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**West Midlands
Combined Authority**

Audit, Risk & Assurance Committee

Date: Monday 11 March 2024

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 Karen Ashley

Councillor Nick Bardsley

Councillor Richard Baxter-Payne

Councillor Dave Borley

Councillor Jaspreet Jaspal

Councillor Brigid Jones

Councillor Leslie Kaye

Councillor Rose Martin

Councillor Liam Preece

Lisa Ritchie

Coventry City Council

Worcestershire Non-Constituent Authorities

Shropshire Council Non-Constituent Authorities

Warwickshire Non-Constituent Authorities

Dudley Metropolitan Council

City of Wolverhampton Council

Birmingham City Council

Solihull Metropolitan Borough Council

Walsall Metropolitan Borough Council

Sandwell Metropolitan Borough Council

Business Representative

The quorum for this meeting shall be two thirds of its membership.

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

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AGENDA

No.	Item	Presenting	Pages	Time
Meeting Business Items				
1.	Apologies for Absence (if any)	Chair	None	10:00
2.	Declarations of Interest (if any) 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 (if any)	Chair	None	10:03
4.	Minutes -30 January 2024	Chair	1 - 8	10:08
5.	Health & Safety Annual Update	Ben Gittings	9 - 20	10:10
6.	Single Assurance Framework - Assurance Performance Report -October to December 2023	Joti Sharma	21 - 30	10:25
7.	Internal Audit Update	Lorraine Quibell	31 - 64	10:40
8.	Draft Annual Governance Statement	Helen Edwards	65 - 82	11:00
9.	Overview of WMCA's Arm's Length Companies	Helen Edwards	83 - 92	11:10
10.	Audit, Risk and Assurance Committee - Terms of Reference	Julia Cleary	93 - 106	11:30
11.	Exclusion of the Public and Press To pass the following resolution: 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)	Chair	None	
12.	Transport Governance Capital Programme Governance Review	Helen Edwards	107 - 110	11:45
Date of Next Meeting -To be Advised				



Audit, Risk & Assurance Committee

Tuesday 30 January 2024 at 10.30 am

Minutes

Present

Mark Smith (Chair)

Councillor Richard Baxter-Payne

Warwickshire

Non-Constituent

Authorities

Councillor Dave Borley

Dudley Metropolitan Council

Councillor Brigid Jones

Birmingham City Council

Councillor Leslie Kaye

Solihull Metropolitan Borough Council

Councillor Ram Lakha OBE (Vice-Chair)

Coventry City Council

Councillor Rose Martin

Walsall Metropolitan Borough Council

Lisa Ritchie

Business Representative

In Attendance via MS Teams

Councillor Liam Preece

Sandwell Metropolitan Borough Council

Item Title

No.

47. Apologies for Absence

Apologies for absence were received from Councillors Ashley, Bardsley and Jaspal.

48. Chair's Remarks

The Chair advised the committee that the WMCA Board had requested that Leaders be formally notified of the attendance of members at its boards and committees (including ARAC), due to quoracy issues arising from members not attending.

The Chair noted the recent publication by PSAA of the external audit fee rates for the year ended 31 March 2024, and the letter from DLUHC dated 9 January 2024 about the proposal for a backstop of 30 September 2024 for sign off of all local authority accounts up to years ended 31 March 2023.

The Chair also highlighted the recent report from the Financial Reporting Council around their inspection regime of major local audits. This included a proposal to not perform routine audit quality inspections of major local audits for financial years up to and including the year ended 31 March 2023, unless there is a clear public interest to do so, and to resume a programme of inspections once the system has been reset.

The Chair also provided feedback from recent meetings that he had attended including the WMCA Board on 12 January 2024 and the WMCA's Overview

and Scrutiny Committee on 29 January 2024. The Chair highlighted that at this latter meeting, there had been a discussion of the Scrutiny Protocol published by DLUHC on 22 November 2023 and he noted that there were potential implications for ARAC which would be considered over the next few months.

49. Minutes - 4 December 2023

The minutes of the meeting held on 4 December 2023 be agreed a true record and all decisions taken at the meeting be ratified subject to the addition of the following:

The minutes of the meeting held on 4 December 2023 be agreed a true record, subject to an amendment to *minute no. 38 ('Annual Accounts 2022/23 for the West Midlands Combined Authority')* to reflect the clarification provided at that meeting that the committee had previously been given delegated authority by the WMCA Board to approve the annual accounts. In addition, it was noted that the recommendation to approve the accounts was subject to the satisfactory completion of the external audit by Grant Thornton.

50. Matters Arising

Minute No. 38 Annual Accounts 2022/23 for the West Midlands Combined Authority

Councillor Kaye reported that he would like clarity with regards to the role and responsibilities of the committee as referred to in the terms of reference, especially with regards to assurance and approving the accounts. The Executive Director of Finance and Business Hub undertook for the terms of reference to be considered at the next meeting.

Minute No. 40 Internal Audit Update

In relation to the Health and Safety Review audit appended to the report, Councillor Kaye reported that he was unable to attend the meeting but had submitted his comments expressing concern with regards to the lack of confirmation of health and safety procedures with contractors/sub-contractors, particularly with regards to construction as he felt this information should be covered in the report.

The Internal Liaison Officer, Loraine Quibell, reported that the Health and Safety Manager would be presenting his annual report to the next meeting of this committee, and she would ask him to provide details of the health arrangements with regards to contractors, especially construction contractors, in the report.

51. Action List

The Action List was noted.

The Chair highlighted the need for the new Head of Audit and Information Governance to meet ARAC, as soon as possible after he joins the Combined Authority.

52. Summary of WMCA's Budget 2024/25

The Chair reported that he had asked the Executive Director of Finance and Business Hub, to provide a summary of the draft WMCA Budget for 2024/25 to provide context to the work of this committee.

The Executive Director of Finance and Business Hub, Linda Horne, provided an overview of the draft WMCA's revenue and capital budgets, including the key underlying budget assumptions for 2024/25 and the medium-term financial position. A slide presentation had been circulated to the committee with the papers for the meeting.

The Executive Director of Finance and Business Hub, Linda Hub also provided updates with regards to the Mayoral Precept position, budgetary implications of the integration of Police and Crime Commissioner Office and the timeline for the Single Settlement, following questions from members. She advised that the final budget would be considered by the WMCA Board at its meeting on 9 February.

The Chair noted that transport accounted for more than 80% of the capital spend and a further 40% of the revenue budget, alongside approximately 40% of spend on Adult Education. This should be borne in mind when the Committee was looking at Risk and the programme of work of Internal Audit.

The Chair asked that the final budget position be confirmed with the Committee following its approval next month.

Resolved: That the presentation be noted.

53. Update on Statutory Accounts

The Head of Financial Management, Louise Cowen, provided an update the WMCA's Statutory Accounts.

It was noted that information in relation to the two key outstanding matters in relation to the audit, as highlighted at the previous meeting, being the valuation of WMCA's share of the WM Pension Fund asset and the response with regards to the sample of grants selected for testing, had now been provided to the external auditors.

The Chair reported that he had received and reviewed a final draft copy of the accounts. He noted that the principal change from the draft accounts circulated to the members of ARAC on 3 July 2023, related to the pension asset of £59.0m, which was now excluded from the balance sheet based on the interpretation of how to apply IFRIC 14 to the Combined Authority's accounts.

The Head of Financial Management reported that the WMCA hoped to publish the final version of the audited 2022/23 Annual Accounts within the few next weeks after Grant Thornton have completed their work.

Grant Patterson from Grant Thornton confirmed that he expected to complete his work and issue his final report and opinion with the next few weeks, and that he would then certify the audit closed.

Resolved: That the update be noted

54. Strategic Risk Register Update

The committee 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, outlined the key messages contained in the risk update, including issues and the latest position with regards to strategic risks.

The Chair reported that a copy of the State of the Region report had been circulated to members yesterday (following consideration by Overview & Scrutiny Committee) as he felt the document would provide a useful context with regards to the ARAC's oversight of risk management.

The Chair enquired as to whether recent consideration had been given as to the extent of the ongoing risk associated with inflation and global supply chain pressures, which is currently recorded at the highest possible risk rating. The Risk Manager confirmed that this was under review.

Councillor Kaye considered the need to look at overall risks noting the risk regarding to the transport network from strike action by operators and with regards to tram purchases and the risk of trams cracking.

The Strategic Risk Manager explained that only the strategic risks were reported to this committee, and he trusted that TfWM would have transport risks on their radar. He added that the Executive Board examine the strategic risks on a quarterly basis prior to this committee.

The Chair noted that it was difficult to strike a balance on reporting various risks to this committee but acknowledged transport was a considerable proportion of the WMCA's Capital Budget (as referenced earlier in the meeting) and considered that the committee could perhaps have sight of the transport risk register in future.

Councillor Kaye added that for the committee to fulfil its assurance role on risk, he would like to understand the extent to which risks were being mitigated and what the residual risk was after taking account of such mitigations. The Chair confirmed that this was a matter that he had discussed previously with the Risk Manager, and he would discuss how this might be incorporated into future reporting.

Resolved that:

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

55. 2024/25 Treasury Management Policy, Strategy and 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 2024/25 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 (2023/24) strategy and those for financial year 2024/25.

The Chair highlighted the permitted use of short-term borrowings to cover unplanned cash flow shortages, which had been necessary in December 2023. It was noted that historically this had been rarely necessary, and the increase in the minimum liquidity requirement and the continued focus on cash flow forecasting would hopefully ensure that it would continue to be a rare occurrence going forward.

The Chair also reminded the Committee of the changes that had been introduced during the year, to reduce the risk associated with investments in deposits with local authority counterparties. These changes were incorporated in the Annual Investment Strategy.

Resolved that:

1. The draft 2024/25 Treasury Management Policy Statement (referred to in Section 2 of the report) be endorsed for onward approval by WMCA Board in February 2024;
2. The draft 2024/25 Treasury Management Strategy (Appendix 1) including the 2024/25 Investment Strategy and criteria for specified and non-specified investments (Appendix 2) be endorsed for onward approval by WMCA Board in February 2024 and
3. The arrangements for ensuring Treasury Management Practices are adequately maintained (Section 4 of the report) be noted and agreed.

NB Councillor Brigid Jones (Birmingham) declared a personal interest in this item as Birmingham City Council were explicitly mentioned in the report.

56. Information Governance Annual Report

The committee considered a report of the Data Protection Officer that set out how the WMCA is meeting its obligations under the UK General Data Protection Regulation, the Data Protection Act 2018 and other applicable laws relating to the processing, privacy and/or use of Personal Data and the Freedom of Information Act 2000.

The Data Protection Officer, Gurmit Sangha, outlined key highlights from the report that included an overview of the key enhancements made during 2023. This included strengthening the information governance structure within the WMCA, a review of information governance policies, work on technical security and cyber essentials. The report also provided an update on emerging data privacy, cyber security and information governance issues.

The Data Protection Officer also confirmed that training is in place for WMCA staff regarding data protection and regular communication messages are sent out regarding information security internet and emails.

Councillor Kaye commended the use of exercises whereby employees are sent emails which test whether they are alert to potential phishing attacks.

Resolved: That the key messages in the Annual Information Governance update be noted.

57. Internal Audit Update

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 financial year.

It was noted that four audits had been completed since the last meeting that were appended to the report; the Budgetary Control and General Ledger had both been awarded a substantial level of assurance and Payroll and Treasury Management had both been given a satisfactory level of assurance.

In relation to the audit of two key financial systems audit that are currently in progress, accounts payable and accounts receivable, the Internal Liaison Officer, Loraine Quibell, reported that both audits should be ready to be shared with the committee for their next meeting.

The Chair also enquired as to progress on the TfWM review, which was commissioned following the report from Mazars earlier in 2023. It was noted that it was hoped that this report would be available to the next ARAC meeting in March 2024.

Resolved: That the contents of the report be noted.

58. Forward Plan

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

The Chair highlighted the importance of Grant Thornton presenting their plan for the 2024 audit as soon as possible.

Resolved: That the report be noted.

The meeting ended at 12.15 pm.

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Audit, Risk and Assurance Committee

Date	11 March 2024
Report title	Health and Safety Annual Update
Portfolio Lead	Ben Gittings Health and Safety Manager Email: Ben.Gittings@tfwm.org.uk
Accountable Chief Executive	Laura Shoaf Chief Executive Email: Laura.Shoaf@wmca.org.uk
Accountable Employee	Pete Bond Director of Integrated Transport Services Email: Pete.Bond@tfwm.org.uk
Report has been considered by	Not Applicable

Recommendation(s) for action or decision:

ARAC is recommended to:

Note the annual update on Health and Safety contained within this report.

1. Purpose

1.1. The purpose of this report is to provide a summary of principal activities relating to the promotion and management of health and safety and outcomes during the past year and outline the strategic direction for occupational health and safety within the wide-ranging remit of the West Midlands Combined Authority (WMCA).

2. Background

2.1. The financial year 2023-24 represents the first year of the current *Health and Safety Strategy 2023-26*.

2.2. As we have entered a new strategy period, an important focus of activity remains to build upon existing progress and further embed proactive systems designed to raise awareness, ensure safety, and so far as is reasonably practicable, prevent or reduce the risk of harm occurring to our staff, public, contractors, visitors and partner organisations.

2.3. The health and safety landscape has altered significantly in recent years, and it will inevitably continue to evolve as working practices and technologies change.

2.4. As we have adapted our ways of working, it has been recognised that the way we manage health and safety must also continue to evolve. With a shift from fixed workplaces and our previous operational norms, there has needed to be a renewed focus on health and wellbeing support, whilst also ensuring that high standards of occupational safety continue to be maintained.

3. Health and Safety – Key Achievements

3.1. The Health and Safety Team have continued to utilise every opportunity to implement enhancements to health and safety arrangements and management systems, ensuring standards of safety and compliance are being maintained consistently across the organisation.

3.2. The below table provides an overview of the key achievements and activities:

Key Achievements and Activities 2023-24	
✓	Review and update of Health and Safety Policy Policy statement of intent, organisation & responsibilities, and arrangements for implementation have been reviewed and updated to ensure they reflect the updated arrangements for the management, governance and reporting of Health and Safety within the organisation. Strategic Priorities set out in the policy statement of intent have been updated to ensure these align with those articulated in the <i>WMCA Health and Safety Strategy 2023-2026</i> . Sign-off by Laura Shoaf, Chief Executive in November 2023.
✓	Health and Safety Strategy 2023-2026 <i>WMCA Health and Safety Strategy 2023-2026</i> presented to Executive Board for final review and endorsement in May 2023, prior to formal launch in July 2023 (to follow the launch of the <i>WMCA People and Culture Strategy</i>). An Annual Delivery Plan is produced and communicated for each financial year the strategy covers. Progress against this plan is reported periodically to relevant Boards and Committees.
✓	Safety Management System (SMS) Review and Update The Safety Management System (SMS 01.1) has been reviewed and updated to ensure it remains aligned to the clauses of the ISO 45001:2018 standard, as well as reflecting the updated arrangements for the management, governance and reporting of health and safety within the organisation. This includes changes required to support hybrid working and programme delivery. The SMS also documents all safety provisions as required by pertinent health and safety legislation as it applies to WMCA. The suite of general arrangements and guidance documents that support the SMS are updated against a rolling schedule, with any significant changes communicated, and made available to all staff via the Health and Safety intranet.

