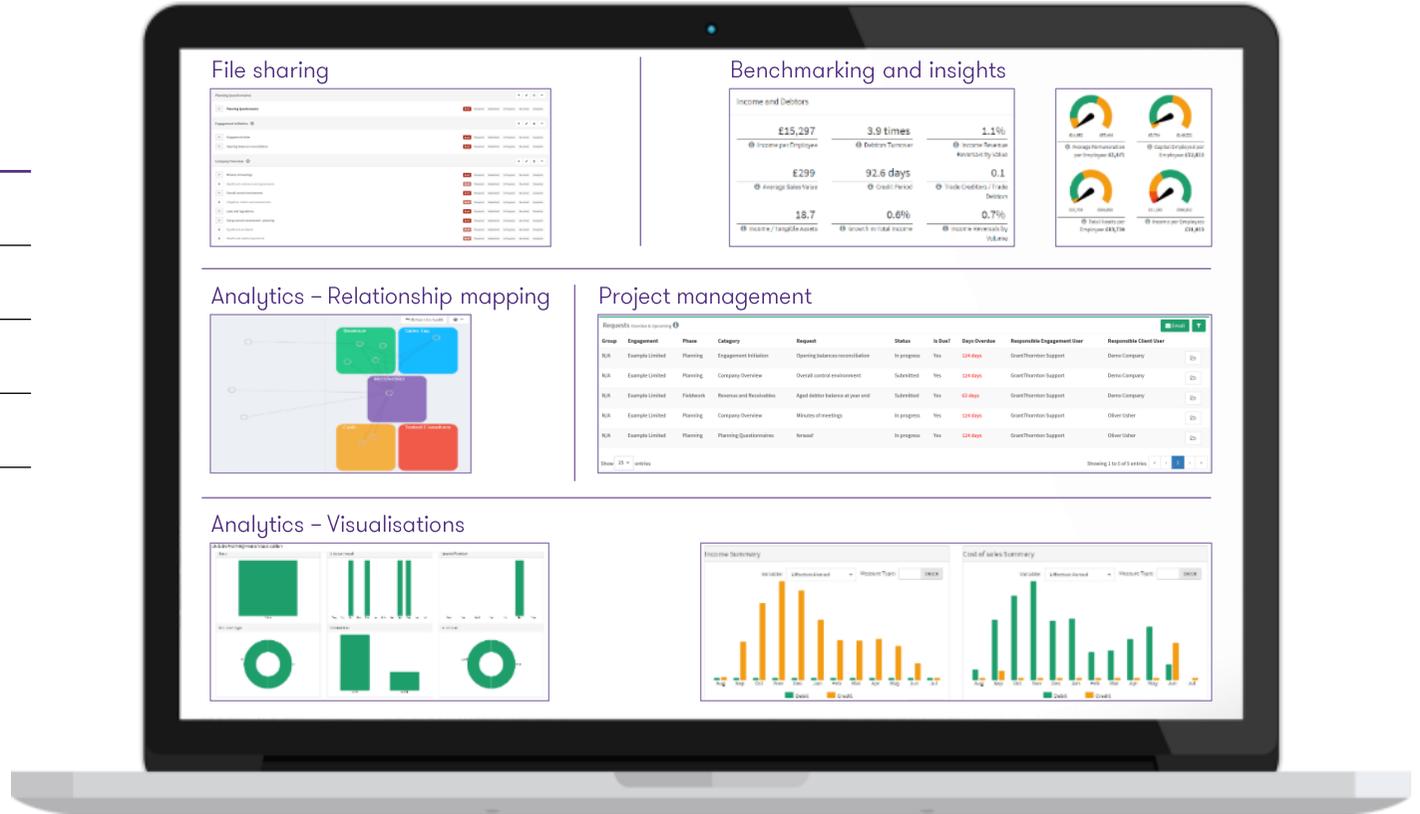
We identified the following issues in our 2020/21 audit of the group's financial statements, which resulted in one recommendation being reported in our 2020/21 Audit Findings Report. We are pleased to report that management have implemented our recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>As the Authority has grown, the level and complexity of the transactions entered into has increased. While the accounting system enables individual transactions to be tracked the production of the statutory financial statements are heavily reliant on a set of detailed spreadsheets which provide the links back to the accounting system.</p> <p>The audit trail therefore becomes protracted, leading to inefficiencies and delays in the completion of the audit process. It also requires substantial officer time to provide the information that is required. The current method of compilation of the financial statements also means that we are unable to apply a range of automated audit techniques that would enable us to gain assurance over the balances produced in a shorter timescale.</p>	<p>Management agreed that a 'wash up' session would be held with the audit team in November to explore ways the audit could be undertaken differently to improve efficiency.</p> <p>We met with members of the finance team to discuss different ways to approach the audit, and will look to implement these measures during the final accounts visit. The suggested measures however, do not address the issues identified with the audit trail, and the accounts production will still be heavily reliant on a detailed set of spreadsheets which links back to the accounting system.</p>

