



Audit, Risk & Assurance Committee

Tuesday 24 January 2023 at 10.00 am

Minutes

Present

Mark Smith (Chair)

Councillor Dave Borley

Councillor Craig Collingswood

Councillor Nick Bardsley

Councillor Mike Sutherland

Councillor Richard Baxter-Payne

Lisa Ritchie

Dudley Metropolitan Council

City of Wolverhampton Council

Shropshire Council Non- Constituent
Authorities

Staffordshire non-constituent authorities

Warwickshire Non-Constituent
Authorities

Greater Birmingham and Solihull Local
Enterprise Partnership

In Attendance

Item Title
No.

32. Inquorate meeting

It was reported that the meeting was inquorate and therefore the recommendations contained within the minutes would be submitted to the WMCA Board on 10 February 2023 for formal approval and adoption.

33. Apologies for Absence

Apologies for absence were received from Councillor Allen (Sandwell), Councillor Lakha (Coventry), Councillor Meeson (Solihull) and Kate Shaw (Greater Birmingham & Solihull Local Enterprise Partnership)

34. Nomination of Substitutes

Kate Shaw (Greater Birmingham & Solihull Local Enterprise Partnership) had nominated Lisa Ritchie to attend the meeting on her behalf.

35. Chair's Remarks

The Chair provided an update on meetings he had attended since the last meeting of the committee on 4 October and in particular referred to a recent meeting of the West Midlands Audit Committee Chairs Forum that had looked at the key principles of audit committees and its role (a copy of the slide presentation was included in the document pack for the meeting for information/reference).

Councillor Collingswood also took the opportunity to invite members to a free

Audit Committee Forum event that the City of Wolverhampton Council are hosting in partnership with Grant Thornton on Thursday 2 March at the Art Gallery in Wolverhampton City Centre [details were circulated to the committee]

36. Minutes - 4 October 2022

It be recommended to the WMCA Board that :

The minutes of the meeting held on 4 October 2022 be agreed as a true record.

37. Matters Arising

21. Matters Arising- Minute No. 14 Cyber Essentials Report

The Chair asked that feedback on the WMCA's new submission against the enhanced Cyber Essentials accreditation in September 2022 be reported to the next meeting.

23. Public Sector Audit Appointments: Audit Quality Monitoring Report 2021 and Auditor Appointments for 2023-2028

The Chair reported that Grant Thornton had been re-appointed as the WMCA's external auditors for a further 5 years from 2023/24 through to 2027/28.

26. Strategic Risk Update

In relation to the update on the pension fund risk that is to be submitted to the next meeting, Grant Patterson (Grant Thornton) asked that the WMCA's Finance Team contact him on the matter if they would like Grant Thornton to be have input into this item.

38. Forward Plan

The committee considered a report on agenda items to be submitted to the next meeting.

The Chair identified the following additional reports:

- Value for Money Audit Findings (Grant Thornton) and
- Overview of the WMCA's budget for 2023/24

It be recommended to the WMCA Board that:

The report be noted.

39. Annual Accounts 2021/22 for West Midlands Combined Authority

The report considered a report of the Executive Director of Finance and Business Hub that had been prepared for the committee to approve the

annual accounts of the West Midlands Combined Authority (WMCA) for the financial year ended 31 March 2022.

The committee also received Grant Thornton's Audit Findings Report including the Letter of Representation.

The Chair advised that as the meeting was inquorate, the WMCA Board would be asked to approve the accounts as part of the minutes for this meeting.

It was noted that a copy of the draft accounts had been shared with the committee on 27 June 2022.

The Head of Financial Management, Louise Cowen presented the report on behalf of the Executive Director of Finance and Business Hub and expressed her thanks to the WMCA's Finance Team for their work in producing the accounts and also thanked Grant Thornton's Finance Team for their work on the accounts noting the resourcing difficulties they had experienced.

Grant Patterson (Grant Thornton), reported that following a review of the financial amendment statement, he was looking for the accounts to be signed off on 10 February whilst with regard to the Value for Money report, he advised that the audit would be certified closed in April and the committee would receive the report at its April meeting.

Grant Patterson highlighted key issues referred to in the Audit Findings report.

In relation to financial statements and the significant risk relating to over 78,000 journals processed, the Chair asked that the Head of Financial Management follow-up on how the transactions are broken down.

In relation to the testing of journals which included an expense claim for the Chief Executive that was authorised by the Chief Executive, it was reported that whilst this was an isolated incident management might want to review their governance processes around senior management expenses so they are authorised by a different member of the management team. The committee noted that an appropriate approvals process needs to be put in place.

Councillor Sutherland commented that it would be useful if the report categorised risks according to a red, amber, green rating which would make it easier to focus on issues requiring more attention.