✓	<p>Understanding the Context of the Organisation</p> <p>Context of the Organisation (SMS 01.3) has been updated to ensure a detailed understanding of the organisation and its context in the wider world, including internal and external issues relevant to the SMS. This also includes the needs and expectations of interested parties, including both internal and external stakeholders. This is an essential tool to identify the full scope of our organisational SMS and ensure it remains fit for purpose.</p>
✓	<p>Internal Review of WMCA Health and Safety Governance Arrangements</p> <p>Review of the Health and Safety governance arrangements in place for WMCA in order to assess the overall effectiveness and suitability of these, given the complexity and nature of the activities and undertakings of the organisation. Ensuring arrangements continue to provide a robust platform and effective management structure, where no ambiguity exists relevant to accountability, responsibility, assurance and delivery of Health and Safety.</p>
✓	<p>ISO 45001:2018 Occupational Health and Safety Management Systems Standard</p> <p>Successful recertification and retention of ISO 45001:2018 confirming compliance with the requirements of the standard. An internationally accepted method of assessing and auditing occupational Health and Safety management systems. Certification is valid until January 2026, based on successful demonstration that the requirements of the standard continue to be met via completion of annual surveillance audits.</p>
✓	<p>Ongoing Health and Safety Committee Structure</p> <p>The <i>Strategic Health and Safety Committee</i> and <i>Safety, Health and Environment Committee</i> have continued to provide forums to facilitate the appropriate level of challenge, allow effective escalation of issues where required, provide a further means for consultation and communication, and support delivery of strategic direction on any proposed or implemented changes.</p>
✓	<p>Programme Delivery – Health and Safety Resource and Assurance</p> <p>Continued monitoring and oversight of Health and Safety performance on Programme Delivery project activity. Work continues to seek enhancements with the respective Project Sponsors, Project Managers, and project Health and Safety contacts to ensure suitable oversight and resources are available from a ‘Client’ perspective, as defined by the <i>Construction (Design and Management) Regulations 2015</i>.</p>
✓	<p>Delivery Directorate (TfWM) – Health and Safety</p> <p>Ensuring a smooth integration into the wider WMCA Health and Safety framework for the new Delivery Directorate (TfWM), working closely with the Delivery Directorate Technical Services Unit Health and Safety function.</p>
✓	<p>Compliance Assurance of SMS for Metro Operator and Bromsgrove Rail Station</p> <p>Compliance assurance of Midland Metro Limited’s SMS with the <i>Railway and Other Guided Transport (Safety) Regulations 2006</i> in addition to all other relevant Health and Safety Legislation. This incorporated the annual audit conducted in September 2023. Similar arrangements exist for Bromsgrove Rail Station to verify compliance of the SMS against legislative requirements via an agreed operational model that identifies the specific Duty Holders and their respective responsibilities under the model for the safe operation and maintenance of the station and its infrastructure.</p>
✓	<p>Micromobility – E-Scooters / WM Cycle Hire</p> <p>Provision of Health and Safety oversight and guidance in relation to E-Scooter and WM Cycle Hire schemes. Including supporting WMCA’s formal response to the Coroner’s Regulation 28 Report to Prevent Future Deaths in relation to the fatality in December 2022 and in preparation for and following relaunch of the E-Scooter scheme in August 2023.</p>

✓	<p>Accident, Incident and Near Miss Reporting and Incident Investigation Tool</p> <p>Accident, Incident and Near Miss Reporting and Incident Investigation Tool enhancements . Since launch in February 2022, a notable improvement has been seen in the quality of the data submitted, which has facilitated improved trend analysis and the ability to share pertinent data internally with the Bus Station Management Team, Corporate Insurance and Policing and Security, etc. The importance of near miss reporting continues to be promoted, providing early warning that intervention may be required and assist in preventing future adverse events.</p>
✓	<p>Display Screen Equipment and Hybrid Working Arrangements</p> <p><i>SMS 6.0 Display Screen Equipment</i> and <i>SMS 14.0 Hybrid & Remote Working</i> updated to reflect the updated <i>Hybrid Working Policy</i> and Guidance issued by HR in October 2023. Online DSE self-assessment form also subject to review to ensure this remains suitable and sufficient and in line with the Hybrid Working Policy.</p>
✓	<p>Permit to Work Enhancements / Contractor On-Site Form</p> <p>Development of a new Permit to Work System and Contractor On-Site Form to strengthen the management of contractors working on our premises. The new system moves the existing arrangements online and includes provision for general, hot work, carriageway, confined space, and working at height (including roof access) permits. This has been supported by a written SMS procedure and appropriate training.</p>
✓	<p>Health and Safety E-Learning</p> <p>Two new courses have been launched via Learning Pool, a general health and safety training and fire safety awareness training which are available to all office-based colleagues. These courses are mandatory and sit alongside the Display Screen Equipment, Personal Safety, and Manual Handling courses which are already available. Note: Out based / frontline staff are provided with health and safety training and fire safety training applicable to their roles.</p>
✓	<p>Health and Safety Training Programme</p> <p>A wide range of training has been provided to colleagues commensurate to their roles and responsibilities including but not limited to: IOSH Leading Safely (for Executive Directors and Directors); IOSH Managing Safely; IOSH Working Safely; NEBOSH General Certificate; Asbestos Awareness; Conflict Management Training; Construction (Design and Management) 2015; First Aid; Fire Warden; Incident Investigation; Legionella Awareness; Manual Handling.</p>
✓	<p>Audit and Inspection Schedule</p> <p>Maintained high levels of safety compliance of organisational assets via undertaking proactive scheduled health and safety audits and inspections, ensuring the ongoing safety of staff, customers, and stakeholders. This has included update to the audit criteria utilised by the Health and Safety Team to ensure ongoing statutory and procedural compliance, as well as drive continual improvement.</p>
✓	<p>Internal Audit of Health and Safety</p> <p>WMCA’s Health and Safety Management System was included as part of the approved Internal Audit Plan for 2023-2024. The purpose of the review was to seek assurance that a health and safety management system is in place that aligns to ISO 45001. The audit identified several examples of good practice within the system and in the management of risk and concluding that the framework is strong, and compliance is good, with the overall conclusion based on the Internal Audit Standard Assurance Matrix, is that the system is “Effective” and an overall conclusion of “Satisfactory” assurance.</p>
✓	<p>Benchmarking – Safety Targets and Reporting Mechanisms</p> <p>Collaborated on a benchmarking exercise commissioned by Transport for London (TfL). The focus of the safety benchmarking was in relation to recording and monitoring of safety incidents; safety target setting; and forecasting and was supported by a workshop allowing two-way discussion with representatives from TfL. Anonymised findings of the wider benchmarking exercise shared with all participants.</p>

4. Health and Safety Strategy 2023-2026

4.1. The purpose of the *Health and Safety Strategy 2023-2026* is to provide a summary of principal activities relating to the promotion and management of health and safety, setting out the strategic direction for the period it covers.

4.2. The strategy has the support of the Chief Executive of the WMCA and the Executive Directors of the WMCA Executive Board who have provided formal endorsement. It has been developed by the WMCA Health and Safety Team in collaboration with key stakeholders across the organisation and has been considered and approved by various Boards and Committees across the organisation.

4.3. In developing the strategy, cognisance has been given to the importance of continuing to build in a planned, systematic way to allow for health and safety to be further integrated into all WMCA operational activities, ensuring proportionality in health and safety management, and enabling improvement through efficient and effective delivery.

4.4. In order to achieve the organisation's vision for occupational health and safety, the strategy contains our guiding principles, which underpin the delivery and approach to Health and Safety – i) Manage, ii) Influence, iii) Collaborate, iv) Innovate, v) Empower.



Manage

Policy, strategy, safety management system

Providing an effective framework to allow all directorates to fully integrate health and safety into their operational norms and practices, ensuring the organisation becomes an increasingly safer and healthier place to work.



Influence

Culture, leadership, safety perception

Engendering an effective health and safety culture through the continuous improvement of attitudes, perceptions, competences and patterns of behaviour. Ensuring health and safety is valued and visible at all levels of the organisation.



Collaborate

Knowledge sharing, consultation, stakeholder & partners

Committed to working proactively to engage with key stakeholders, partners, contractors, and suppliers to ensure co-operation and alignment of health and safety management systems where necessary.



Innovate

Enhanced processes, promotion methods and supporting systems

Ensuring an ambitious approach towards continual improvement be pursued, utilising innovative, efficient and effective delivery of health and safety management, maximising our potential to affect positive change.



Empower

Ownership, competence, confidence

Encouraging ownership of health and safety at every level of the organisation, ensuring staff are provided with the relevant competencies and have the confidence to use this knowledge effectively.

4.5. These principles support six distinct strategic priorities, taking into consideration our wider organisational values: *Collaborative, Driven, Inclusive, Innovative*.



Ownership & Community

Aim: We will create and support a diverse, knowledgeable and empowered organisation where health and safety is visible and valued, where we work in collaboration to deliver our shared aims and objectives.



Holistic Management

Aim: We will ensure effective and proportional systems for the management of health and safety are incorporated throughout all operations of the WMCA. We will provide management systems that are accessible, innovative, and holistic.



Specialisms

Aim: We will embed pragmatic health and safety solutions that empower those delivering the wide-ranging remit of the WMCA, while ensuring a safe and healthy environment for all, cognisant of the specific risk factors for each directorate / business area.



Communication

Aim: We will communicate appropriately with the staff and stakeholders, ensuring we are accessible, fair and impartial. We will understand the importance of having clear, simple and transparent communication.



Knowledge

Aim: We will ensure we have a trained and knowledgeable staff. Valuing knowledge and seeking to engage with others to enhance our methods, we will seek out and celebrate the presence of positive practices and behaviours.



Assurance

Aim: We will monitor and learn from our performance, always seeking to improve practices to ensure the safety and health of our activities and undertakings. We will review and continually evolve our systems and practices.

4.6. The strategy is supported for each of the three years that it covers, by an Annual Delivery Plan which provides further detail on how we will deliver against our strategic priorities, goals and objectives.

4.7. Progress against the delivery plan is reported quarterly to the *Strategic Health and Safety Committee* and the *Safety, Health and Environment Committee*. Updates in relation to specific deliverables are also included as part of monthly Health and Safety reporting, which is presented to several Boards.

4.8. Should any significant new or emerging risks be identified, there is scope for these to be added to the delivery plan as necessary, and which will then be subject to the appropriate mitigation measures to eliminate or reduce the risk, so far as is reasonably practicable.

5. Summary of Current Position and Future Areas of Focus

5.1. There are not currently any specific areas of concern or particular items for urgent improvement, however it will be critical that all departments fully integrate health and safety into their operational norms and practices, ensuring the organisation becomes an increasingly safer and healthier place to work.

5.2. The effective implementation of the strategy and associated delivery plan objectives will be essential to ensure the continued integration of positive occupational health and safety management practices into all aspects of the organisation's activities and undertakings.

5.3. The Health and Safety Team has a pivotal role to play in the monitoring and assurance of the strategy and associated annual delivery plan(s) and will work closely with all areas of the organisation, trade unions, partners and stakeholders to promote ownership of health and safety and empower managers and others to actively manage health and safety with the same degree of expertise to the standards of other core business activities.

5.4. The following tables set out the Areas of Focus and Success Measures which have been identified for each of the Strategic Priorities described in section 4 of this report:

i. Ownership and Community 	
Areas of focus	
<ul style="list-style-type: none"> ▪ Leadership - empower and support our leaders and managers at all levels, ensuring their health and safety responsibilities are understood. ▪ Community - build and support an engaged workforce, harnessing their knowledge and experience to deliver improved health and safety outcomes. ▪ Culture - build a positive health and safety culture through the delivery of an ongoing campaign aligned to the principles of 'Safety Differently'. ▪ Stakeholders - ensure stakeholders, partners, suppliers and contractors are aware of our health and safety principles and priorities and share in our commitment. 	
Success Criteria	
<ul style="list-style-type: none"> ▪ Leadership are able to discharge their legal duties and demonstrate a sufficient level of competence to plan, manage, monitor and continuously improve health and safety performance within their respective areas of responsibility. ▪ All parties play their part to support a proactive, robust health and safety management system which meets legal obligations and reduces risk to those affected by our activities. ▪ Staff at all levels of the organisation clearly understand their roles and responsibilities and accept ownership and accountability for health and safety matters. ▪ Leaders and Managers proactively engage in Visible Felt Leadership (VFL) activities. ▪ Evidence of a good culture and engaged community, where health and safety is visible and valued. ▪ Stakeholders, partners, suppliers and contractors are aware of and adhere to WMCA health and safety policies. 	

ii. Holistic Management



Areas of focus

- **Policy** - ensure policy is accessible and up to date, reflecting the organisational structure to enable good health and safety practice.
- **Safety Management System** - seamless and consistent integration of the safety management system throughout the organisation.
- **Risk Management** - ensure risk profiling, risk assessment and holistic risk management.
- **Wellbeing** - maximise the benefit to both colleagues and the organisation through greater alignment of the 'Health and Safety' and 'Wellbeing' strategies.
- **Supporting Systems** - ensure appropriate supporting systems which provide, management, oversight and assurance are available.

Success Criteria

- Policy is appropriately communicated and clearly articulates the statement of intent, roles and responsibilities, and arrangements for implementation.
- Consistent standard of health and safety management thoroughly embedded, applied and evident throughout all areas of the organisation.
- Appropriate resources are provided to allow for the effective management of health and safety.
- Effective and integrated risk management processes are evident.
- Links between Health and Safety *and* Wellbeing established and utilised effectively.
- Suitable supporting systems in place for incident reporting, investigation, audit and inspection, and the management of specific risks.

iii. Specialisms



Areas of focus

- **Specialist Support** - provision of specialist health and safety advice and support, with appropriate and proportional controls and risk management.
- **Programme Delivery** - ensure suitable health and safety arrangements exist for the management of programme delivery activity across the organisation.
- **Metro & Bromsgrove Rail Station** - ensure compliance with the requirements of the *Railways and Other Guided Transport Systems (Safety) Regulations 2006*, working in collaboration with the Owner's Representative / Operator (Metro) and Station Operator (Bromsgrove Rail Station).
- **Fire & Emergency** - ensure suitable and sufficient fire and emergency arrangements are in place across all premises.
- **Health Risks** - recognise and reduce health risks, with the aim of limiting ill-health in the workplace. Ensure positive and constructive links with EDI & Wellbeing Team and Occupational Health provider.