Appendix 2: Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Appendix 2: Our digital audit experience (continued)

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Informing the audit risk assessment for West Midlands Combined Authority 2021/22

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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,
- Going Concern, 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 2021/22?</p>	<p>The key event is the Adult Education Budget (AEB). There are no new or different accounting issues in relation to the AEB. It has been highlighted by virtue of its magnitude.</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? If so, what are they?</p>	<p>The accounting policies are reviewed annually to ensure they are relevant and complete. There are two new events this year and they are:</p> <ul style="list-style-type: none"> i) investment in pooled funds and bonds – investment in pooled funds will require a new accounting policy ii) joint establishment of HTO1 and HTO2 LLPs – working jointly with City of Wolverhampton Council and in discussion with Grant Thornton on the accounting treatment
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>Yes. The Authority's financial instruments 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? If so, what are they?</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? If so, what are they?	We will be doing an impairment review on our non-current assets as part of our year-end closedown process. Currently, we do not expect any material impairments.
6. Are you aware of any guarantee contracts? If so, please provide further details	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? If so, please provide further details	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 are appointed directly by the Claims Management firm responsible for managing insurance claims. One open litigation case is currently in progress with Plexus Law being the appointed solicitor in this matter.

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General Enquiries of Management

Question	Management response
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? If so, please provide further details	We are not aware of any cases.
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.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	<p>Yes, we have identified the following assets:</p> <ul style="list-style-type: none"> • Investments • Cash and cash equivalents • Loans to group undertakings • Trade debtors

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Fraud

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. Has 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 annual 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>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Treasury-related transactions.</p>
<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 2021? If so, please provide details</p>	<p>No, we are not aware of any.</p>

Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Risk issues including fraud feature as a standing item in the Audit, Risk & Assurance Committee agenda.
5. Have you identified any specific fraud risks? If so, please provide details 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?	No, we have not identified any specific fraud risks. Yes, the areas we consider that are the biggest risks are the Adult Education Budget, concessions, ticketing and treasury management. However, the governance and control framework helps mitigate the risk of the likelihood and impact. There are no particular locations where fraud is more likely to occur.
6. What processes do West Midlands Combined Authority have in place to identify and respond to risks of fraud?	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. If potential fraud is reported, the Internal Audit Liaison Officer would be contacted who will then commission Wolverhampton Audit Services to conduct an investigation. We have sound financial processes to ensure stewardship.

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Fraud risk assessment

Question	Management response
<p>7. 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 the system of internal control? <p>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)? If so, please provide details</p>	<p>The overall control environment is assessed as robust. We commission Wolverhampton Audit Services to perform internal audits on key areas and processes annually.</p> <p>N/A</p> <p>Our financial reporting processes include a number of controls from layers of checking through to reviews prior to finalisation of our reporting. All financial monitoring reports undergo differing levels of review before publication and public reporting.</p> <p>No. Our procedures and processes are designed to minimise the potential for override of controls.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</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>9. How does West Midlands Combined Authority communicate and encourage ethical behaviours and business processes of it's 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? Have any significant issues been reported? If so, please provide details</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>10. 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>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>We are not aware of any related party relationships or transactions that could give rise to instances of fraud.</p> <p>Senior officers are required to complete Register of Interests form annually and members are required to declare any relevant interests at Board and Committee meetings. The risks are also mitigated by robust procurement procedures.</p>

Fraud risk assessment

Question	Management response
<p>12. 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 of identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Policies and procedures are in place and published on the Intranet site for access by all staff.</p> <p>Fraud issues are considered by Internal Audit with a triage process being in place for review and to determine an appropriate response to any claims received. The Chair of Audit, Risk & Assurance Committee is an independent member and the Chair of this panel.</p> <p>Whilst no cases of potential fraud have been identified within the year, the Chair would be kept informed on progress of investigations throughout and the outcome reported to Audit, Risk & Assurance Committee upon completion.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>Five whistleblowing claims have been received in the year with all being taken through the triage process as detailed in the response to Q12 above.</p> <p>Detailed investigations are underway for three cases and completed by Internal Audit or specialist investigators where specific expertise is required. Audit, Risk & Assurance Committee will be advised on the outcome of the investigation once concluded.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>We are not aware of any reports being made.</p>

Law and regulations

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 body is in compliance with laws and regulations. Where we become aware 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 Director of Law & 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>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 Director of Law & 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 Director of Law & Governance and are also the custodians of the WMCA Constitution. The Chief of 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 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>None.</p>

Impact of laws and regulations

Question	Management response
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>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 has a number of potential claims at investigation stage, there are no significant litigation claims at this time.</p>
<p>5. What arrangements does West Midlands Combined Authority have in place to identify, evaluate and account for litigation or claims?</p>	<p>All claims are controlled by the legal team in conjunction with our insurers. Where appropriate, these are taken to the WMCA Board for approval.</p>
<p>6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details</p>	<p>No.</p>