Grant Patterson advised that Grant Thornton were looking at simplifying the audit template going forward but this would not be ready for the 2022/23 audit.

The Chair reported that he would like a response from the WMCA for all items highlighted in the Audit Findings report.

The Chair added that he was disappointed the accounts were being

considered for approval in January and it would be a significant challenge to ensure the accounts are signed off in a more timely manner for 2022/23.

It be recommended to the WMCA Board that:

1. The annual accounts be approved;
2. The Audit Findings Report presented by Grant Thornton be noted;
3. Grant Thornton propose to issue an unqualified audit opinion for the accounts;
4. The signing of the letter of representation by the Executive Director of Finance and Business Hub as set out in Appendix F of the Audit Findings Report be approved;
5. The Chair of Audit, Risk and Assurance Committee be authorised to sign off any further changes required to the Statement of Accounts for 2021/22 prior to publication be approved and
6. Subject to no further issues being raised by Grant Thornton, that the Mayor and the Executive Director of the Finance and Business Hub be authorised to sign the accounts on behalf of the WMCA.

40. Midland Metro Limited Annual Accounts

The committee considered a report of the Executive Director of Finance and Business Hub that had been prepared to enable Audit, Risk & Assurance Committee to retrospectively approve the annual accounts of Midland Metro Limited for the financial year ended 31 March 2022.

The Head of Financial Management, Louise Cowen, presented the report and advised that because the Committee's November 2022 meeting was cancelled, Midland Metro Limited were not able to seek the Committee's approval of the accounts prior to them being filed with Companies House in line with the statutory timetable.

The Chair asked that Midland Metro Limited's External Auditors, Williamson & Croft, submit their audit plan to a future meeting, prior to consideration of their annual accounts. He reported that this committee should have the ability to provide greater oversight of the financial matters for the company and for this to be in place for next year.

The Head of Financial Management concurred with the Chair and considered it would be good to invite Midland Metro Limited's Finance Managers and Auditors to this committee in future.

It be recommended to the WMCA Board that:

1. The annual accounts for Midland Metro Limited for the year ended 31 March 2022 be approved;
2. The independent auditors issued an unqualified audit opinion for the year ended 31 March 2022 and
3. Midland Metro Limited's accounts were filed with Companies House within the statutory timetable.

41. Internal Audit Report

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

The Head of Audit, Peter Farrow provided an update on an audit review recently completed in respect of WM2042 Delivery Programme (Environmental Recovery) that was awarded a satisfactory level of assurance and on work going forward.

He advised the committee that an unforeseen absence within the City of Wolverhampton Council's audit team, was having an impact on the delivery of the internal audit plan in line with the original indicative workplan but steps had now been taken to recruit temporary resource to address on the matter.

It was noted that an abridged internal audit plan would therefore be delivered this year.

The Chair asked that he be provided with feedback on the status of this year's audit plan before the next meeting.

It be recommended to the WMCA Board that the contents of the Internal Audit report be noted.

42. Draft 2023/ 24 Internal Audit Plan

The committee considered a report of the Director of Law and Governance that set out the proposed audits contained in the draft, risk based Internal Audit plan for 2023/24.

The Head of Audit, Peter Farrow, reported that the Internal Audit Plan had been prepared by the Internal Audit Liaison Officer, Loraine Quibell that was linked to the organisation's Strategic Risk Register. He considered the Plan was strong and comprehensive and discussions were now underway as to how it would be delivered.

The Chair considered that the Plan might need to include a review of the transport budget.

It be recommended to the WMCA Board that :

The proposed audits contained in the draft, risk based Internal Audit

plan for 2023/24 be agreed.

43. Strategic Risk Register

The committee considered a report of the Executive Director of Finance and Business Hub that provided an update on the Strategic Risk Register.

The Strategic Risk Manager, Peter Astrella reported on the key headlines since the last meeting on 4 October 2022 and advised the committee that attention was now focused on the cost of living crisis, inflation and global supply chain issues.

In relation to an enquiry from Councillor Collingswood as to whether the lack of funding awarded to the region as part of the recent Levelling-Up announcements had been identified as a risk, the Strategic Risk Manager advised that he not yet spoken to the WMCA's Strategic Leadership Team on the matter but a new business plan would shortly be agreed for the new financial year and assumed this would be captured by the budget.

It be recommended to the WMCA Board that:

1. The key messages in the Strategic Risk Update be noted and
2. The revision or planned revisions to the Strategic Risk Register be noted.

44. Treasury Management Mid-Year Report

The committee considered a report of the Executive Director of Finance and Business Hub that provided an update on mid-year Treasury Management position.