Success Criteria

- Competent advice is provided by the Health and Safety Team and/or specialist Health and Safety resource (as appropriate).
- Safety management system appropriately documents and provides guidance for specialist health and safety hazards.
- Risk registers are in place and recognise specialist health and safety hazards.
- Proportional controls are implemented and monitored ensuring appropriate management of high-risk activities.
- Robust arrangements for fire and emergency in place, communicated and tested at appropriate frequencies to verify their continued effectiveness.
- Health, both physical and mental, is considered when assessing risk and appropriate mitigation measures are in implemented.

iv. Communication and Transparency



Areas of focus

- **Communication Plan** - ensure a suitable Communication Plan is produced to support the delivery of the Health and Safety Strategy.
- **Committees** - ensure effective and transparent committees that are representative of our entire organisation.
- **Resources** - ensure an accessible and simple repository for health and safety information.
- **Promotion** - support a positive culture through the promotion of health and safety via existing communication methods and new innovative methods.
- **Branding** - develop and introduce a suitable 'brand' for health and safety within the WMCA.

Success Criteria

- Communication Plan introduced, with all communication activity achieving at least one of the key elements that will support the maintenance of a positive culture - *Educate, Embed, Engage*.
- Staff feel engaged on health and safety matters and have access to the information they require to promote and practice good health and safety practices.
- Committees operate effectively as per agreed Terms of Reference, providing suitable forums for the development of strategic direction and communication & consultation.
- Health and Safety intranet site is easy to use and navigate, providing staff with the information they require in accessible language.
- Improved methods for health and safety promotion and awareness, utilising existing methods as well as new platforms to ensure effective communication.
- Suitable 'brand' which is aligned to '*Safety Differently*' developed and implemented which is promoted and recognised across the organisation.

v. Knowledge



Areas of focus

- **Training** - training for both general and specific topics is provided to those who need it, ensure that people have the right knowledge and skills to do their job safely.
- **Responsibilities** - health and safety responsibilities are clearly defined and understood by all.
- **Competence** - competence is ensured and checked in a proportional manner.
- **Behaviours** - ensure the organisation supports and embeds good practices and behaviours.
- **Induction** - induction training is provided to staff, contractors and visitors (as appropriate).
- **Networking** - strengthen relationships with stakeholders and partners to facilitate sharing of best practice, knowledge and learning.

Success Criteria

- Health and Safety training opportunities which are accessible to all staff and ensure appropriate levels of competency.
- Staff at all levels of the organisation have been provided training that gives them the knowledge and skills needed, ensuring they are aware of and understand their responsibilities.
- The organisation continually evaluates and refreshes the knowledge of staff, ensuring ongoing competence.
- Positive practices and behaviours are celebrated, further enhancing a good culture.
- Staff, contractors and visitors (as appropriate) are provided with a suitable level of information as part of induction process.
- Strong links and effective network developed with other health and safety professionals to allow for active engagement, sharing of best practice, and benchmarking with other organisations.



Areas of focus

- **Governance** - ensure governance and reporting arrangements remain appropriate to the organisation's undertakings.
- **Reporting** - ensure comprehensive periodic reporting of health and safety performance, including provision of suitable dashboards. Ensure appropriate measures for exception reporting.
- **Audit and Inspection** - ensure a routine audit and inspection programme is implemented and completed against set schedule.
- **Action Tracking** - ensure suitable action tracking and timely completion, ensuring responsible managers are held to account.
- **Benchmarking** - identify and develop suitable mechanisms for benchmarking and performance review.
- **External Certification** - ensure continued accreditation to ISO 45001:2018 standard for occupational health and safety management systems. Undertake preparatory work for accreditation to ISO 45003:2021 standard.

Success Measures

- Health and Safety governance and reporting arrangements reviewed and updated to ensure they remain appropriate to the organisation's undertakings.
- Health and Safety reports and dashboards reviewed and updated to ensure they provide optimal information to recipients in a clear and concise format
- Audits and Inspection Programme of organisational premises, assets and undertakings completed against set schedule.
- Actions identified recorded on action tracker and actioned by responsible person within target completion date. Performance monitored and reported on.
- Suitable mechanisms for performance review and benchmarking in place, which seek to bring out key learning and opportunities for improvement.
- External assessment of organisation by awarding body with continued certification to the ISO 45001:2018 standard.

5.5. Introduction of an ongoing programme of *SMS Compliance Reviews* is to commence in April 2024 and will assist in ensuring that the safety management system is effectively embedded and consistently applied across the organisation, as well as identify areas for improvement and provide a benchmark for year-on-year comparison or comparison between directorates.

5.6. As part of the wider *WMCA People and Culture Strategy*, we must engender a sustainable organisational culture where all employees actively participate in, and support the advancement of, our shared aims and objectives in relation to health and safety.

5.7. Following the decision by Executive Board in October 2023 that the launch of the *Visible Felt Leadership (VFL) Programme* should be delayed, to allow for it to be introduced at a more appropriate time within the wider organisational leadership, people and culture activity, a suitable launch date will now be identified. This programme will be essential for engaging and motivating employees, whilst demonstrating commitment and support to overall health, safety and wellbeing management.

5.8 The Health and Safety Team will continue to work closely with the Equalities, Diversity and Wellbeing Team, with a key objective to undertake an initial assessment and complete the necessary preparatory work prior to attaining ISO 45003:2021 accreditation during 2023. This standard covers psychological health and safety at work and the management of psychosocial risks.

5.9. Robust arrangements will continue to be maintained in relation to management of contractors, ensuring the organisation discharges its 'Client' duties as defined by the *Construction (Design and Management) Regulations 2015*, and that projects are set up so that they are carried out from start to finish in a way that adequately controls the risks to the health and safety of those who may be affected. This includes but is not limited to selection of competent duty holders; ensuring appropriate management arrangements – planning, managing, monitoring; and completion of suitable handover arrangements.

5.10. Recertification to the ISO 45001:2018 standard was confirmed in November 2022 and has been maintained through the successful completion of annual surveillance visits. This certification is essential to externally verify our continued high levels of performance in relation to the management of occupational health and safety. It is intended that this will be complemented by attaining ISO 45003:2021 accreditation, bringing a greater focus on psychological health and safety at work.

5.11. It will be vital that suitable internal and external methods for lessons learnt and benchmarking are in place, which seek to bring out the key learning, opportunities, and next steps in relation to our Health and Safety performance. This follows the successful benchmarking exercise undertaken with transport partners in relation to safety targets and reporting mechanisms.

5.12. The Health and Safety Team has continued to support the wide-range of activities for which the organisation has a remit and promote the benefits of proportionate health and safety management as a positive instrument to ensure statutory compliance and organisational success rather than a burden to progress.

6. Financial Implications

6.1. There are no specific financial implications arising from this report, however as the remit and responsibilities of the WMCA evolve additional resources and budgetary allocation may be required to ensure effective delivery of the aims and objective set out within the Health and Safety Policy and associated Strategy.

7. Legal Implications

7.1. Although there are no current legal implications, cognisance should be given to all applicable Health and Safety legislation that places duties upon the organisation.

8. Single Assurance Framework (SAF) Implications

8.1 There are no specific SAF implications arising from this report

9. Equalities Implications

9.1. There are no specific equalities implications arising from this report. However, it can be confirmed that any changes implemented have been or will be subject to *Health and Equalities Impact Assessment*.

11. Inclusive Growth Implications

11.1. There are no inclusive growth implications arising from this report.

12. Geographical Area of Report's Implications

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

13. Other Implications

13.1. There are no other implications arising from this report.

14. Schedule of Background Papers

14.1. Not applicable



Audit, Risk & Assurance Committee

Date	11 March 2024
Report title	Single Assurance Framework (SAF) Assurance Performance Report – October to December 2023 (Q3)
Accountable WMCA Director	Linda Horne – Executive Director of Finance & Business Hub
Accountable Employee	Joti Sharma – Head of Programme Assurance & Appraisal
Report has been considered by	

Recommendation(s) for action or decision:

Read this report and note its contents for information. The report provides reassurance that the WMCA continues to support embedding the Single Assurance Framework (SAF) arrangements at WMCA (this is to support increase in project management capability within the organisation).

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

This report follows on from the Single Assurance Framework (SAF) update shared with Audit, Risk & Assurance Committee (ARAC) in September 2023. ARAC had requested that Programme Assurance & Appraisal Team present assurance thematic performance information on a quarterly basis. The report focuses on Programme Assurance and Appraisal Team activity from October to December 2023 (Q3 2023).

1. Purpose

This report details thematic programme assurance information from WMCA projects that have been assured through the Single Assurance Framework (SAF) – this applies to projects funded through devolved investment funds only. This report will help demonstrate progress being made by projects and WMCA directorates transitioning to new SAF assurance and governance arrangements.

2. Background

Single Assurance Framework (SAF) Implementation Progress

2.1 As reported to ARAC previously, the WMCA SAF has been implemented across all WMCA directorates and the SAF Framework document has been updated to reflect national guidance and

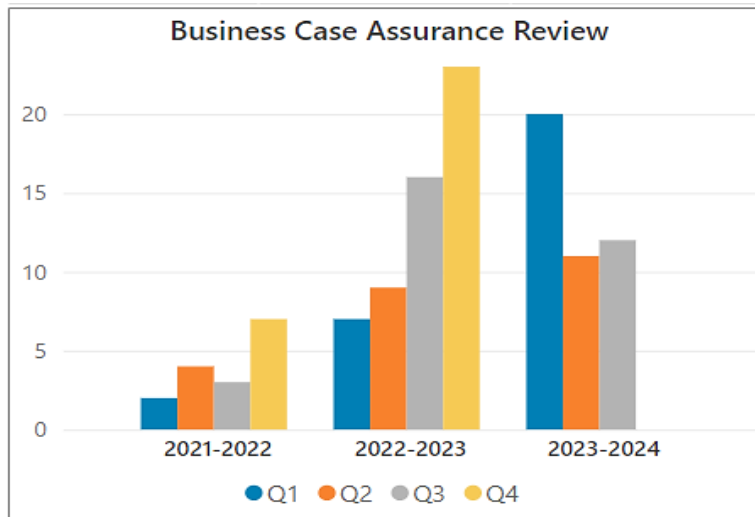
approved by WMCA Board accordingly to meet annual refresh expectations. This was to mitigate the risk of non-compliance to mandatory devolution commitments. If this risk was to materialise it would be a WMCA Strategic risk that could potentially impact our reputation with central government and secure future additional money to deliver major projects. The SAF is a risk mitigation tool designed to protect public funding and increase confidence that project outcomes can be achieved through approving use of investment grant funding.

2.2 The table below summarises Programme Assurance and Appraisal Team activity between January 2023 - December 2023 It demonstrates engagement across all WMCA Directorates and an overall increase in activity over time.

REPORTING PERIOD	DIRECTORATE/ EXTERNAL ORG.	Business Case Assessment (BCAT)	Health Check	Risk & Investment Appraisal	Change Requests
Jan – Mar 2023 (Q4)	TfWM	13	0	9	1
	Strategy, Innovation & Net Zero (SINZ)	5	0	3	0
	Economy, Skills & Communities	4	0	4	6
	Housing, Property & Regeneration	1	0	1	0
	Investment Programme	1	0	0	0
2022 Q4 TOTAL		24	0	17	7
Apr – Jun 2023 (Q1)	TfWM	5	1	7	10
	Strategy, Innovation & Net Zero (SINZ)	4	1	6	0
	Economy, Skills & Communities	10	0	10	0
	Housing, Property & Regeneration	1	0	1	0
	Investment Programme	0	0	0	1
2023 Q1 TOTAL		20	2	24	11
July – Sept 2023 (Q2)	TfWM	4	0	4	3
	Strategy, Innovation & Net Zero (SINZ)	3	0	2	2
	Economy, Skills & Communities	2	0	2	1
	Housing, Property & Regeneration	2	0	3	0
	Investment Programme	0	0	0	1
2023 Q2 TOTAL		11	0	11	7
Oct – Dec 2023 (Q3)	TfWM	6	1	6	10
	Strategy, Innovation & Net Zero (SINZ)	3	0	4	0
	Economy, Skills & Communities	1	1	0	2
	Housing, Property & Regeneration	1	0	1	2
	Investment Programme	1	0	1	2
2023 Q3 TOTAL		12	2	12	16

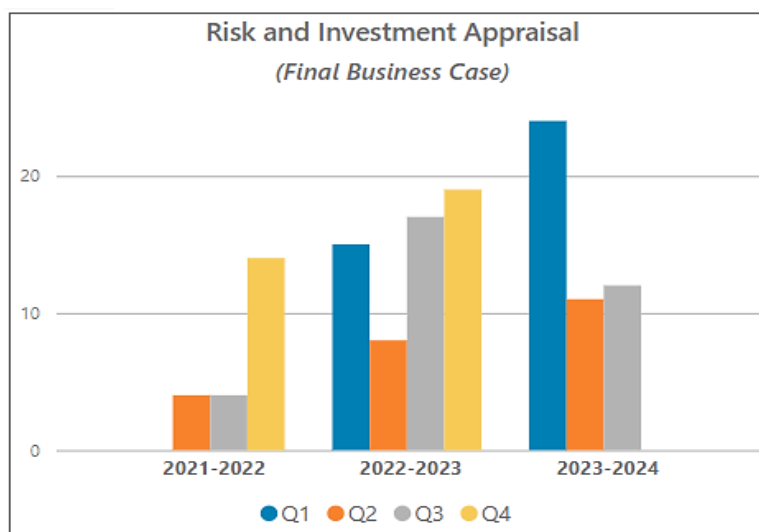
High Level SAF Trend Observations

2.3 The number of Business Case Assurance Reviews (BCATs) completed in this reporting period (Q3) increased by **9%** compared to the previous quarter. In addition, the total number of assurance reviews completed for the year to date (43) is higher than for the same period last year (32).

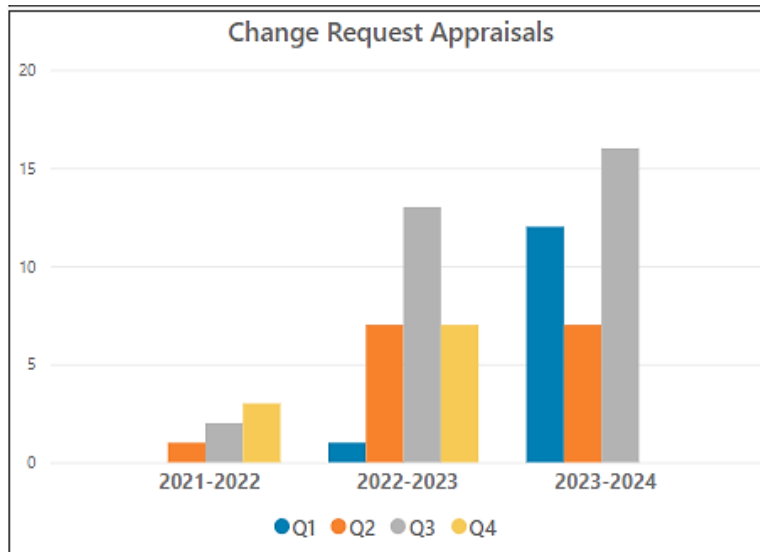


2.4 Assurance reviews of draft business cases, and the subsequent improvement activity undertaken by project leads, continues to drive improvements to the maturity of business cases and helps to drive organisation-wide improvements to processes and controls. Any improvement recommendations not addressed by project leads following assurance reviews forms part of the Programme Risk & Investment Appraisal assessment of ongoing project/programme risks.