Related Parties

Matters in relation to Related Parties

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

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- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by West Midlands Combined Authority;
- associates;
- joint ventures;
- a body 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 body 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 including those disclosed in West Midlands Combined Authority's 2020/21 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 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>There have been no material changes in the 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 Register of Interests 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.</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>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis of accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by West Midlands Combined Authority will no longer continue?</p>	<p>WMCA will continue to monitor government announcements and consider any relevant changes in legislation that will impact the number and level of statutory services provided.</p>
<p>2. Are management aware of any factors which may mean for West Midlands Combined Authority that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>We are not aware of any factors which may mean that either statutory services will no longer be provided or that funding for statutory services will be discontinued.</p>
<p>3. With regard to the statutory services currently provided by West Midlands Combined Authority, does West Midlands Combined Authority expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for West Midlands Combined Authority to cease to exist?</p>	<p>Yes, WMCA is expected to continued to deliver the statutory services for the foreseeable future.</p>
<p>4. Are management satisfied that the financial reporting framework permits West Midlands Combined Authority to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Yes, we are.</p>

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body'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 body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body'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
<p>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>	<p>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 is the Pension Fund (LGPS) valuation.</p> <p>We have also considered the estimated remaining useful lives of PPE/depreciation and accruals (namely capital accruals) and although they are material, they do not give rise to the need for, or changes in accounting estimate due to the following reasons:</p> <ul style="list-style-type: none"> • The nature of our assets are mainly infrastructure assets and assets under construction. Useful lives for infrastructure assets will only be affected in the unlikely event that these assets are to be demolished or de-commissioned. Assets under construction are not depreciated but held at cost. • Accruals are based on expenditure incurred in the ordinary course of business that have not yet been invoiced or paid. Where accruals are based on claims, a reconciliation is performed between estimated expenditure as declared by claimant and actual claim submitted post year-end. The accounts will be adjusted if there are significant differences.
<p>2. How does the Authority's risk management process identify and address risks relating to accounting estimates?</p>	<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> <p>All risks and opportunities are identified as part of monthly management accounts preparation and provided for consideration by Finance Leadership Team.</p> <p>As part of the annual accounts closedown process, material accounting estimates are reviewed and reconciliations between accruals and claims are performed with any significant differences being adjusted in the accounts.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<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> <p>On the Pension Fund (LGPS), we commission the West Midlands Pension Fund actuary to undertake this work on our behalf, in accordance with the Code and accounting standards. Actuarial assumptions are being reviewed and assessed for reasonableness.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<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. If there are significant differences, the accounts will be adjusted.</p>
<p>5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?</p>	<p>No.</p>
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>New classes of transactions, events and conditions are assessed and specialist skills or knowledge are resourced as appropriate.</p>
<p>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?</p>	<p>This is determined by assessing the activities on their own merit.</p>

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Accounting Estimates - General Enquiries of Management

Question	Management response
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>This is done via the rigorous monthly management reporting.</p> <p>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. We also receive a briefing note on the actuarial assumptions and these are reviewed for reasonableness.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>The nature and extent of oversight and governance in relation to accounting estimates includes:</p> <ul style="list-style-type: none"> • Agreement/review of assumptions for their appropriateness and reasonableness • Rigorous monthly management reporting where results are reviewed for reasonableness and comparative analysis on the Balance Sheet
<p>10. Are management aware of any 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)? If so, what are they?</p>	<p>No significant judgements expected over and above those already outlined in Appendix A.</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>We undertake rigorous monthly management reporting and where external experts are used, their assumptions are reviewed for reasonableness.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
12. How is the Audit Risk & Assurance Committee provided with assurance that the arrangements for accounting estimates are adequate ?	We quantify the financial impact of estimation. This is reported to the Audit, Risk & Assurance Committee as part of the Statement of Accounts.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Estimated remaining useful lives of PPE/depreciation	Each part of an item of PPE with a significant cost in relation to the total cost is depreciated separately. Depreciation methods, useful lives and residual values are reviewed each financial year and adjusted if appropriate	See left box	Discussion with internal asset management and project teams and where applicable Bruton Knowles as the valuer.	Depreciation is calculated on a straight line basis as this reflects consumption of assets and is a reasonable assumption.	No
Accruals	We use standard accruals accounting – accruals are based on expenses incurred that have not yet been paid	Monthly management accounts provides rigorous analysis so that any accruals are highlighted and actioned throughout the year.	N/A	N/A	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension and liabilities (LGPS)	The actuarial gains and losses figures are calculated by the actuarial expert, Barnett Waddingham. These figures are based on making % adjustments to the closing values of assets/liabilities	WMCA responds to queries raised by the administering authority, City of Wolverhampton Council.	WMCA is provided with an actuarial report by Barnett Waddingham who is commissioned by WMPF	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No

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Audit, Risk & Assurance Committee

Date	12 April 2022
Report title	Draft Annual Governance Statement
Accountable Chief Executive	Laura Shoaf, Chief Executive of the WMCA Email: Laura.Shoaf@wmca.org.uk Tel: (0121) 214 7444
Accountable Employee	Satish Mistry, Interim Director, Law and Governance Email: Satish.Mistry@wmca.org.uk
Report has been considered by	Strategic Leadership Team

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

Consider the draft Annual Governance statement for ARAC's approval and inclusion in the 2021/22 annual accounts.