The Lead Treasury Accountant, Mark Finnegan, presented the report that had been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management.

The report provided an update on WMCA borrowing and investments held at 1 April 2022 and 30 September 2022.

It be recommended to the WMCA Board that:

The report be noted.

45. 2023/ 24 Treasury Management Policy, Strategy & Practices

The committee considered a report of the Executive Director of Finance and Business Hub that set out the draft Treasury Management Policy Statement and draft Treasury Management Strategy for 2023/24 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 referred to section 3.3 of the report which summarised the principal changes between the current (2022/23) strategy and those for financial year 2023/24.

It be recommended to the WMCA Board that:

1. The draft 2023/24 Treasury Management Policy Statement (referred to in Section 2 of the report) be endorsed for onward approval by WMCA Board in February 2023;
2. The draft 2023/24 Treasury Management Strategy (Appendix 1) including the 2023/24 Investment Strategy and criteria for specified and non-specified investments (Appendix 2) be endorsed for onward approval by WMCA Board in February 2023 and
3. The arrangements for ensuring Treasury Management Practices are adequately maintained (Section 4 of the report) be noted and agreed.

46. Housing Investigation - Action Plan

The committee considered a joint report of the Director of Law and Governance and the Executive Director of Housing, Property and Regeneration that sought agreement to the Action Plan following a housing investigation.

It was noted that the Action Plan was produced in response to the recommendations from the independent housing investigation carried out by CBRE following a complaint received by the WMCA on 19 January 2022.

The Executive Director of Housing, Property and Regeneration, Gareth Bradford presented the report and advised the committee that the recommendations contained within the Action Plan had been taken forward and all would be implemented by June 2023.

It was noted that delivery of the agreed actions would be monitored with a further report on progress and delivery provided to committee in September.

The Chair commented that the WMCA needs to speed up its processes and to ensure they are transparent given the original complaint was received a year ago.

It be recommended to the WMCA Board that:

1. The Action Plan in response to the recommendations of the independent investigation be agreed and
2. An update on progress in relation to the Action Plan be brought back to the Committee in September 2023 be agreed.

47. Investigation into Financial Breach - Metro City Centre Extension Wolverhampton

The Chair reported that the Director of Law and Governance and Monitoring Officer, Helen Edwards, was intending to provide a verbal update on this item but due to personal circumstances was unable to attend the meeting today.

However, she had prepared the following statement that the Chair read out to the committee.

'A report was taken to the WMCA Board on 16 December 2022 when it was noted that there was a breach of financial regulations in respect of the Metro, Wolverhampton City Centre Extension. The Board agreed for an investigation to be undertaken through the Chair of ARAC.

The former Monitoring Officer instructed Mazars, who have commenced an investigation. They have interviewed a number of people but one key witness was on holiday and unavailable, so have not yet concluded their investigations. Their current view is there are likely to be recommendations to review and strengthen procedures.

Their final report is expected shortly and will be reported to Board on 10 February.

It is recommended that that ARAC agrees that the Monitoring Officer should consult with the Chair of ARAC on the recommendations to made to the Board in respect of the final report.'

The Chair reported that he expected a report would be submitted to this committee in due course.

The course of action as outlined was noted and endorsed.

48. Exclusion of the Public and Press

Resolved:

That in accordance with Section 100A4 of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following items of business as they involve the likely disclosure of exempt information relating to the business affairs of any particular person (including the authority holding that information).

49. Appendix to Midland Metro Limited Annual Accounts - Audit Findings

Report

The board considered the Audit Findings Report for Midland Metro Limited, an appendix to the annual accounts that was considered earlier on the agenda.

It be recommended to the WMCA Board :

That the Audit Findings Report be noted.

50. Track replacement works re: Corporation Street & issues with the original contractor, Balfour Beatty

The committee considered a report of the Executive Director for Transport for the West Midlands (TfWM) that informed them of the commitment from Balfour Beatty in relation to their response following the Corporation Street, Birmingham track replacement works.

The West Midlands Metro Project Director, Michael Anderson, presented the report and outlined the legal position with regard to the works undertaken by Balfour Beatty and the goodwill measures that would be delivered as recognition of the need to replace part of the track.

He also advised the committee of the safeguards that have been implemented to ensure there is no reoccurrence of the problems encountered with regards to Corporation Street.

It be recommended to the WMCA Board that:

1. The legal position with regards to the works undertaken by Balfour Beatty in delivering the metro extension to New Street be noted;
2. The goodwill measures delivered by Balfour Beatty as recognition of the need to replace part of this track and the disruption on residents and businesses be noted and
3. The management assurances that have been provided be noted.

The meeting ended at 12.06 pm.