2.5 The number of Risk & Investment Appraisals undertaken by the team increased by **9%** in this quarter. However, there is a decrease in comparison to the same quarter last year (by **29%**). However, to note, the overall activity for the year to date is higher than last year. In Q3 last year, a new programme was initiated which led to an increase of appraisal activity a year ago.



2.6 The number of Change Requests undergoing formal independent Risk & Investment Appraisal increased by **129%** in this quarter and an increase by **23%** compared to the same period in the last financial year. Factors explaining this relate to increased understanding in Delivery Directorates for SAF Change Controls process. The analysis for change requests being initiated is detailed in section 6.

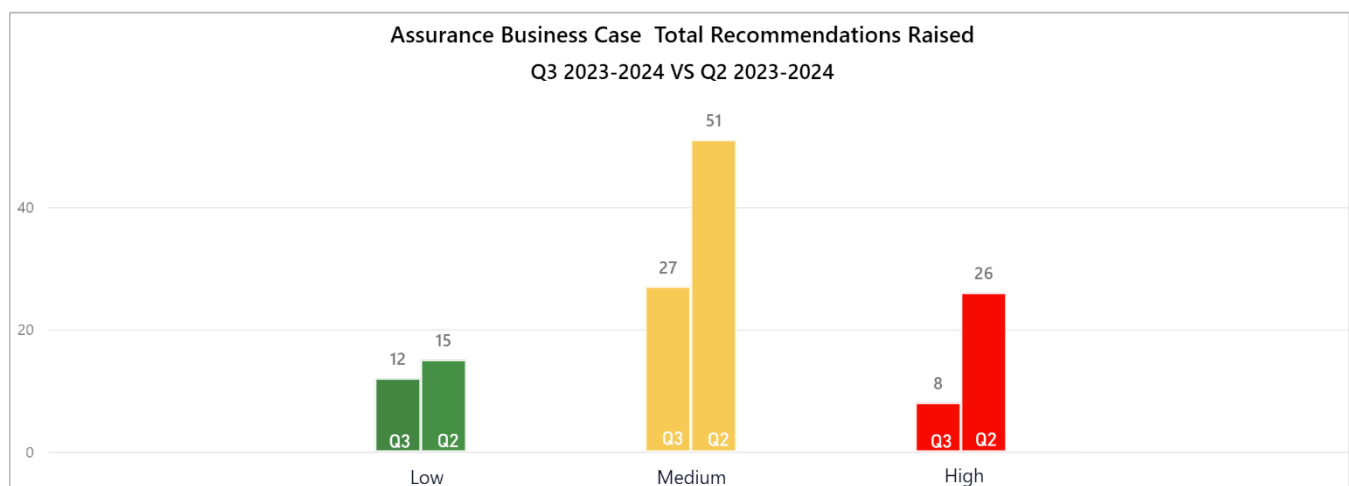


Assurance Performance Analytical Insights Q3 (Oct – Dec 2023)

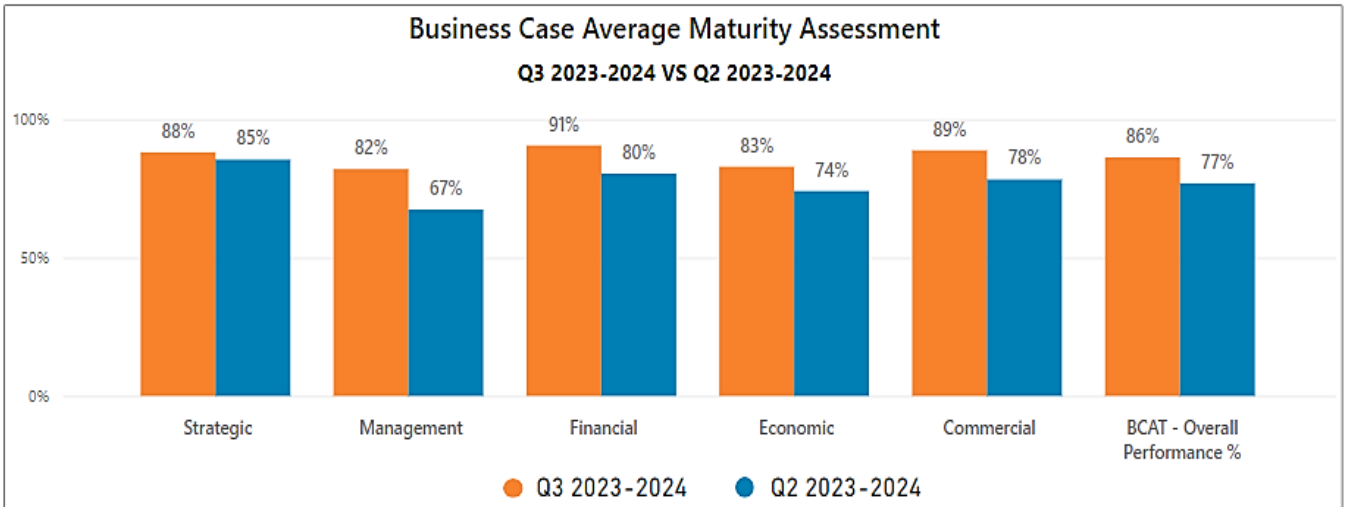
3. Business Case Maturity Assurance Reviews (BCAT)

3.1 12 Business case maturity assessments were undertaken in the reporting period, three of these were joint Assurance and Appraisal assessments, undertaken on low risk/low value business cases to provide a proportionate approach and meet SAF requirements. A total of eight high priority recommendations were raised.

3.2 The following graph provides a comparison of total recommendations raised for the current and previous quarters (Q3 vs Q2) following business case reviews. There were fewer recommendations raised overall in Q3 (as there were fewer business case reviews undertaken) and encouragingly fewer high priority recommendations raised in Q3 overall. Greater focus is given to ensure high priority recommendations are completed before a final business case is presented for Appraisal/approval or, at the very least, there is a plan to address these.



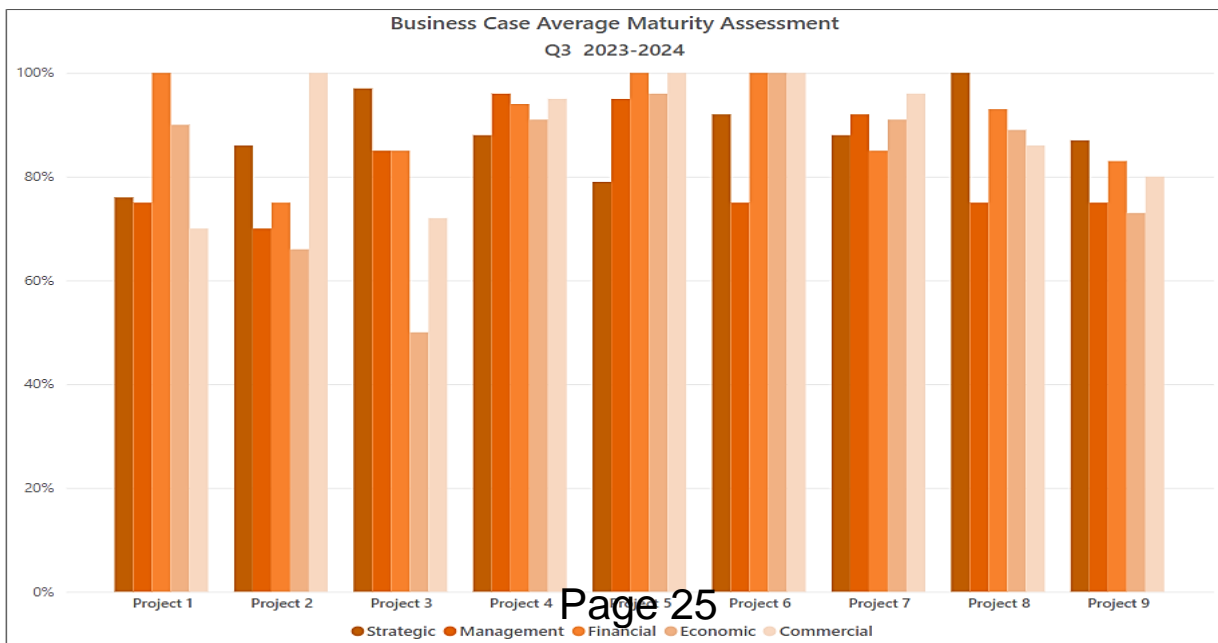
3.3 The following chart compares business case maturity across each of the five dimensions for the current and previous quarters (Q3 vs Q2). It demonstrates an increase in maturity of draft business cases during Q3 (October – December).

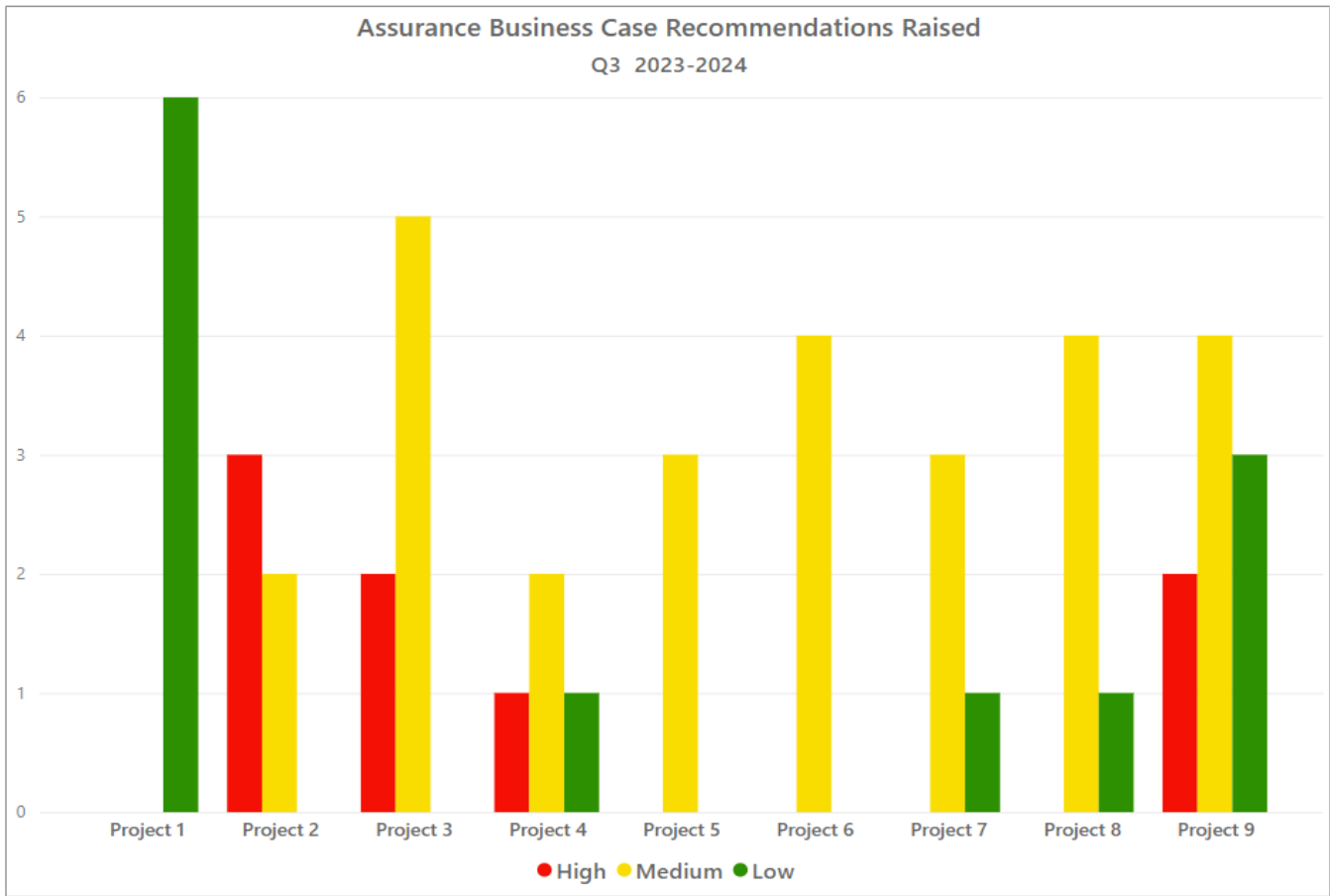


3.4 The following chart provides a detailed overview of business case maturity by project against the 5 dimensions stipulated in HMT Green Book 5 Case Model:

3.5 Whilst it is difficult to determine an overall trend in the data above, the graph demonstrates that maturity levels can vary significantly across each business case assessed. The Programme Assurance & Appraisal team continue to work with delivery Directorates, external delivery partners and enabling services subject matter experts to drive improvements to business case maturity and overall capability and understanding of HM Treasury Green Book requirements.

3.6 The graph below provides a detailed overview, by project, of the number and priority of recommendations raised following Assurance reviews during Q3. As a reminder, recommendations are raised on draft business cases submitted to the Programme Assurance and Appraisal Team and it is expected that these will be addressed prior to the business case progressing to Risk & Investment Appraisal and Approval. Any recommendations that haven't been addressed prior to approval will be highlighted as a risk to inform the decision-making process.





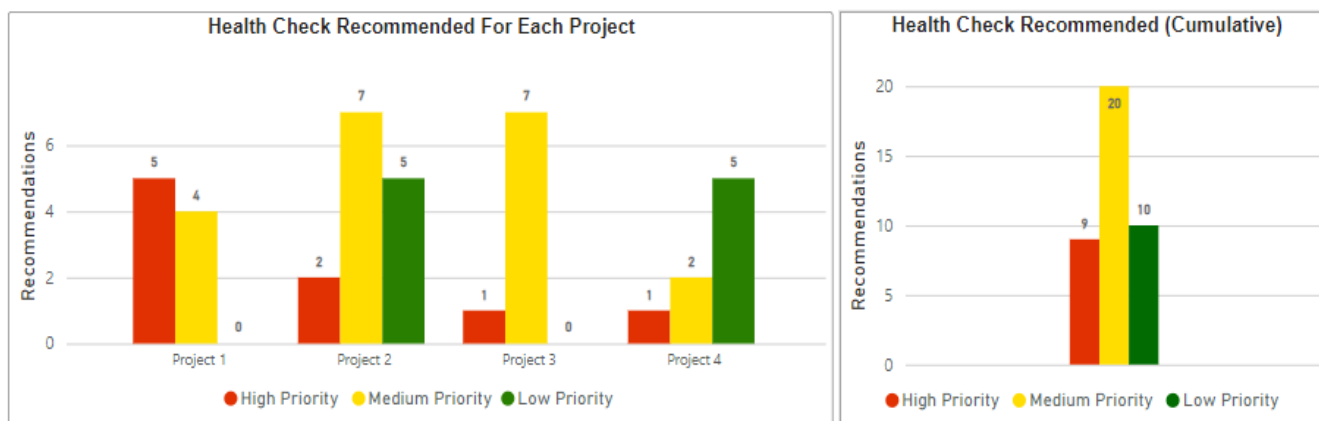
4. Project & Programme Health Check Reviews

4.1 A total of 4 Programme/Project Health Checks have been completed to date, two in Q1 and two in Q3. Health Checks are objective, evidence-based reviews testing the effectiveness of project and programme controls across 11 categories. A summary of all Health Checks completed during the year is detailed in the table below, together with RAG rating assessments for each of the eleven categories reviewed.