1. Purpose

- 1.1 The Annual Governance Statement is a statutory document which explains the processes and procedures in place to enable WMCA to carry out its functions effectively as defined by CIPFA.
- 1.2 It is prepared for, and considered by Audit, Risk and Assurance committee annually in preparation for its inclusion in the financial accounts. It is a document which looks back retrospectively over the past year, records where the WMCA has demonstrated good governance, and looks forward to areas where focus should be given in relation to governance in the coming year.
- 1.3 Final approval of the 2021/22 Annual Governance Statement will be sought as part of the process of approving the annual accounts of the WMCA in due course.

- 1.4 Close down of the accounts for this financial year is currently in progress and is to be noted there is a possibility that an unknown issue may arise that requires comment or inclusion within this statement prior to it's final approval.

2. Background

- 2.1 West Midlands Combined Authority (WMCA) is responsible for ensuring that it's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 2.2 The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the WMCA is responsible for putting in place proper arrangements for the governance of it's affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 2.3 WMCA's governance arrangements are consistent with the principles of the CIPFA/SOLACE framework of Delivering Good Governance in Local Government, and this Annual Governance Statement meets the requirements of Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015 which requires all relevant public bodies to prepare an annual governance statement each year.
- 2.4 The document demonstrates compliance of how WMCA applies the seven core principles of good governance as set out in the latest CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016), these being:
- (a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 - (b) Ensuring openness and comprehensive stakeholder engagement.
 - (c) Defining outcomes in terms of sustainable economic, social, and environmental benefits.
 - (d) Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - (e) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
 - (f) Managing risks and performance through robust internal control and strong public financial management.
 - (g) Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.
- 2.5 The Interim Director, Law and Governance is satisfied that the system of internal control and assurance is robust and provides visibility of risk and reasonable assurance as detailed in this draft Annual Governance Statement.

3. Financial Implications

Not applicable

4. Legal Implications

Not applicable

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. Draft Annual Governance Statement 2021/22

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Draft Annual Governance Statement 2021/2022

Scope of Responsibility

This Annual Governance Statement (AGS) reflects the activities of the Authority for the year ending 31st March 2022 and up to the date of approval of this Statement and the Statement of Accounts.

West Midlands Combined Authority (WMCA) was established on 17th June 2016 by the West Midlands Combined Authority Order 2016 and is made up of seven district councils, constituent and non-constituent members and three Local Enterprise Partnerships (LEPs), observers and a co-opted member.

The Mayor is the Chair of the WMCA and having been re-elected on 10th May 2021, will remain in office until May 2024. The Authority's Constituent member authorities consist of the seven district councils across the region:

- Birmingham City Council
- City of Wolverhampton Council
- Coventry City Council
- Dudley Metropolitan Borough Council
- Sandwell Metropolitan Borough Council
- Solihull Metropolitan Borough Council
- Walsall Metropolitan Borough Council

The non-Constituent members of the Authority are comprised of non-constituent authorities and LEP members:

Non-constituent authorities

- Cannock Chase District Council
- North Warwickshire Borough Council
- Nuneaton and Bedworth Borough Council
- Redditch Borough Council
- Rugby Borough Council
- Shropshire Council
- Stratford-on-Avon District Council
- Tamworth Borough Council
- Telford and Wrekin Council
- Warwickshire County Council

LEP members

- Black Country LEP
- Coventry and Warwickshire LEP
- Greater Birmingham and Solihull LEP

There are four Observers of the Authority. These are:

- Herefordshire Council
- The Marches LEP
- West Midlands Fire and Rescue Authority
- West Midlands Police and Crime Commissioner

There is one member co-opted on to the WMCA Board at the discretion of the WMCA Board. They are:

- Trade Union Congress (TUC)

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The Authority currently has seven active Arm's Length Company relationships, namely;

No.	Company Name	Stake	Accounting Treatment
a.	West Midlands Rail Limited	50%	Associate
b.	West Midlands Development Capital Limited	100%	Subsidiary
c.	Midland Metro Limited	100%	Subsidiary
d.	West Midlands Growth Company Limited	5.3%	Investment
e.	WM5G Limited	100%	Subsidiary
f.	HTO1 LLP	50%	Associate
g.	HTO2 LLP	50%	Associate

For each of the arm's length companies where the Authority owns a 50% or greater share of the organisation, an assurance and governance review is regularly completed to confirm all legal and financial controls have been satisfied.

The Purpose of the Governance Framework

The Authority is responsible for ensuring that business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for and delivers value for money. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

To demonstrate good corporate governance, the Authority carries out its functions in a way that provides accountability, transparency, effectiveness, integrity and inclusivity; enabling the Authority to pursue its vision and secure its agreed objectives in the most effective and efficient manner and in line with the approved Constitution.

