



**Audit, Risk & Assurance Committee**

**Wednesday 19 July 2023 at 10.00 am**

**Minutes**

**Present**

Mark Smith (Chair)

Councillor Karen Ashley

Worcestershire

Non-Constituent

Authorities

Councillor Nick Bardsley

Shropshire Council Non- Constituent

Authorities

Councillor Richard Baxter-Payne

Warwickshire

Non-Constituent

Authorities

Councillor Dave Borley

Dudley Metropolitan Council

Councillor Jaspreet Jaspal

City of Wolverhampton Council

Councillor Brigid Jones

Birmingham City Council

Councillor Leslie Kaye

Solihull Metropolitan Borough Council

Councillor Ram Lakha OBE

Coventry City Council

Councillor Rose Martin

Walsall Metropolitan Borough Council

Lisa Ritchie

Business Representative

**Item Title  
No.**

**1. Welcome & Introductions**

The Chair welcomed new members and returning members to the first meeting of the committee for the new municipal year. Introductions were made and duly noted.

**2. Apologies for Absence**

An apology for absence was received from Councillor Preece (Sandwell).

The Chair also reported that the WMCA was awaiting a nomination from Staffordshire for a representative to be appointed to this committee.

**3. Chair's Remarks**

The Chair announced that he was pleased to report this committee meeting was quorate for the first time in a long while and hoped members would continue attend meetings. He also highlighted that the WMCA had agreed constituent members of this committee along with Overview & Scrutiny Committee constituent members would be paid an allowance when the Levelling Up & Regeneration Bill receiving Royal Assent; the Act allows allowances to be paid in recognition of the key governance role on these two committees.

**4. Appointment of Vice-Chair**

The Chair reported that he had received a nomination from Councillor Lakha for the position of Vice-Chair.

The nomination was endorsed by the committee.

Resolved that : Councillor Ram Lakha be appointed Vice-Chair of the committee for the municipal year 2023/24.

**5. Minutes - 18 April 2023**

The minutes of the meeting held on 18 April 2023 were agreed as a true record.

**6. Matters Arising**

*Minute no. 55. Matters Arising, minute no. 40. Midland Metro Limited Annual Accounts*

The Executive Director of Finance & Business Hub reported that Midland Metro Limited was in the process of establishing its own audit committee so its annual accounts would not need to be submitted to this committee for approval.

*Minute no. 58. Internal Audit - March 2023*

In relation to debt balances of £8.8m on credit ledgers that were identified as part of the Key Financial Systems audit, the Head of Financial Management undertook to report back to the October meeting of the committee on the matter.

*Minute no.61. WMCA External Audit Plan for 2022/23*

Grant Patterson, Grant Thornton, confirmed a new Lead Auditor had been appointed as his replacement and undertook to arrange meetings with the Executive Director of Finance & Business Hub and the ARAC Chair.

*Minute no. 62. Draft Annual Governance Statement*

In relation to the work being undertaken on the Authority's arm's length companies, the Executive Director of Finance & Business Hub reported that a report would be submitted to the committee shortly that would include reference to the audit arrangements for the various companies.

The Chair asked that an action tracker be produced by Governance Services for future meetings that details any outstanding actions.

**7. Terms of Reference - to note**

The terms of reference for the committee were submitted for information.

In relation to an enquiry from Councillor Martin (Walsall) as to whether the

committee undertakes a review of managers work, the Executive Director of Finance & Business Hub, Linda Horne, reported that the objectives of the WMCA are contained with its Annual Business Plan, and these are monitored by the Executive Board with a monthly update provided to the WMCA Board. She advised that the WMCA's Overview and Scrutiny committee holds the organisation to account on the delivery of its objectives but would circulate the Annual Business Plan to committee members for information.

The Chair added that meetings of the Overview and Scrutiny Committee were public meetings and committee members were welcome to observe the meeting if they wished.

[The Annual Business Plan was circulated to the committee via email following the meeting]

Resolved that: the terms of reference for the committee be noted.

## **8. Internal Audit Annual Report 2022/23**

The committee considered a report of the Director of Law and Governance that summarised the work completed by Internal Audit during 2022-23. The report also provided a provisional annual audit opinion 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.