4.2 The data collated to date demonstrates Social Responsibility & Sustainability and Solution categories are the areas where practice consistently excels, and Organisation Capability & Culture and Performance are the categories that require the most improvement activity.

RAG Rating												
Project	Client & Scope	Finance	Governance	Organisation Capability & Culture	Performance	Planning & Scheduling	Risks	Social Responsibility & Sustainability	Solution	Stakeholder Engagement & Communication	Supply Chain	Overall Rating
Project 1	Green/Amber	Green/Amber	Green/Amber	Amber	Amber	Amber	Amber	Green	Green	Amber	Amber	Amber
Project 2	Green/Amber	Green/Amber	Green	Amber	Red	Green/Amber	Green/Amber	Green	Green	Green/Amber	Green	Amber
Project 3	Green/Amber	Green	Green/Amber	Amber/Red	Green/Amber	Amber	Green/Amber	Green	Green	Green/Amber		Green/Amber
Project 4	Green/Amber	Green	Green/Amber	Green/Amber	Green/Amber	Green	Amber	Green	Green	Green	Green	Green/Amber

4.3 The tables below provide a summary of the recommendations raised as part of the Health Check process. Programme Assurance leads will follow-up with Project/Programme representatives to review progress made with recommendations and agree any subsequent improvement activity.



5. Risk & Investment Appraisal Reviews

5.1 A total of 12 Risk & Investment Appraisals were completed by the Appraisal team during the period, in comparison to the 11 undertaken in the last reporting period. A summary of these is detailed in the table below:

Funding Source	Business Cases Appraised
Brownfield Housing Fund	1
City Region Sustainable Transport Settlement (CRSTS)	5*
Commonwealth Games Legacy Fund (DCMS)	1
Innovate UK	2
Investment Programme	1
Transport for West Midlands	2*
DSIT	1
Total	12

(* Business Case contains funding from two sources)

5.2 The majority of business cases received during this period were <£5m with approval delegated to Executive Director or Designated Sign Off Level. The Appraisal team continue to recommend most business cases for approval, though with conditions to address weaknesses where this is felt appropriate. The appraisal team felt that adequate planning and risk mitigations were in place to provide confidence to commence project delivery. The most common causes of risks being identified are:

- Weak programme-level management arrangements identified within business cases including programme oversight, reporting and monitoring Limited knowledge and skills within WMCA to produce effective economic appraisals including but not limited to BCR, NPV and NPSV calculations.
- A requirement to strengthen monitoring and evaluation planning during business case development, as such business case templates have been updated to reflect requirements of HMT Magenta Book and WMCA Performance Framework
- An increase in economic and financial risks as a result of the external climate and BCC issuing a S141 as such WMCA seek additional financial assurance for projects delivered by BCC specifically.

6. Change Request Reviews

6.1 A total of 16 Change Requests appraisals were processed by the Programme Risk & Investment Appraisal team during the period. The change trends include time extensions because of the City Region Sustainable Transport Settlement (CRSTS) re-basing activity, 'opportunity' changes where

additional government funding has been identified to increase scope of existing projects and time extensions for the Investment Programme as a result of re-basing. A summary of these changes is detailed in the table below:

Funding Source	No. Change Requests Appraised
City Region Sustainable Transport Settlement (CRSTS)	7
Department for Education	1
Investment Programme	2
TCF/ATF	2
Other	4
Change Request Type	No. Change Requests by type (note, some changes fall into multiple change types)
Scope (Objective Changes)	11
Value (Cost)	12
Schedule (Time)	8
Change Request Root Cause	No. Change Requests by type (note, some changes fall into multiple root causes)
Governance	1
Economic	3
Financial	3
Opportunity	8
Operations	2
Delivery	8

Change Requests Appraised		Time	Cost	Scope
Q4 – Jan – March 2023	9	5	5	3
Q1 – April – June 2023	11	8	0	3
Q2 – July – Sept 2023	7	2	4	6
Q3 – Oct- Dec 2023	16	11	12	8

7. Assurance Performance Trends & Themes Identified October to December 2023

Key emerging assurance themes emerging from this reporting period are:

- a. Referring to tables presented in 2.2 to 2.6 demonstrates a positive trend that the number of business case assurance reviews, health checks, programme risk & appraisal reviews and change requests have all increased significantly since SAF Transition across all devolved Investment funds.
- b. There was steady activity in all areas of assurance & appraisal activity which is encouraging. There was a sharper increase in Change Requests raised in this period. Some of this is expected as generally speaking Q3 usually sees re-baselining from a financial perspective. However, reassuringly not all the changes were driven by variances in cost overruns. Section 6 describes causes for raising Change Requests which also detailed opportunity change requests where WMCA was awarded additional funding for existing projects to deliver greater outcomes.
- c. Encouragingly as detailed in chart 3.6, the number of red assurance recommendations on the draft business cases is less in comparison to amber and green rated recommendations. Most of the assurance reviews did not raise any red recommendations.
- d. The programme assurance insights shared in this report are being split by Directorate are also being shared with Delivery Teams by Programme Assurance & Appraisal team on at least a quarterly basis. These meetings will focus on good practice and areas for improvement.
- e. To note, Single Assurance Framework 2024 update (SAF) which was endorsed by WMCA ARAC has now been approved by DHLUC.

8. Executive Board Support

- 5.1 The SAF Implementation project's SRO is the Director of Finance. The Executive receive monthly progress reports of the SAF Implementation project via the Executive Director of Finance.

9. Financial Implications

No implications.

10. Legal Implications

No implications.

11. Equalities Implications

No implications.

12. Inclusive Growth Implications

No implications.

13. Geographical Area of Report's Implications

All areas.

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Audit, Risk and Assurance Committee

Date	11 March 2024
Report title	Internal Audit Update
Accountable Chief Executive	Laura Shoaf, Chief Executive Email: Laura.Shoaf@WMCA.org.uk
Accountable Employee	Helen Edwards, Director of Law and Governance Email: Helen.Edwards@WMCA.org.uk
Report has been considered by	N/A

Recommendation(s) for action or decision:

1. The Audit, Risk and Assurance Committee is recommended to:

1.1 Note the contents of the latest Internal Audit Update Report.

2. Purpose

2.1 The purpose of this report is to present the Committee with an update on the work completed by internal audit so far, this financial year.

3. Background

3.1 In accordance with the agreed work programme for internal audit, the reports provide an independent and objective opinion on the Combined Authority's effectiveness in managing their risk management, governance, and control environment.

3.2 The reports will feed into the 23/24 Annual Internal Audit Report that will be prepared at the end of the financial year. The Annual Report will provide an overall audit opinion on the adequacy and effectiveness of the governance, risk management and internal control processes, however,

to accommodate the requirements of reporting a draft Annual Governance Statement to this committee, a provisional audit opinion has been provided at this time and is presented in section 7 of the attached report.

4.0 Wider WMCA Implications

4.1 There are no implications

5.0 Financial implications

5.1 There are no direct financial implications as a result of this report.

6.0 Legal implications

6.1 This report will provide the Audit, Risk and Assurance Committee with assurance that it is fulfilling its functions as set out in Schedule 5A to the Local Democracy, Economic Development and Construction Act 2009.

7.0 Equalities implications

7.1 There are no implications

8.0 Other implications

8.1 Not applicable

9.0 Schedule of background papers

9.1 None

10.0 Appendices

Appendix 1 – Accounts Payable audit report
Appendix 2 – Accounts Receivable audit report
Appendix 3 – National Fraud Initiative audit report



West Midlands Combined Authority

Internal Audit Update Report – 11 March 2024

1 Introduction

The purpose of this report is to bring the Audit, Risk and Assurance Committee up to date with the progress made against completing delivery of the 2023/24 internal audit plan.

The Audit, Risk and Assurance Committee has a responsibility to review the effectiveness of the system of internal controls and to monitor arrangements in place relating to corporate governance and risk management arrangements. Internal audit is an assurance function which provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control, and governance.

This update provides the committee with information on recent audit work that has been carried out to assist them in discharging their responsibility by giving the necessary assurances on the system of internal control.

Where appropriate each report issued during the year is given an overall opinion based on the following criteria:

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 is 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 exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

2 Summary of progress

The following internal audit reviews have been completed or are in progress.

Auditable area	ANA ¹ Rating	Level of assurance obtained
Internal Audit Reviews previously reported		
Adult Education Budget	High	Satisfactory
External Funding Arrangements	High	Satisfactory
Gifts and Hospitality arrangements	High	Limited
Health & Safety	Medium	Satisfactory
KFS – Budgetary Control	High	Substantial

¹ Audit Needs Assessment rating

Auditable area	ANA ¹ Rating	Level of assurance obtained
KFS – General Ledger	High	Substantial
KFS - Payroll	High	Satisfactory
KFS – Treasury Management	High	Satisfactory
Audit Reviews completed this period		
TfWM review	n/a	Please see separate report
KFS - Accounts Payable	High	Satisfactory
KFS – Accounts Receivable	High	Satisfactory
National Fraud Initiative	Medium	Satisfactory
Audits in progress		Status
Adult Education Budget – Procurement	High	In progress
Contract Management	High	In progress
Monitoring & Evaluation	High	In progress
Swift	High	In progress
Business Continuity	Medium	In progress
Operator Charging	Medium	Scoping of audit
UK shared prosperity fund	Medium	Scoping of audit
Energy efficiency retrofit	Medium	Scoping of audit

3. *Audits completed this period*

Key Financial Systems

A review of the WMCA’s key financial systems has been completed as part of the 2023/24 internal audit plan, with the objective being to provide assurance that adequate controls are in place for the administration of key financial systems, and these are operating in accordance with the Financial Regulations and documented procedures.

Budgetary Control, General Ledger, Payroll and Treasury Management were completed and reported to ARAC at its meeting on 30th January 2024. Accounts Payable and Accounts receivable are now reported following their conclusion with both audits being awarded a Satisfactory audit rating.

A summary of the audit outcomes of each of the systems reviewed as part of the Key Financial systems audit is provided below.

System	22/23 audit rating	23/24 audit rating	Recommendations		
			Red	Amber	Green
Accounts Payable	Satisfactory	Satisfactory	1	-	-
Accounts Receivable	Substantial	Satisfactory	-	5	-
Budgetary Control	Substantial	Substantial	-	-	-
General Ledger	Substantial	Substantial	-	-	-
Payroll	Satisfactory	Satisfactory	-	3	1
Treasury Management	Substantial	Satisfactory	-	1	1

Recommendations identified in the Accounts Payable and Accounts Receivable audit reports include:

- Authorisation of transactions to be monitored against the limits set out in the Scheme of Delegations
- Procedure notes to be developed for the raising of invoices, credit notes and debt recovery.
- Development of a Debt Recovery Policy.
- A review of the KPI and monthly Controls Information Report.
- Financial Regulations documentation to be updated on the WMCA intranet site.
- Old carried forward debts to be assessed for recovery or write off.

Full details are contained within the audit reports, attached as appendix 1 and 2.

National Fraud Initiative

A review of delivery of the National Fraud Initiative (NFI) exercise has been completed as part of the 23/24 internal audit plan with the scope of the audit being to 'review WMCA's processes to ensure it meets all obligations of the 22/23 NFI exercise including the response to identified data matches'.

The outcome of the review concluded that Satisfactory arrangements are in place, with one amber and 2 green recommendations being identified for action by the department. These included:

- Formal governance arrangements to be established in the form of an NFI policy.
- The reporting of NFI outcomes to management and ARAC to be considered.
- Investigation and resolution of the remaining matches to be completed.

Further details are provided in the full report, provided as Appendix 3.

4 Unplanned audit activity

The team carried out two external grant certifications during this period to fulfil the requirement for periodic "Independent Reasonable Assurance Reports ("Accountant's Report")", as required by the external funding body. Both programmes were funded by Innovate UK, and on completion, Internal Audit was able to provide assurance that all funding had been utilised in accordance with the funding terms and conditions.

5 Follow-up of previous recommendations

Progress of audit actions resulting from previously reported audits are detailed in the table below.

Progress Monitoring Update							
Auditable area	Overall Opinion	Report Issue Date	Action Date	Agreed Actions			Number Completed*
				Red	Amber	Green	
Longbridge Park and Ride Income Management and Charging Arrangements	Limited	30/03/22	30/11/22	1	2	-	3
ICT Strategy	Satisfactory	29/03/22	31/08/22	-	1	3	4
Dudley Interchange	Satisfactory	13/05/22	31/07/22	-	3	-	3
Affordable Housing Delivery Vehicle	Satisfactory	20/06/22	30/09/23	-	1	-	1
MML	n/a	22/06/22	31/12/22	-	1	-	1
WM2041	Satisfactory	19/10/22	31/01/23	-	3	1	4
Information Assurance and Cyber Security	Satisfactory	05/01/23	30/09/23	-	5	13	18
Procurement Exemptions	Limited	21/06/23	31/12/23	1	2	2	3
IR35	Limited	19/06/23	30/09/23	1	4	-	2
Gifts and Hospitality	Limited	22/09/23	31/12/23	2	2	-	0
External Funding arrangements	Satisfactory	25/08/23	31/03/24	-	4	-	0
Adult Education Budget	Satisfactory	25/07/23	31/07/23	-	1	3	4
Health & Safety	Satisfactory	16/11/23	31/01/24	-	1	-	1
Payroll	Satisfactory	11/01/24	30/04/24	-	3	1	3
Treasury Management	Satisfactory	16/01/24	31/03/24	-	1	1	0

* The number of recommendations completed reflects the opinion of the auditee only and the status as at 31 January 2024.

Nine actions are currently recording a delay to delivery against the target date originally set. These include:

- **Procurement Exemptions:** A review of the Purchasing Manual has been completed with a revised draft manual currently being assessed by relevant parties prior to final approval being sought. The remaining 2 actions will be considered complete once approval has been obtained.
- **IR35:** Additional resources are being obtained to support delivery of the 3 outstanding audit actions including the development of a framework that will set out the parameters of the contingent worker recruitment and IR35 process. The framework will enable all hirers across WMCA to administer a streamlined approach in the recruitment of contingent workers. Whilst it is anticipated the framework will be complete by December 2024, immediate action has been taken to respond to the timescales for completing IR35 requirements.
- **Gifts & Hospitality:** The gifts and hospitality policy has been updated and is awaiting approval. When obtained, this will inform the 4 remaining actions resulting from the recommendations identified in the audit. Interim measures were put in place to accommodate the declaring of gifts and hospitality during the festive season with the recording of items having subsequently been evidenced by Internal Audit.

6 *2024/25 Internal audit plan*

Development of the 2024/25 Internal Audit plan has been withheld, pending the recruitment of the Head of Internal Audit and Information Governance, who will be joining the organisation in March 2024.