In discharging this overall responsibility, the Strategic Leadership Team and Statutory officers are responsible for putting in place proper arrangements (known as a Governance Framework) which comprises the legislative requirements, systems and processes, cultures and values.

This enables the Authority to govern its affairs, facilitate the effective exercise of its functions, which includes arrangements for the management of risk, in addition to exercising leadership and being held accountable for its decisions and activities.

The Authority has put in place a system of internal control designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives; and evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

The Authority has a strategic risk register, which is regularly reported to and reviewed by Audit, Risk and Assurance Committee (ARAC) and the Senior Leadership Team. A revised Strategic Risk Framework has been developed to provide visibility of risk at strategic, operational, and programme levels and to ensure consistency across Directorates in how risks are identified, managed, monitored and escalated. The aim is for an integrated approach to risk management and processes are being developed alongside the organisation's performance management framework along with training and support to embed this new approach.

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Annual Governance Statement

This Annual Governance Statement meets the requirements of Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015 which requires all relevant public bodies to prepare an annual governance statement and include it within its Statement of Accounts.

It is a document which looks back retrospectively over the past year and identifies where the WMCA has demonstrated good governance and looks forward to areas where focus should be given in relation to governance in the coming year.

The Authority demonstrates compliance with the seven core principles of good governance as set out in the 2016 CIPFA/SOLACE Delivering Good Governance in Local Government Framework.

These seven principles are:

- (a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- (b) Ensuring openness and comprehensive stakeholder engagement.
- (c) Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- (d) Determining the interventions necessary to optimise the achievement of the intended outcomes.
- (e) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- (f) Managing risks and performance through robust internal control and strong public financial management.
- (g) Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

The table below sets out examples of how the Authority has demonstrated compliance with these principles.

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Code of Conduct is laid out in the Constitution and was updated in March 2021 following the issue of a revised model of the Code of Conduct by the Local Government Association (LGA) which incorporates recommendations made by the Committee on Standards in Public Life (CSPL); this defines the standards of behaviour for Members and officers working on behalf of the Authority.

Following consideration by ARAC the revised code was adopted by the WMCA Board on 22nd March 2021. The Interim Director of Law and Governance who is the Monitoring Officer deals with issues of conduct and promotes high standards among officers, Members and the Mayor. ARAC performs the role of Standards Committee.

The WMCA has undertaken to review the governance of its formal decision-making bodies to ensure that these arrangements reflect the evolving role and remit of the WMCA as it develops from the organisation that was established in 2016. The first review to be undertaken has revised and refreshed the decision making in regard to its responsibilities relating to economic growth, culminating in the establishment of a new Economic Growth Board. This was approved by the WMCA Board at its meeting in November 2021. Further governance reviews are due to be undertaken in respect of transport, wellbeing and public service reform responsibilities.

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WMCA is committed to a better connected, more prosperous, fairer, greener and healthier region. This is our vision and will be achieved through living our values which are central to how we work and interact with our wider partners and stakeholders:

Collaborative

- Team Focused – working as part of a team, managing and leading
- Service Driven – customer, resident and partner focused

Driven

- Empowered and Accountable – taking ownership and leading when needed
- Performance Focused – being ambitious and going the extra mile

Inclusive

- One Organisation Mindset – believe in each other's expertise
- Open and Honest Communication – we do what we say we are going to do

Innovative

- Forward Thinking – embrace change and open to new possibilities
- Problem Solving – go for clear and simple wherever possible

The business of the Authority will also be conducted in accordance with the Seven Principles of Public Life identified in The Nolan Committee Report (1995), and defined as Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

2. Ensuring openness and comprehensive stakeholder engagement

We have established channels of communication with the community and other stakeholders, ensuring accountability and encouraging open consultation. All formal meetings are held in public and reports are in the public domain unless there are good reasons for confidentiality in individual cases.

All Committee meetings are held in public (other than in limited circumstances where consideration of confidential information requires the public to be excluded) with agenda and reports being accessible on the WMCA's external website. Following the restrictions imposed by Covid 19, all public meetings are now live streamed with recordings accessible through YouTube on-demand.

The Authority has in place a Publication Scheme proactively publishing information and is designed to make information readily available to the public without the need for specific written requests. Any information not published is available, subject to assessment, under the provisions of the Freedom of Information Act 2000. Details of how to make a request for information are available on our website.

We incorporate good governance arrangements with our partnerships and reflect these in our overall governance arrangements, and assess the effectiveness of relationship frameworks in order to identify any changes required.

Where consultation is required, we adhere to the principles of good consultation of “the Gunning Principles” and a variety of measures are used to seek the views of the public. For example, public consultation will be incorporated into any plans where a change to public transport policy is being considered.

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Overview & Scrutiny Committee has responsibility to ensure that the decisions of the WMCA have taken into account all relevant information, are proportionate to the outcomes desired, and have been made in the best interests of the region. It is able to 'call in' any decision for further scrutiny that it considers may not meet these standards. It also conducts Q&A sessions with the Mayor twice a year, focusing on policy delivery and budget setting. All of its meetings are held in public and streamed online.

3. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Authority ensures the vision and implications for governance arrangement are regularly reviewed including the monitoring of its achievement of intended outcomes from social, economic, environmental and organisational health perspectives through the budget, performance framework, and project delivery process.

The Authority is focussed on delivering value for money and success, and in this respect reviewed by independent auditors in line with the National Audit Office's Code of Audit Practice and Auditor's Guidance Note AGN03. The results of the Value for Money audit work and the key messages arising will be reported in the Audit Findings Report and, in the Auditor's, Annual Report.

Each of these benefit categories are assessed in major project business case submissions. The Authority wants to ensure strategically important projects with high benefits for the region are progressed.

To ensure the purpose and vision of the Authority is clear and well communicated, an Annual Business Plan (ABP) is produced, falling from the WMCA Aims & Objectives, as agreed by WMCA Board in November 2021. The ABP outlines all activity to be undertaken in 2022/23 to deliver against the objectives, and progress is monitored through a number of outcome measures (both High Level Deliverables and profiled milestones) and reported monthly to the Strategic Leadership Team and bi-annually to WMCA Board. The 2022/23 outcome measures were agreed by WMCA Board in February 2022 as part of the Budget report.

The Aims & Objectives were approved by WMCA Board in November 2021 and are outlined below:

- Aim 1: To promote inclusive economic growth in every corner of the region and stimulate the creation of good jobs
- Aim 2: To ensure everyone has the opportunity to benefit as the region recovers from Covid 19, improves resilience and tackles long standing challenges
- Aim 3: To connect our communities by delivering transport and unlocking housing and regeneration.
- Aim 4: To reduce carbon emissions to net zero, enhance the environment and boost climate resilience
- Aim 5: To secure new powers and resources from central government, and demonstrate the strength of our regional partnership
- Aim 6: To develop our organisation and our role as a good regional partner.

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4. Determining the interventions necessary to optimise the achievement of the intended outcomes

The Authority works closely with the relevant Government Departments, local and national stakeholders and constituent and non-constituent authorities to determine the necessary actions to achieve our Aims and objectives.

The Strategic Leadership Team oversees the corporate decision-making process and reports are considered at an appropriate level of the organisation in accordance with the provisions of the Constitution.

Corporate strategic decisions are primarily taken at meetings of the WMCA Board, although Investment Fund decisions up to the value of £20M are delegated to the Investment Board. Other thematic Boards have roles as set out under the Single Assurance Framework (SAF) in terms of overseeing and reviewing project initiation and delivery. This includes reviewing progress of outcomes against delivery plans.

5. Developing the entity's capacity, including the capability of its leadership and the individuals within it

We have defined and documented in our Constitution the roles and responsibilities of the Board, Scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication. As the Authority develops, we are reviewing our governance arrangements and the Constitution to ensure they remain fit for purpose in a growing organisation. A scheme of delegation is laid out in the Constitution. In July 2020 the WMCA Board approved the revised Single Assurance Framework which has also been signed off by MHCLG.

The collective and individual roles and responsibilities of the Strategic Leadership Team has been reviewed following the recent appointment of the Chief Executive to support our ambition to become an agile, and high performing workforce, our approach to performance has been refreshed in line with our Re-set and Re-build programme.

Our new Performance Management and Monitoring & Evaluation Frameworks, together with a new performance reporting solution using Power Bi dashboards, provide a foundation for the journey towards data-driven and evidence-based decision making. This improves the visibility and transparency of reporting as a 'single version of the truth' and together with the introduction of a more dynamic business planning process enables regular conversations about the activity to be delivered and the resources, both financial and people required to achieve this. Our behavioural framework will be fundamental to our performance framework and will align to our goals – ensuring a 'golden thread' between the aims and objectives down to individual performance management goals enabling every one of our people to see their contribution to the vision. This will facilitate how we develop a culture that supports us all to be diverse, inclusive, innovative and proud to be part of the Authority.

We identify and aim to address the development needs of Members and officers in relation to their roles and support with appropriate induction and training. In addition, statutory training requirements are in place for all officers to ensure our duties under Equalities, Safeguarding and GDPR are met. In 2020/21 a considerable portion of the training budget was spent on the leadership of the organisation. Specifically in 2021/22, ARAC members received Risk Management and Finance training to allow them to understand the newly developed Risk Management Framework, financial accounts, financial reporting arrangements and the Authority's Treasury Management Strategy and practices.

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Each year, after the local elections have been held, the WMCA provides an 'induction day' for newly elected members to provide an introduction to the WMCA, its role and remit, how it operates, and the role of elected members who are attending its boards and committees. This induction also provides further details on the key corporate strategies of the WMCA, along with its current Annual Business Plan.