The Head of Audit, Peter Farrow, reported that two audits had completed since the last meeting that were appended to the report, Procurement Exemptions and IR35; both audits had been completed for the first time and had received a limited level of assurance. He reported that based on the work undertaken during the year, a provisional Internal Audit opinion was given as reasonable assurance.

The Chair commented that this was very good news regarding the provisional audit opinion, noting that a further two draft reviews would be determined as satisfactory assurance.

In relation to comments from the Chair and Councillor Jones regarding the downward trend on the number of audits opinions given as substantial, from 9 in 2020-21 to 4 in 2022-23, the Executive Director of Finance & Business Hub reported that as the WMCA has grown from a transport organisation and has taken on new functions. It was now better targeting its audit plan to where the risks were and was also reviewing and refreshing its corporate governance and reminding people of processes and procedures.

In relation to an enquiry from Councillor Baxter-Payne (Warwickshire Non-Constituent Authorities) regarding one-off audits and whether the agreed audit actions are being undertaken, the Chair reported that he would check progress on the audit recommendations with the Internal Audit Liaison Officer.

In relation to the 4 audit opinions of 'substantial', 'satisfactory', 'limited' and 'no assurance', Councillor Kaye (Solihull) reported that he was unhappy with the 'satisfactory' category and how it was described and would like this to see this changed to 'good' and outlined his suggested wording for this. Councillor Kaye also questioned the use of the word 'most' and considered the audit opinion could be based on a statistical approach and undertook to email the Head of Audit on the points raised.

The Head of Internal, Audit Peter Farrow advised that a reasonable level of assurance is provided as it was not possible to review every transaction due to the limits of the audit and this was a judgement call. He added that the audit opinion takes account of the CIPFA model and its guidance and would look at what Councillor Kaye proposes.

The Chair reported that he pleased to see that management would address most of the audit recommendations referred to in the two audit reports by September.

Further to the recent difficulties experienced in resourcing internal audit, the Chair asked to receive details of the proposed model for resourcing internal moving forward.

Resolved: that the contents of the Internal Audit Annual Report 2022-2023 be noted.

#### **9. Transport Programme Capital Governance Review (TfWM)**

The board considered a report of the Director of Law and Governance that provided an update with regards to the high-level internal audit review of the governance and monitoring arrangements that are in place for the TfWM Capital Programme.

The Director of Law and Governance, Helen Edwards outlined the background to the review and reported that internal audit review findings and recommendations were being considered alongside a number of other reviews carried out by TfWM to ascertain what has been implemented. She advised that this was a considerable piece of work to undertake, and a conservative estimate of the completion timescales was 3 months. The headlines from the review would be submitted to this committee.

Resolved that :the WMCA's response to the findings of the independent review following the breach of financial regulations within the Wolverhampton Interchange programme be noted.

#### **10. WMCA Strategic Risk Update**

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

The Risk Manager, Peter Astrella advised the committee that a risk update is presented to the committee on a quarterly basis, and he could provide a training session for members if required or, share details on how the WMCA undertakes risk management. The Risk Manager provided an update on the key risks since the last meeting and further to an enquiry from Councillor

Jones, outlined how risk was managed with regards to external factors and financial resilience.

The Risk Manager undertook to share the full Risk Register with the committee.

Resolved that:

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

#### **11. Single Assurance Framework Assurance Performance Report - January to March 2023**

The committee considered a report of the Executive Director of Finance & Business Hub that provides a quarterly update on progress of WMCA projects that have been assured through the Single Assurance Framework. The report submitted outlined performance on business case assessments, health checks, risk & appraisals and change requests during the period January to March 2023.

The Head of Programme Assurance & Appraisal, Joti Sharma, outlined the background to the Single Assurance Framework and reported on key trends and themes that emerged during the reporting period.

The Chair noted a discrepancy with regards to the change request figures given in the summary table in paragraph 2.3 and those referred to in the table in paragraph 3.16 of the report and asked that the figures be checked.

In relation to an enquiry from Councillor Kaye (Solihull) regarding the lack of input by managers into business cases and whether more information could be provided, the Executive Director of Finance & Business Hub, Linda Horne, reported that the Assurance Team independently challenges business cases and further challenge is undertaken by the Investment Panel, which is comprised of WMCA, Met authority and LEP colleagues to challenge cases in a robust way. She added that there was also challenge from the Investment Board.