A review of the strategic risk register and discussion with functional Directors will inform the detail of the plan and will be shared with ARAC at its next meeting for review and approval.

7 *Provisional Annual Internal Audit Opinion*

In preparation for the draft Annual Governance Statement being presented to ARAC (see agenda item 8), a provisional annual audit opinion has been prepared at this time.

Due to there being no formal Head of Internal Audit within WMCA at the present time, the opinion has been provided by Bami Cole, who is a Chartered Internal Auditor and has been providing auditing services as a contractor for the authority since January 2023.

'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 provisionally² provide **reasonable assurance** that the Combined Authority has adequate and effective governance, risk management and internal control processes in place'.

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

- We gave limited assurance in only one area (Gifts and Hospitality Arrangements)
- We gave satisfactory assurance opinions in eight areas.
- We gave substantial assurance opinions in two areas.
- We took account of satisfactory progress being made by management to implement previously agreed recommendations.
- All reviews considered to be within high-risk areas are either completed or in progress.
- The remaining reviews to be completed by year end are all medium risks.

² At the time of this report there were five further audit reviews in progress and three allocated, to be completed within the timeframe required for inclusion in the Annual Internal Audit Report. Although the indications are that these reviews are likely to be completed within the required timeframe, it would be reasonable to assume that should serious issues of concern arise to prevent the reviews from progressing, or during the reviews, this could potentially impact on the level of assurance that could be provided and therefore the overall annual audit opinion.



West Midlands Combined Authority

Internal Audit Report:

“Key Financial Systems – Accounts Payable”

Report Date: 27 February 2024

Report Distribution:

William Godden, Accounts Payable, Accounts Receivable
Manager

Louise Cowen, Head of Financial Management

Linda Horne, Executive Director of Finance and Business
Hub

1. Executive summary

Introduction and Background

- 1.1 A review of the WMCA’s accounts payable system was carried out by Internal Audit as part of the annual Internal Audit Plan 2023/24 approved by ARAC. The objective of the review was to seek assurance regarding the effectiveness of the accounts payable function within WMCA.
- 1.2 All the WMCA’s key financial systems are considered to have a potential effect on the annual accounts. Therefore, this audit review is undertaken on an annual basis. The controls tested as part of this review are deemed as core controls.
- 1.3 The last review of accounts payable was completed in January 2023. The opinion was Satisfactory Assurance.

Objectives, potential risks, and scope of audit work

Our audit was conducted in conformance with the Public Sector Internal Audit Standards and considered the following:

Objectives:	To seek assurance that adequate controls are in place for the Accounts Payable function and are operated in accordance with the Combined Authority’s Financial Regulations and Contract Procedure Rules.
System Risks:	The following system risks were identified: <ul style="list-style-type: none"> • Where adequate controls are not in place for payments there is a risk of financial loss due to fraud. • Where there is inadequate separation of duties, there is a risk of fraud leading to financial loss and reputational damage. • Where late payments are made there is a risk of reputational damage.
Scope:	In line with the agreed Terms of Reference the scope of this audit covers the controls and processes in place within the Accounts Payable systems from April 2023 to October 2023 regarding the day to day operation but extended as necessary to cover the remedial activities relating to the concerns recently reported to Statutory Officers.
Limitation of Scope	There were no limitations in scope.

Overall conclusion

Our conclusion is that the framework is adequate, and compliance is adequate. Our overall conclusion based on Internal Audit Standard Assurance Matrix, is that the system is “Adequate”. This means our audit provides Satisfactory 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 is 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 exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</p>

Key issues identified

We rate each issue identified in section 2 below, based on the following:

Red Action is imperative to ensure that the objectives for the area under review are met	Amber Action is required to avoid exposure to significant risks in achieving objectives	Green Action is advised to enhance risk control or operational efficiency
--	---	---

We have identified one **red** issue (See section 2 below) where improvements could be made, arising from the following issue:

Spreadsheet Uploads:

- At present spreadsheet uploads are used on a monthly basis for concessions payments for transport operators, where budget holders approve these payments. It was noted that in two out of the three months reviewed the budget holder approved payments above their level of authority according to the Scheme of Delegation.

Overpayment of a supplier

Internal Audit reviewed the actions taken by service management to address the overpayment concerns reported to Statutory Officers in September 2023 to ascertain whether appropriate remedial actions had been taken to address the issues, and the system remained fit for purpose.

In context, an overpayment was made to an Adult Education provider in May 2023 when the Adult Education BACs file for the month was processed for payment. The supplier alerted WMCA during the following week and the entire payment file was checked straight away and it was confirmed that the supplier concerned was the only provider affected by the issue. The overpayment which was made as part of the supplier's regular Adult Education funding agreement was duly recovered and replaced with the correct payment to the provider.

There were two urgent actions relating to the Accounts Payable function which were to be implemented ahead of the scheduled Adult Education payment run approved for payment in June 2023:

- 1) BACs payment files must be created with a separate file for each 'transaction type' to ensure a secondary check is made on the total file value once it has been processed. In this case, the total file approved was £10,615k. An independent person will be required to check this is still the case after the initial payment proposal has been created in the system before approving the payment proposal.
- 2) A second independent check on the total value of Adult Education BACs files will be made by a Deputy s151 Officer, utilising the BACs Teams channel, prior to its submission for payment.

Our testing as part of the review confirmed that these two urgent actions have been implemented and are both working effectively as a control mechanism.

Examples of good practice identified

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

- Purchase orders had been suitably raised and appropriately approved in accordance with the Scheme of Delegation for each invoice payment against these orders.
- Where required, Procurement approval had been suitably evidenced within workflow within Business World.
- Invoice details agreed to the corresponding purchase order and goods receipting (per Business World) in all cases tested.
- A separation of duties was suitably in place and evidenced in all cases tested regards ordering, goods receipting and authorisation.
- Payment runs were appropriately processed and authorised.
- Amendments to supplier records were adequate and authorised appropriately.

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. Spreadsheet approvals

Findings:

At present spreadsheet uploads are used on a monthly basis for concessions payments for transport operators, where budget holders approve these payments. These spreadsheets contain payments for a large number of transport operators, with the spreadsheet and subsequent email confirmation acting as authorisation for the AP team to upload for payment.

It was noted during the review that for two out of three months reviewed, June and July 2023, the amount approved was greater than the approval levels within the scheme of delegation. For the month of August, there was no issue as there was an appropriate level of approval.

- For June 2023, the amount of £3.8m was approved by a budget holder who had a limit of £500K
- For July 2023, the amount of £4.07m was approved by a budget holder who had a limit of £500k.

Furthermore, it was noted that this same finding and recommendation was raised and agreed in the previous year's review with a target date of completion of 31st March 2023, and as such a red rating finding has been issued.

Implications:

Where adequate controls are not in place for payments there is a risk of financial loss due to fraud.

Recommendations:

Payments Officers must check the authorisation against the limits set in the Scheme of Delegation and to seek alternative approval arrangements to eliminate this issue in the future.

Agreed Actions/Management Comments:

- (1) Payments Officers will ensure authorisations are strictly within the limits set in the approved Scheme of Delegation with immediate effect.
- (2) Automation of the approval of payments through Business World Finance system workflow will be investigated as a potential solution to enhance the control environment.

Responsible Officers:

AP/AR Manager

Target Date:

- (1) Immediate
- (2) 31 July 2024

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	02/02/2024
Exit meeting	26/02/2024
Final issued	27/02/2024
ARAC meeting date	11/03/2024

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West Midlands Combined Authority

Internal Audit Report: Key Financial Systems – Accounts Receivable 2023-24

Report Date: 29th February 2024

Report Distribution: Louise Cowen, Head of Financial Management
William Godden, Accounts Payable, Accounts Receivable
Manager
Linda Horne, Executive Director of Finance and Business Hub
Julia Cleary – Head of Corporate Support & Governance

1. Executive summary

Introduction and Background

- 1.1 A review of the WMCA's accounts receivable system was carried out by Internal Audit as part of the annual Internal Audit Plan 2023/24 approved by ARAC. The objective of the review was to seek assurance regarding the effectiveness of the Accounts Receivable function within WMCA.
- 1.2 All the WMCA's key financial systems are considered to have a potential effect on the annual accounts. Therefore, this audit review is undertaken on an annual basis. The controls tested as part of this review are deemed as core controls.
- 1.3 The last review of Accounts Receivable was completed in January 2023. The opinion was Substantial Assurance.

Objectives, potential risks, and scope of audit work

Our audit was conducted in conformance with the Public Sector Internal Audit Standards and considered the following:

Objectives:	To seek assurance that adequate controls are in place for the Accounts Receivable function and are operated in accordance with the Combined Authority's Financial Regulations and Contract Procedure Rules.
System Risks:	<p>The following system risks were identified:</p> <ul style="list-style-type: none"> • Debtor invoices and credit notes are not processed accurately, completely and only once. • If a periodic reconciliation between AR and the GL is not undertaken on a regular basis there is a risk that mistakes and errors will not be detected. • Review of aged debts and processing of write-offs are not managed in accordance with Financial Regulations. • Adequate procedures are not in place for setting up new and amending customer details.
Scope	The review will include sales invoices and credit notes raised between April 2023 to December 2023 along with a review of outstanding sales invoices from previous years as part of the aged debtor process.
Limitation of Scope	Sales invoices and credit notes raised during April to December 2023.

Overall conclusion

Our conclusion is that the framework is adequate, and compliance is adequate. Our overall conclusion based on Internal Audit Standard Assurance Matrix, is that the system is “Adequate”. This means our audit provides **Satisfactory** 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
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is 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 exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Key issues identified.

We rate each issue identified in section 2 below, based on the following:

Red Action is imperative to ensure that the objectives for the area under review are met	Amber Action is required to avoid exposure to significant risks in achieving objectives	Green Action is advised to enhance risk control or operational efficiency
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We have identified 5 Amber issues (See section 2 below) where improvements could be made, arising from the following issues:

- No references to the value of debts that had been charged to the provision or the remaining balance on the debt provision in the monthly Financial Control information pack.
- Lack of procedures/work instructions for the work undertaken by the AR Officer and AR/AP Manager.
- Lack of periodic reporting of Aged Debt provision balance.
- No policy in place that details the option for the recovery of outstanding debts whether that is via the Authority’s Legal Service team or a third party recovery agency as a source of an additional means of collecting outstanding debts.
- No regular reporting of cumulative outstanding debts with the same customer.
- Inconsistent information held on WMCA Constitution and Financial Regulations.

- 4 old historic sales invoices totalling £8,813.90 require investigation as regards their validity.

Examples of good practice identified.

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

- Use of Workflow within the Business World application ensured that there was an adequate separation of duties and that the correct authorisations were in place as per approval limits.
- Sample testing identified that invoices had only been raised once and had been suitably authorised by a budget manager.
- Raising of sales invoices and credit notes is timely and in accordance with scheme of delegation.
- Sound procedures were in place for identifying income received.
- Receipts were properly identified and deposited intact.
- Income received was suitably recorded in Business World.
- Monthly reconciliation process in place for AR to GL, with adequate separation of duties for a preparer and reviewer.
- Aged debt report shows cumulative debt position.
- Debt recovery procedures, including delegations for the approval of write-offs had been established in WMCA Constitution.
- Workflow process in place for new Customer requests/ amendments which are work flowed for validation and approval by separate officers.

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 required to avoid exposure to significant risks in achieving objectives.
Amber**

1. Sales invoices and credit notes

Findings:

- Raising of sales invoices and credit notes is timely and in accordance with scheme of delegation.
- Lack of procedures/work instructions for the work undertaken by the AR Officer and AR/AP Manager.

Implication:

Lack of service resilience and accuracy of process if procedures and work instructions are not in place and not followed consistently and completely.

Recommendation:

- Rec 1 - AR/AP Manager to set out a timetable as to when the procedures/work instructions followed by the AR Team and the AR Manager will be documented. This will seek to ensure that in the absence of key officers that tasks can be completed in a consistent and timely manner and also offers a level of service resilience.

Agreed Actions/Management Comments:

Procedures and work instructions on raising invoices and credit notes and debt recovery are currently being updated and will be stored in the AR procedure file on the Finance shared drive.

Responsible Officer:

William Godden AR/AP Manager

Target Date:

31/03/2024

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

2. Adequate procedures are in place with regards to overdue debts and write-offs.**Findings:**

- Legal Services have not been used as an additional means of collecting overdue debts ie those that are at Stage 4 and have been outstanding in excess of 4 months from the date the sales invoice was raised. Debts are assigned a Stage (1 - 4) based on cumulative days outstanding from the date the invoice was raised e.g. Stage 1 is 1 month outstanding.
- Monthly reporting of cumulative overdue debts with the same customer (over £100k) is reported in the Monthly Financial Controls report.
- The content of information relating to Debt Management is inconsistent between the records held on WMCA's Constitution to that contained in the Financial Regulations.

Implication:

- By not considering using an alternative method of collecting outstanding debts limits the Authority's chance of collecting outstanding monies.
- Services continue to be provided to a customer that has overdue debts potentially compounding the risk of non-payment.
- Officers may access information that is not complete and accurate.

Recommendations:

- Rec 2 – A clear Debt Recovery Policy that sets out the Authority's approach for the collection of outstanding debts is developed. The policy should cover the approach to the potential recovery of outstanding debt by the Authority's Legal Services team, subject to availability of resources and/or the use of a third-party external debt collection agency.
- Rec 3 -The content of the monthly KPI and the Monthly Controls Information Report should be revised in order to report upon cumulative debt for the same customer, for various Services within WMCA in order that a corporate view can be taken as to whether to continue to provide goods and services to a customer that has overdue debts or to place

them on “Stop” in order that a corporate request for payment of overdue debts (debts over 4 months) can be made.

- Rec 4 - Confirm and remove the link to the version Financial Regulations held on the intranet site Financial Regulations Constitution 030616 and ensure reference is made to WMCA Constitution.

Agreed Actions/Management Comments:

Rec 2 - Agreed, will develop and implement a Debt Recovery Policy during 2024/25.

Rec 3 - I agree that we need to inform the business if a customer has reached a cumulative debt of over £100K. This is already highlighted on the Monthly Financial Controls Report shared with Finance Senior Leadership but would benefit from wider circulation.

Rec 4 – Agreed will make the necessary amendment.

Responsible Officers:

Rec 2 - Louise Cowen - Head of Financial Management.

Rec 3 - William Godden - AR/AP Manager

Rec 4 - Julia Cleary - Head of Corporate Support and Governance.

Target Date:

In place for 2024/25 financial year.

In place for March 2024 reports

By end of March 2024

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

3. Adequate procedures should be in place for setting up new, amending and reviewing customer accounts.

Finding:

- 4 old historic sales invoices (totalling £8,813.90) which have been carried over require investigation as regards their validity and currency.

Implication:

- Inaccurate recording and reporting of the aged debt position as the current AR Team do not have sufficient knowledge of the individual debts and what recovery action had been undertaken to date.