6. Managing risks and performance through robust internal control and strong public financial management

The Strategic Risk Management Framework (SRMF) was approved by the WMCA Strategic Leadership Team in November 2021. The Framework provides clear standards of risk management, including the governance of risk within the organisation; specifying risk management accountabilities; and documenting the key responsibilities of different groups of employees (the Lines of Defence). All of which we are now using to embed risk management into the culture of the organisation. The aim being that clear and consistent risk management across the lines of defence, will improve the WMCA's ability to operate within the risk appetite set by the Strategic Leadership Team for the six recognised risk categories.

The Authority ensures compliance with relevant laws and regulations, internal policies and procedures. We are rigorous and transparent about decision making and the recording of decisions. The Overview and Scrutiny Committee reviews and challenges the work and decisions of the Authority with policy review and development.

ARAC is independent of the executive and scrutiny function; it has an independent, external Chair. They monitor and review risk and governance processes, in order to provide assurance to the WMCA Board on the effectiveness of these arrangements. Appropriate controls are in place for arms-length companies and as good practice external auditors have been appointed for West Midlands Rail Limited, Midland Metro Limited, WM5G Limited, West Midlands Development Capital Limited, HT01 LLP and HT02 LLP.

Internal Audit provides the 'third line of defence' with the first line being policies, procedures and controls, and the second being managers' own checks of the control environment, along with independent Risk Management and Programme Assurance activities undertaken as part of the Single Assurance Framework. Professional advice and good quality information is provided to ensure those making decisions are provided with relevant information that is fit for purpose.

The Single Assurance Framework was approved by WMCA Board in July 2020. This enhanced the previous document ensuring a consistent and proportionate approach to initiation, development and approval of projects and programmes with robust processes. This supports good governance with enhanced assurance tools and appraisal of projects, including identification of risks and issues of the project and the investment and how they are managed, reviewed, and escalated. The new assurance framework has been expanded to include assurance requirements for the new and proposed devolution deals, was approved by DfT, Department for Education (DfE) and MHCLG and is aligned to the National Single Pot Assurance Guidance.

Implementation of the Single Assurance Framework has been supplemented by the introduction of the reviewed governance arrangements to support Investment Programme decision making in the form of an Investment Panel and Investment Board. There are clear Terms of Reference for these groups and training has been provided to the members of these groups to support the undertaking of their roles and to understand the risks around these proposals. The introduction of the Assurance Toolkit and Risk & Investment Appraisal

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process review of project business cases through the Single Assurance Framework systematically seeks confidence and evidence for potential risks.

In 2021 the majority of the Authority's audits of its Key Financial Systems received a 'substantial' internal audit rating.

7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Authority has begun implementation of the WMCA Assurance Framework which was approved by MHCLG (previously Department of Communities and Local Government (DCLG)) in July 2020.

We continue to maintain close links with all relevant Government Departments and have regular conversations regarding issues including funding, delivery and devolution objectives.

The Authority has a monitoring officer who sits on both the Senior Leadership Team and attends the WMCA Board meetings to ensure all of our activity is legal. Our high level of Governance standards includes the publishing of agendas, minutes and reports in the public domain and only limited use of confidential reporting. The 2021/22 internal audit plan was approved at ARAC's March 2021 meeting.

A checklist has been implemented for the arm's length companies of the Authority to ascertain confidence in governance and assurance arrangements. This action came out of the ARAC, to develop a checklist of questions that would provide a consistent mechanism of assurance to the Committee that could provide overall assurance on all the Authority's activities. All relationships are reviewed at least once per year.

A Whistleblowing Policy and procedure is in place, last reviewed in May 2021. The Policy is intended to encourage and enable employees and stakeholders to raise serious concerns about any wrongdoing considered to be in the public interest, with the ability for confidential and anonymous reporting of claims to be made through the WMCA website.

Any issues raised are considered by the Monitoring Officer in conjunction with Internal Audit, the Finance Director and Chair of ARAC to determine the progression of claims.

Annual Review of Effectiveness of Governance Framework

The Opinion of the Interim Director of Law and Governance 2021/2022

CIPFA (The Chartered Institute of Public Finance & Accountancy) defines the role of Governance and the Chief Financial Officer as follows:

- Governance is defined as "The arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an economical, effective, efficient and ethical manner" and;
- The Chief Financial Officer is "The organisation's most senior executive role charged with leading and directing financial strategy and operations."

These statements have been confirmed and agreed by the Interim Director of Law and Governance and the Executive Finance Director respectively.

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The Interim Director of Law and Governance is satisfied that the system of internal assurance is robust and provides visibility of risk and reasonable assurance to the Strategic Leadership Team.

The opinion is based on the results of an on-going programme of activities and review, the outcomes of which were considered by ARAC. Activities include:

- a) External audit
- b) Internal audit
- c) The Risk Management Process, particularly the Strategic Risk Register
- d) Performance information
- e) Programme Appraisal and Assurance

During 2021/22, the outcome of the audit of Key Financial systems resulted in Substantial ratings for all systems aside from Accounts Payable which was rated Satisfactory. All audit recommendations for Accounts Payable have been accepted and will be resolved by June 2022. A wide range of audits have been undertaken by the Internal Audit service (provided by City of Wolverhampton Council) throughout the year with the outcome of each being awarded either Substantial or Satisfactory audit ratings, with only one exception of a limited assurance report regarding the Longbridge Park and Ride income management and charging arrangements, and all audit recommendations being accepted by users. The monitoring of progress on delivery of audit actions has been introduced by ARAC in 21/22 to support delivery within the expected timeframe. This demonstrates the continued effectiveness of systems and processes supporting Audit, Risk and Governance.