The Head of Programme Assurance & Appraisal, Joti Sharma, undertook to circulate the web link to the Single Assurance Framework to members.

Resolved that: the report be noted.

#### **12. Treasury Management Outturn Report 2022/23**

The committee considered a report of the Executive Director of Finance & Business Hub that detailed the Authority's borrowing and investments held at 1 April 2022 and 31 March 2023.

The Lead Treasury Accountant, Mark Finnegan, reported that during the period, net borrowing decreased by £41.68m to leave a net investment position of £204.10m. New borrowing of £65m was undertaken to unwind a

proportion of WMCA's historic under-borrowed capital financing position and mitigate against interest rate rises.

It was noted that training on Treasury Management would be provided to members of the committee before consideration of the Treasury Management Policy, Strategy and Practices report.

Resolved that : the contents of the report be noted.

**13. Auditor's Annual Report on West Midlands Combined Authority 2021/22**

The committee considered a report of the Executive Director of Finance & Business Hub that attached as an appendix, a summary of the key findings arising from the work carried out by the external audit team at Grant Thornton that is intended to provide a commentary on the results of their work to the Authority and external stakeholders.

The committee had also received a short supplementary paper outlining changes to the 2021/2022 financial statements due to a revised actuarial valuation of the West Midlands Pension Fund.

The Head of Financial Management, Louise Cowen, outlined the report and advised the committee that two improvement recommendations have been made; one around the quoracy of Audit, Risk and Assurance Committee and the other around strengthening contract management arrangements across the Authority.

In relation to strengthening contract management arrangements, the Executive Director of Finance & Business Hub, Linda Horne, reported that the Procurement Team has now been bolstered to ensure there is capacity within the team to undertake contract management.

Grant Patterson, Grant Thornton, informed the committee that external audit commentary is provided on the value for money arrangements not on the outcomes and reported that no significant weaknesses have been identified.

The Head of Financial Management, Louise Cowen, reported that further to Grant Thornton's review of the internal audit of the WMCA's financial statements for 2021/22, changes had been agreed with regards to the WMCA's share of £37m deficit reduction in the West Midlands Pension Fund following the recent formal valuation of the fund by the fund's actuary on 31 March 2022.

Grant Patterson, Grant Thornton, reported that there had been a significant improvement in the funding of West Midlands Pension Fund and a revised IAS 19 actuarial valuation report for the impact had been issued. He added that he would be talking to the fund's actuary to understand what is driving the opinion and the findings would be reported to this committee.

Resolved that:

1. The Auditor's Annual report on the West Midlands Combined Authority for the year ended 31 March 2022 be noted;

2. The changes to the WMCA's 2021/22 accounts following receipt of the pension fund actuary's updated valuation report for 2021/22 be approved and
3. The publication of the report on the Combined Authority's website be approved.

**14. Presentation : Overview of WMCA's Budget 2023/24**

The committee received a presentation that provided an overview of 2023/24 revenue and capital budgets that was recently approved by the WMCA Board.

The Head of Financial Management, Louise Cowen presented a summary of the WMCA's Budget that included the strategic context for budget setting, key underlying budget assumptions and the medium financial position beyond 2023/24.

The Chair thanked the Head of Financial Management for an informative presentation.

Resolved that : the presentation be noted.

**15. Forward Plan**

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

Resolved that: the report be noted.

**16. Exclusion of the Public and Press**

Resolved that:

In accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following 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).

**17. Information Assurance Update Report**

The committee considered a report of the Strategic Head of Digital and Data that provided an update on Information Assurance.

The Strategic Head of Digital and Data, Jason Danbury outlined the key highlights from the report.

Resolved that:

1. The approach adopted in addressing long standing legacy matters be noted;
2. The external funding award and the positive progress made against the Cyber Treatment Plan to date be noted;
3. The positive progress made against the Internal Audit Report: Information and Assurance and Cyber Security 2022-23 and the 2

- outstanding matters requiring further time to fully address be noted;
4. The positive progress made against Cyber Essentials accreditation and the pending business decisions relating to the final few matters be noted;
  5. The governance of digital and data matters outside of Data and Digital Enabling Services is pending the outcome of the WMCA' wider Governance Review be noted and
  6. The importance of Information and Asset Registers outside of Digital and Data Enabling Services be noted.

The meeting ended at 12.38 pm.