Recommendation:

Rec 5- Investigate the 4 “old” carried forward debts to confirm their validity as a debt and then in consultation with the originating Service, determine whether further recovery action is viable and cost effective or the individual sales invoices should be put forward for write off.

Agreed Actions/Management Comments:

No information is held on the old system. ECL to be increased from the current level of 40%, commensurate with its aged category, to a 100% full bad debt provision representing the low opportunity for recovery, and the debt to be written off at year end 2023/24.

Responsible Officer:

Rec 5 - William Godden AP/AR Manager

Target Date:

In line with 2024 Year End processes.

Limitations inherent to the internal auditor's work

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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	13/02/2024
Exit meeting	15/02/202 with AR Manager
Final issued	
ARAC reporting date	1 st March 2024
ARAC meeting date	11th March 2024



West Midlands Combined Authority

Internal Audit Report:

National Fraud Initiative

Report Date: 27th February 2024

Report Distribution: Kate Ketteringham – Group Payroll & Pension Manager
Laurence Adams – Head of HR
Louise Cowen – Head of Financial Management
Linda Horne – Executive Director, Finance and Business Hub

1. Executive summary

Introduction and Background

- 1.1 A review of the WMCA compliance with the National Fraud Initiative (NFI) was included in the Annual Internal Audit Plan 2023/24 as approved by the Audit, Risk and Assurance Committee (ARAC). The NFI is an exercise co-ordinated by the Cabinet Office with the aim to detect and prevent fraud. Every two years public bodies are required to submit a range of electronic data sets to the Cabinet Office and are matched to data held by other public bodies e.g. Department for Works and Pensions (DWP). Where the matching exercise identifies any anomalies or matches, these are further investigated and appropriate action is undertaken by an authorised member of staff.
- 1.2 The objective of our audit was to ensure that WMCA has implemented an adequate system to administer the NFI data matching exercise and the associated control framework. This included allocation of responsibility, access and reporting arrangements. To this effect audit testing was undertaken to ascertain whether the required data sets were submitted on time and any returned matches were investigated and corrective action taken to effectively address these. Details of the outcome of the review are set out below.
- 1.3 As per the guidance available on Gov.uk for public sector data submission requirements, Combined Authorities were required to submit Payroll, Trade Creditors Standing data and Trade Creditors Payment History data, along with any additional data related to concessionary travel passes and pensions. For the NFI 2022/23 exercise, all the mandatory and additional data sets were submitted as per the guidance.

Objectives, potential risks, and scope of audit work

Our audit was conducted in conformance with the Public Sector Internal Audit Standards and considered the following:

Objectives:	The objective was to undertake a review of WMCA's processes to ensure it meet all obligations of the 22/23 NFI exercise including its response to identified data matches.
Potential Risks:	<p>The following potential risks have been identified and form the basis of the review.</p> <ul style="list-style-type: none"> • If there is no commitment by the Authority, the Executive, ARAC and Senior Management to supporting the NFI process then there are risks that sufficient resources are not deployed and the outcomes are not delivered in a timely and complete manner. • If NFI is not an integral part of the Authorities corporate policies and strategies for preventing and detecting fraud and error, then there is a risk that fraud will go undetected which could result in financial loss.

	<ul style="list-style-type: none"> • If NFI additional data matching services offered by the NFI are not considered, then there is a risk that resources will not be used to their full capacity. • If the Key Contact / and Senior Responsible Officers are not the appropriate officers for NFI then there is a risk of a lack of oversight. • If NFI progress and outcomes are not reported regularly to the Executive and ARAC then there is risk that the outcomes and benefits of participating in NFI are not realised. • If expected datasets are not submitted or returned matches are not investigated, then there is a risk that this could lead to sanctions from the Cabinet Office. If reliance is placed on alternative fraud detection arrangements how successful have they been? • If key contacts do not have the time to devote to the exercise, then there is a risk that matches will not be investigated in a timely manner and the costs of the fraud continue. • If the Authority does not confirm promptly using the online submission facility that the Authority has met the Privacy Notice requirements, then then there a risk of breaching data protection legislation. • If priority is not given to following up high risk matches, then the matches could become quickly out of date with the consequent risk of reputational damage if the fraud is not stopped quickly. If appropriate action is not taken when fraud is detected, then there is a risk that the Authority continues to suffer a financial loss.
<p>Scope:</p>	<p>To review the processes involved in 2022/23 matching exercise.</p>
<p>Limitations to the scope of our audit:</p>	<p>The review will not examine the detailed outcomes of individual matches for each of the submitted data sets.</p>

Overall conclusion

Our conclusion is that a well-established process is in place, and compliance is satisfactory. Our overall conclusion based on Internal Audit Standard Assurance Matrix, is that the system is "satisfactory." This means our audit provides **Satisfactory** 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
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is 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 exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Key issues identified.

We rate each issue identified in section below, based on the following:

Red Action is imperative to ensure that the objectives for the area under review are met	Amber Action is required to avoid exposure to significant risks in achieving objectives	Green Action is advised to enhance risk control or operational efficiency
--	---	---

We have identified one **Amber** issue and two **Green** issues (See section below) where improvements could be made, arising from the issues which have been identified.

Summary of matches for the 2022/23 exercise.

NFI DATA SUBMISSION	RETURNED MATCHES	RESULT
Pension gratuity to DWP deceased information	11	11 matches (£14,023.25) relate to a legacy pensioners payroll, where the retiree's were awarded an additional payment to be paid as a pension upon leaving. Of the 11 cases, 4 are subject to recovery of entitlement (£5270.96)
Payroll	41	Reviewed no issue.
Concessionary Fares	23,659	Returns are rated (high 16,651 cases, medium 7,007 cases and low 1 case). The Team cancels the pass based on the notification of death and no further action is taken. NFI have calculated a notional saving figure of £733,057.00
Creditors	1256	Reviewed no issue.

VAT overpaid	236	See recommendation 3 below
Duplicate records	51	Reviewed no issue
Procurement	21	Reviewed no issue
Total matches	25,281	

NFI Policy

Internal Audit reviewed the governance arrangements in order to ensure compliance with the NFI process. It was noted that there is no such NFI policy in place to provide guidance on the roles and responsibilities related to the NFI exercise, the data submission, or investigation of matches.

The responsibility for uploading the data sets and investigating the returned matches rests on persons who have been historically working on this data exercise. They are informed through an email circulation before each activity by the Group Payroll & Pensions Manager, providing the NFI submission dates as per the timetable available on the NFI website. The recipients of this email are responsible for their department's submission.

However, for the 2022/23 exercise, the Customer Services team, which is responsible for the uploading of concessionary travel passes data set, did not receive any such email and therefore could not file the data within the normal time. As a result, the Authority had to seek an extension for filing.

Reporting of outcomes of the NFI exercise

Reporting arrangements around the NFI exercise were also reviewed. Whilst the Combined Authority has been participating in the NFI exercise as required, there is no periodic reporting structure in place to either management of the services that participate in NFI or to ARAC on its outcome. Also, the Terms of Reference for ARAC does not directly include any requirement for the reporting of NFI.

Closing of the returned matches on NFI Portal

Once the NFI matches are uploaded, these need to be investigated and closed on the NFI website using appropriate narration as provided within the portal. For the most recent activity there was 25,281 records which were to be processed and required action to be undertaken. This included 23,654 matches related to concessionary travel passes, 1,036 matches related to duplicate creditor records and 236 matches related to overpaid VAT. Only 209 such VAT overpaid matches were processed and closed however, while no action has been taken on the remaining 27 matches.

Appropriate recommendations to address the issues raised above are set out below in section 2 of this report.

Examples of good practice identified.

We identified the following examples of good practice within the system and in the management of risk.

- For the 2022/23 activity, WMCA did submit all the mandatory/key as well as the additional data sets.
- There is division of responsibility regarding the investigation of returned matches for different data sets among Payroll, Creditors and Customer Services Teams who are responsible for their respective areas.
- The matches returned have been investigated, closed and any required action undertaken within a period of between three to nine months of the data matches being made available, the exception of the above-mentioned overpaid matches which are awaiting investigation and closure.

Acknowledgement

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

2. Findings and recommendations

<p>Action is required to have governance arrangements in place for NFI in the form of a formal policy document.</p>		<p>Amber</p>
<p>NFI Policy.</p>		
<p>Findings:</p> <p>It was noted that there is no such NFI policy in place to provide guidance on the roles and responsibilities related to the NFI exercise, data submission and investigation of matches. As a result, there are no clearly laid out arrangements for reporting lines, use of management information, resource allocation or training provision in place relating for this activity.</p> <p>The Group Payroll & Pension Manager is named as the key contact on the NFI website. There are persons for different types of data sets, both for submission and investigation of the returned matches, who have been historically working on this data exercise. They are informed through an email circulation before every activity by the Group Payroll & Pensions Manager about the timelines etc. and they are then responsible for their submissions.</p> <p>However, the Customer Experience Delivery Manager, who is responsible for uploading data for the concessionary travel passes, stated that they did not receive any such email for the most recent activity, and they missed the deadline for submission. Ultimately an extension was granted by NFI and they were able to submit the concessionary travel passes data set.</p>		
<p>Implication:</p> <p>If the roles and responsibilities related to the NFI submission and the timeline for the investigation of returned matches is not clearly laid out in the form of a formal document, there is a possibility that important deadlines can be missed leading to fine or sanctions from the Cabinet Office. Non-existence of clear lines of responsibility and the lack of adequate training for other staff can lead to single points of failure if the key contacts who have been performing this activity historically are no longer working with the WMCA.</p>		
<p>Recommendation:</p> <ol style="list-style-type: none"> 1. There should be governance arrangements in place in the form of an NFI policy document to ensure that roles and responsibilities are clearly laid out as to the NFI activity submission, the timescale to undertake the investigations and the closure of matches. The policy should also set out reporting lines, use of management information, resource allocation and training provisions for staff. 		
<p>Agreed Actions/Management Comments</p> <p>Agreed. Policy to be produced in readiness for the 2024/25 exercise, commencing October 2024</p>		
<p>Responsible Officer: Kate Ketteringham – Group Payroll & Pension Manager</p>		<p>Target Date: End of July 2024</p>

Action is required to have formal arrangements for reporting of the outcomes from the NFI activity.		Green
Reporting of NFI outcomes to Senior/Service Management and ARAC		
Findings: Currently there is no such practice in place to periodically report the progress and outcomes from the NFI to the Service Management, Executive Board, or ARAC.		
Implication: There is a risk that the outcomes and benefits of participating in NFI are not realised.		
Recommendation: 2. Consideration should be given to report the outcomes from the NFI matching exercise to management and ARAC as part of its anti-fraud measures to demonstrate the progress and identification of any savings.		
Agreed Actions/Management Comments: Agreed. To be applied following the NFI matches returned for 2024/25 exercise		
Responsible Officer: Kate Ketteringham – Group Payroll & Pension Manager		Target Date: End of March 2025

Action is required to formally close the remaining matches related to overpaid VAT on the NFI Portal		Green
Closure of the returned matches.		
Findings: For the 2022/23 NFI matches, there were 236 matches related to overpaid VAT, however only 209 such VAT overpaid matches were processed/closed, with no action having taken place on the remaining 27 matches on the NFI portal.		
Implication: Non-compliance with NFI guidelines to formally investigate and close the pending matches.		
Recommendation: 3. The remaining matches related to the overpaid VAT should be investigated and resolved.		
Agreed Actions/Management Comments: This was already completed prior to the issue of this draft audit		
Responsible Officer: Kate Ketteringham – Group Payroll & Pension Manager		Target Date: Actioned

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	20/02/2024
Exit meeting	21/02/2024
Final issued	27/02/2024
ARAC meeting date	11th March 2024

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Audit, Risk & Assurance Committee

Date	11 March 2024
Report title	Draft Annual Governance Statement
Accountable Chief Executive	Laura Shoaf, Chief Executive of the WMCA Email: Laura.Shoaf@wmca.org.uk
Accountable Employee	Helen Edwards, Director of Law and Governance Email: Helen.Edwards@wmca.org.uk
Report has been considered by	n/a

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 2023/24 financial 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 2023/24 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 will not start until Year End has passed on 31st March 2024, and is to be noted there is a possibility that an unknown

issue may arise which requires comment or inclusion within this statement, prior to its final approval.

2. Background

- 2.1 West Midlands Combined Authority (WMCA) is responsible for ensuring that its 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 its 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 A review of the 22/23 document has been used as a template for the 2023/24 Annual Governance Statement, with the following amendments having been made:
- Details on WMCA's governance arrangements in response to the guidance received from Government regarding the integration of Local Enterprise Partnerships (LEPs) into local democratic institutions (page 2).
 - Details of the decision making arrangements introduced in 23/24 and the outcome of the June 2023 meeting of the Independent Remuneration Panel (page 4).
 - An update on the approval of, and arrangements in place for the Single Assurance Framework and the Strategic Risk Management framework. (page 8).
 - Actions taken in response to the key governance improvements identified and recorded in the 2022/23 Statement (pages 10 & 11).
 - Details of key governance improvements to be considered during 2024/25 (page 13).

2.6 The Director of 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 2023/24

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West Midlands Combined Authority Annual Governance Statement 2023/24

Scope of Responsibility

This Annual Governance Statement (AGS) reflects the activities of the Authority for the year ending 31st March 2024 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 and is made up of 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 6th 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 appointed by the following non-constituent authorities:

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

There are four Observers of the Authority. These are:

- The Marches LEP
- West Midlands Fire and Rescue Authority
- West Midlands Police and Crime Commissioner
- Warwick District Council

There is one member co-opted on to the WMCA Board at the discretion of the WMCA Board. They are:

- Trade Union Congress (TUC)

The WMCA is a democratically accountable and politically led public/private partnership, combining the insight of private leaders, in depth knowledge of place and accountability with the democratic accountability of elected Local Authority Members.

In the “Integrating Local Enterprise Partnerships (LEPs) into local democratic institutions” letter from HM Government (from DLUHC and BEIS) in 2022, there were clear expectations that the WMCA would need to “Embed a strong, independent, and diverse local business voice into local democratic institutions...” .

The WMCA submission on LEP Integration to HMG in January 2023 (following WMCA Board agreement on 13.1.23) stated that the WMCA is “built around a strong partnership, fusing private insight with a clear democratic mandate”. The commitments in the LEP integration plan submitted included:

- a. Establish and resource processes to run open recruitment for private sector leaders to be directly appointed across a range of WMCA Boards and Committees.
- b. Refocus the Regional Business Council (the region’s major firms) on company insights with forward plan of business-led briefings, not WMCA activity.
- c. Repurpose the current Economic Impact Group to Business Insights Forum as a “big tent” of business representative organisations (BRO’s), reps of the key Plan for Growth cluster groups, SME reps and organisations like Catapults and Business Schools
- d. Appoint business leaders who have been appointed by the LEPs as members of WMCA Boards and Committees (other than the WMCA Board) for an interim period of 12 months.

WMCA Officers have been working to create a strategy on how the organisation will attract and recruit private sector representatives moving forward. Officers are in the process of identifying which Boards should be in scope, what private sector representation we currently have and how many roles we will need to recruit for. This will be followed by a recruitment campaign for a pool of private sector representatives giving them the opportunity to identify their preferences for which Board they might sit on.