Since March 2021, the scope of the Single Assurance Framework (SAF) Implementation Project was expanded to ensure all WMCA Project Portfolios were aligned to SAF. This objective has substantially been met meeting the directive from the WMCA Statutory Officers. There has been considerable increase in the number of business cases and change requests developed from Investment Programme and other Project Portfolios demonstrating increased project controls and standard processes are being deployed across WMCA. Regular updates on progress with an evidence base insight information has been shared with the Strategic Leadership Team and ARAC throughout 2021/22.

Progress of the 2021/22 High Level Deliverables was monitored on a monthly basis by the Strategic Leadership Team by exception reporting and against identification of key risks that could impact on delivery. In addition, performance was reported to WMCA Board mid-year and an outturn report.

Operational Risk Registers are in place within directorates and review meetings take place across all the Authority's activities enabling full visibility of key risks with the potential to impact on the organisation. The Strategic Risk Management Framework includes an escalation process that allows for risks to be escalated, ultimately to the WMCA Strategic Risk Register. Regular meetings are in place with the management team of each business area to monitor the status of risks and to ascertain the level of risk exposure in each of these areas to determine the assurance conclusions. Additionally, the Strategic Risk Register is reviewed by Strategic Leadership Team on a quarterly basis. Risk Management, Performance Management and Business Planning activity is being brought together to provide a strong evidence base to substantiate the risk assumptions and improve decision making.

In accordance with the recently ratified Digital and Data Strategy, the organisation has adopted cabinet office levels of protective security. These mandated standards will allow for increasing maturity across the business by adherence to articulated mandates and best practice advice and guidance. Any non-conformity constitutes risk and can then be managed appropriately.

The last two years has seen an unprecedented challenge in the shape of the COVID-19 pandemic. This has affected every area of life in the UK and clearly these issues have affected the Authority as with others. Through agile working and the implementation of our corporate resilience arrangements we have been able to continue to manage workloads and delivery. We have worked

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with public transport providers to ensure that appropriate measures are in place to safeguard the public. We have taken a key role in regional response and recovery arrangements and are leading work to ensure that the economic recovery of the West Midlands is put on a secure footing. Through the use of remote meeting technology, we were able to ensure the continuation of political meetings and decision-making and controls have remained robust.

The Authority has set itself a demanding programme of work and is ambitious for itself and the benefits that it hopes to bring to the region. It has been successful in negotiations for a second Devolution Deal and has recruited an able team of experienced professionals to form the leadership team. There is significant pressure on resources however, particularly in matching staff resources to the tasks in hand and this is being carefully monitored by the Authority and a plan in place to mitigate these pressures accordingly.

This Annual Governance Statement identifies that WMCA has effective arrangements in place; however, the organisation realises the need to monitor its governance arrangements on an ongoing basis given the ever-changing environment within which it operates, and due to the organisation continuing to evolve. Whilst the organisation has not identified any significant Governance issues, a number of areas for development have been outlined within the table below and appropriate action is being taken to ensure these do not transpire into anything of significance.

Area	Action to be taken
Governance arrangements between Midland Metro and WMCA	An independent review of the governance arrangements between both parties is currently in progress with the outcome and recommendations to be considered and implemented as appropriate.
Safeguarding arrangements	WMCA's safeguarding policy to be reviewed to ensure it continues to meet our obligations and ensures the safety of all young persons engaged with the organisation.
Single Assurance Framework (SAF)	A periodic re-assessment and update of the Single Assurance Framework to be undertaken ensuring it continues to meet all legislative requirements including the introduction of Assurance arrangements for Adult Education services.
Corporate Aims and Objectives	Continued embedding of the performance management arrangements, providing management with reporting arrangements to demonstrate its achievement in delivering the Corporate Aims and Annual Business Plan.
Governance review	Recommendations arising from the Governance review undertaken in 21/22 will be implemented as set out in the associated report including the; <ul style="list-style-type: none"> • Rationalisation of decision-making and advisory bodies within service areas • Refinement of reporting and engagement processes • Engagement with Constituent and non-Constituent members • Review of arrangements for Member Allowances
Freedom of Information / GDPR	Review to be undertaken of our data protection and security policies.

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Conclusion

In undertaking the review of internal control and governance framework, the Authority is satisfied the systems of internal control that facilitate the effective exercise of the organisation's functions are in place and that all issues raised through the Audit, Risk and Assurance Committee have been appropriately addressed and actions have been assigned an appropriate owner.

On behalf of the West Midlands Combined Authority

Andy Street
Mayor and Chair of the West Midlands Combined Authority
Date:

Laura Shoaf
Chief Executive
Date:

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