The Authority currently has eleven 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	44%	Joint venture
g.	HTO2 LLP	44%*	Joint venture
h.	Midlands Development Capital Ltd	100%	Subsidiary
i.	Network West Midlands Ltd	100%	Subsidiary
j.	WMCA JV Ltd	100%	Subsidiary
k.	Black Country Innovative Manufacturing Organisation	50%	Associate

*through ownership with HTO1 LLP

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. Although the stake in the Growth Company is small, WMCA together with other contracting authorities exercises joint control over the company and therefore ensures legal and financial controls are 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 Executive Board (formally 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; evaluating the likelihood of those risks being realised, the impact should they be realised, and managing them efficiently, effectively and economically. To that end, the Authority is continuing to embed the Strategic Risk Management Framework, raising awareness of the structure and the tools available for WMCA staff to ensure consistency in how risks are identified, managed, monitored and escalated. Alongside this activity, the authority continues to focus on providing visibility of risk at strategic level. A strategic risk register is updated quarterly and reported to, and reviewed by Audit, Risk and Assurance Committee (ARAC) and the Executive Board.

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.

Below, we have set 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 Director of Law and Governance, who holds the role of 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 continues to grow from the organisation that was established in 2016. The first review undertaken has revised and refreshed the decision making regarding 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. A Transport Governance Review was undertaken and considered by WMCA Board in June 2023 where it was resolved that the existing Transport Delivery Committee evolve into a new Transport Delivery Overview and Scrutiny Committee.

A report from the Independent Remuneration Panel was also considered at the June 2023 meeting of the WMCA. Recommendations from the Panel included increasing the SRA paid to the deputy mayor to £ 20,000, that the Special Responsibility Allowance (SRA) paid to the Chairs of each of the Audit, Risk and Assurance Committee, the Overview and Scrutiny Committee and the Transport Delivery Overview and Scrutiny Committee be set at £9,500, that the SRA paid to the six Scrutiny Champions operating within the Transport Delivery Overview and Scrutiny Committee should be set at £4,750 and that there be a Co-optees Allowance of £3,000 for all members of constituent authorities who serve on the Audit, Risk and Assurance Committee, the Overview and Scrutiny Committee and the Transport Delivery Overview and Scrutiny Committee.

A full review of all the WMCA governance functions is currently underway to ensure that the governance framework is fit for any future devolution of powers and in particular the

upcoming single settlement. Given the upcoming mayoral election in May 2024, no decisions will be made in relation to this until the election has concluded.

Organisational Vision and values

WMCA is committed to a better connected, more prosperous, fairer, greener and healthier region. This is our vision and will be achieved through living the Authority's 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 is also 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. All public meetings are recorded and accessible through YouTube on-demand. Following the end of the temporary regulations allowing for hybrid and virtual meetings during Covid-19, all meetings constituted under the Local Government Act 1972 are held in person and only those members present are considered part of the quorum and are able to vote.

The Authority has in place a committee management system that proactively publishes information relating to public meetings, decisions and the Forward Plan 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 is available on our website.

We incorporate good governance arrangements with our partnerships and reflect these in our overall governance arrangements, including the assessment and effectiveness of relationship frameworks in order to identify and implement any changes, if 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 is incorporated into any plans where a change to public transport policy is being considered.

Overview & Scrutiny Committee has responsibility to ensure that the decisions of the WMCA have considered 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 Question & Answer sessions with the Mayor twice yearly, with the questioning focusing on policy delivery and budget setting. The overview and scrutiny function has been reviewed in line with the Deeper Devolution Deal and a secondary scrutiny committee has been formed, focusing on public transport matters. The requirements of these committees will continue to be assessed and updated to remain in line with the Scrutiny Protocol, as published by DLUHC.

3. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Authority ensures the vision and implications for governance arrangements 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.

To ensure the purpose and vision of the Authority is clear and well communicated, an Annual Business Plan (ABP) is produced, and closely aligned to the WMCA Aims & Objectives that were agreed by WMCA Board in November 2021. The ABP outlines all activities to be undertaken in-year to deliver against these objectives, with progress regularly monitored through a number of outcome measures (both High Level Deliverables and profiled milestones) and reported monthly to the Executive Board and bi-annually to WMCA Board. The 2024/25 outcome measures are expected to be agreed by WMCA Board in March 2024 as part of the Budget report.

The Aims & Objectives are approved by WMCA Board 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.

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 its Aims and objectives.

The Executive Board 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 and the Scheme of Delegation.

Corporate strategic decisions are primarily taken at meetings of the WMCA Board, with Investment Fund decisions up to the value of £20M having been 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 the roles and responsibilities of the Board, Scrutiny, and officer functions within the Constitution, with clear delegation arrangements and protocols for effective communication in place. As the Authority continues to evolve, we will continue to review the governance arrangements and revise the Constitution to ensure it remains fit for purpose. The Scheme of Delegations is laid out in the Constitution. As noted above, a full review of all the WMCA governance functions is currently underway to ensure that the governance framework is fit for any future devolution of powers and in particular the upcoming single settlement. Given the upcoming mayoral election in May 2024, no decisions will be made in relation to this until the election has concluded.

Our Performance Management and Monitoring & Evaluation Frameworks, together with a 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, this enables regular conversations about the activity to be delivered and the resources, both financial and people, required to achieve this. Our behavioural framework is fundamental to our performance framework and will align to our goals, ensuring a 'golden thread' between the corporate aims and objectives through to individual performance management goals, enabling every one of our people to see their contribution to the Authority's vision. This facilitates 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, Health & Safety, Information Security and GDPR are met.

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) provides the structure and the tools for WMCA staff to undertake consistent risk management that protects the WMCA and supports the delivery of our objectives. In addition, it documents the risk management roles and responsibilities across the Lines of Defence, helping support the WMCA Board, Chief Executive Officer (CEO), Statutory Officers and Senior Leaders in creating and embedding a strong risk culture within the organisation. Over the last year we have continued to focus on supporting an integrated approach to risk management at project and programme level alongside the Authority's Programme Assurance and Appraisal activity. We have built on the good work we had in place to deliver high quality risk reporting to the Executive Board and ARAC and have been working on a revised SRMF, which we expect to roll-out in 2024. The new RMF will support a renewed focus on embedding good risk management at operational and Directorate level, and an integrated approach to risk and performance management.

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.

Audit, Risk, and Assurance Committee (ARAC) is independent of the Executive and Scrutiny functions; 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, and the more recently established WMCA JV Limited.

An annual review of the Single Assurance Framework is undertaken in line with statutory requirements. It was updated during 2023 and approved by WMCA Board in November 2023. The review incorporated the English Devolution Accountability Framework requirement for an annual review of its Assurance and Governance processes and also outlined the Authority's specific approaches to Housing and Transport schemes and the Adult Education Budget.

The updated document follows more closely the structure of the English Devolution Accountability Framework making a distinction between governance and assurance requirements. The document included the new requirement to define the role of the Mayor and Local Authorities in decision making to meet the English Devolution Accountability Framework, and updates to the Governance process, (Designated Sign Off meetings for projects between £1 and £5 million).

The Framework supports good governance with enhanced assurance tools and processes and the appraisal of business cases and change requests to identify any improvement opportunities, together with any ongoing risks to inform the decision-making process. The Single Assurance Framework continues to be aligned to the Department of Levelling Up, Housing and Communities (DLUHC) and the English Devolution Accountability Framework, published in March 2023. It was approved by DLUHC in February 2024.

The Single Assurance Framework is supplemented by an Investment Panel and Investment Board whose remit includes the review and approval of all investment decisions. The Investment Board has a delegated authority to approve investment decisions from £5 million to £20 million and is reflected in its Terms of Reference. The approval of all investments above £20 million is considered and approved by WMCA Board.

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 Authority has recognized the need for increased scrutiny of its operations and has undertaken a full review of its Internal Audit provision within the past year. An in-house internal audit service has been provided throughout 23/24 through the use of long-term contractor services, with the recruitment of a 4-person audit team to be in place by 31st March 2024. The team is to be managed by the Head of Internal Audit and Information Governance.

The 2023/24 annual review of the Authority's audits of its Key Financial Systems concluded with 2 processes being measured with a 'Substantial' internal audit rating and the remaining 4, being rated as 'Satisfactory'. Actions arising from these reviews are actively being addressed for completion at the earliest opportunity.

7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Authority has implemented the WMCA Single Assurance Framework which was originally approved by MHCLG (previously Department of Communities and Local Government (DCLG)) in July 2020. A review of the framework is completed annually and was more recently updated and approved by WMCA Board in November 2023.

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 the Executive Board and attends the WMCA Board meetings to ensure all activities are conducted in a legal manner. Our high level of governance standards includes the publishing of agendas, minutes, and reports in the public domain and only a limited use of confidential reporting. The 2023/24 Internal Audit Plan was approved at ARAC's April 2023 meeting.

An annual review of any arm's length companies of the Authority is completed to assess and provide assurance that these operate with satisfactory governance and assurance arrangements in place. The Monitoring Officer has undertaken a review of all companies in which WMCA has involvement, which will help to strengthen arrangements for their oversight going forward, in addition to providing additional training for all councillors and officers who act as directors of companies as part of their Combined Authority responsibilities.

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.

All issues raised are considered by the Monitoring Officer in conjunction with Internal Audit, and the Executive Director, Finance to determine the progression of claims.

Key Governance Issues

Last year's Annual Governance statement highlighted a number of areas to be considered for development in 2023/24. The table below sets out the actions that have been taken to address these:

Area	Action to be taken	Action taken
Overall governance	The Constitution has been updated to reflect all recent amendments with the review continuing to be progressed. This will be presented to Board when complete.	Updated Constitution published on WMCA website.
Overall governance	A review of all informal, internal committees has been completed with the implementation of the required changes now in progress. A review of formal decision-making committees, with a view to streamlining governance procedures in response to the responsibilities set out in the 2023 devolution deal, is currently in progress with implementation expected by summer 2024. The role out and use of Modern.gov is actively being progressed across the business and the review of the resourcing of the Governance and Legal team has been completed and successfully implemented.	Implementation of new arrangements is ongoing. A review of the formal decision-making and political governance framework is being undertaken with co-production of possible new structures being carried out with our local authority colleagues. No formal decision on any new structure will be taken until after the May 2024 Mayoral election. Modern.gov is now used across the organisation for all formal decision-making meetings and continues to be embedded for all forward plans, key decisions and report writing.
Audit, Risk and Assurance	A review of how internal audit is provided at WMCA has been initiated.	The review has concluded with an In-House Internal Audit service having been in place for delivery of the 23/24 audit plan through contractor resource. Permanent resources have been recruited and will be in place by March 2024.
Governance and Accountability in the new devolution deal	Work is commencing in partnership with Department for Levelling Up, Housing and Communities, the Centre for Governance and Scrutiny and Greater Manchester Combined Authority in relation to a new scrutiny protocol as detailed in the new deal.	The new Scrutiny Protocol has been published and adopted by the WMCA.
Strengthening Scrutiny	Work is commencing in partnership with Department for Levelling Up, Housing and Communities, the Centre for Governance and Scrutiny and Greater Manchester Combined Authority in relation to strengthening scrutiny and in particular in relation to members of parliament scrutinising the Mayor and portfolio lead.	The terms of reference for the MP Question time will be considered by the WMCA Board in March 2024 with the aim of holding the first public session in June 2024.

Area	Action to be taken	Action Taken
Engagement with constituent and non-constituent local authorities	Work is ongoing to strengthen governance relationships with the local authorities. A west midlands governance network has been set up where forward plans and areas of best practice can be shared, and joint working initiatives explored where appropriate.	A new Member Relationship Manager post was created and successfully recruited to. As part of this work the WMCA has now attended and been represented at a number of Local Authority Scrutiny Committee meetings. Attendance has included the Chairs of both scrutiny committees, the Scrutiny Officer, the Member Relationship Manager, the Head of Policy and Public Affairs and the Chief Executive. This has been welcomed by our LA colleagues and councillors.
Member Induction and Engagement	A new member induction programme will be developed for the start of the new municipal year. This will seek to ensure that all members sitting on WMCA meetings are fully briefed as to the role of the WMCA and how it links and works with the Local Authorities and other regional partners.	A member induction event was held in June 2023 and received positive feedback. Additional training was also carried out in relation to scrutiny. Further work is planned for 2024 with an enhanced member induction programme, member development programme and a member handbook.
Awareness raising as to the role of a CA and governance arrangements.	The Head of Governance is working with ADSO to produce a new training course to raise awareness of what CAs do and how they link with both local authorities and central government. Updated training slides on CAs will be included in all ADSO training as it is developed.	This work is ongoing and being developed by ADSO.
Webcasting of meetings – openness and transparency	Investigations are commencing as to options for improving our facilities in Summer Lane in relation to hosting public meeting meetings and in particular our ability to host hybrid meetings and to webcast public meetings.	This work is ongoing.

Annual Review of Effectiveness of Governance Framework

The Opinion of the Director of Law and Governance 2023/24

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 Director of Law and Governance and the Executive Finance Director respectively.

The 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 Executive Board.

The opinion is based on the results of an on-going programme of activities and review, the outcomes of which were considered by ARAC. These include:

- a) External audit
- b) Internal audit
- c) The Risk Management Process, particularly the Strategic Risk Register
- d) Annual performance information pertaining to Data Protection, Equalities, and Health & Safety.
- e) Programme Assurance and Appraisal

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 interim Head of Internal Audit has provided a provisional audit opinion of Reasonable Assurance that the Combined Authority has adequate and effective governance, risk management and internal control processes in place.

The Single Assurance Framework (SAF) has been implemented across all WMCA Directorates and oversight of business cases and change requests by the Programme Assurance and Appraisal team, as part of the SAF process, continues to increase; demonstrating improved project controls and consistent processes are being implemented across the organisation. This is helping to manage risks and drive improvements in the quality of business cases and overall project and programme management activity.

Regular reporting on Programme Assurance and Appraisal team activity, together with insights regarding common themes, issues and any recommendations for improvement have been provided to the Executive Board and ARAC throughout 20223/24.

Progress of the 20223/24 High Level Deliverables was monitored on a monthly basis by the Executive Board through exception reporting and against the identification of key risks that could impact on delivery. In addition, performance was reported to WMCA Board mid-year and at year end.

The Strategic Risk Management Framework includes an escalation process that allows for risks to be escalated, ultimately to the Strategic Risk Register. Quarterly reporting of the strategic risk register is working effectively, and work has been focused on collaboration with the Programme Assurance and Appraisal team to improve consistency of risk management across all projects and programmes. As this starts to embed, attention has turned to improving the consistency of Operational or Directorate Risk Registers and to focus attention on enabling Directorates to have full visibility of key risks with the potential to impact on the Authority’s ability to deliver its business

plan objectives. The aim is for Risk Management, Performance Management and Business Planning activity to provide a strong evidence base to improve decision making.

In accordance with the Digital and Data Strategy, the Authority has adopted cabinet office levels of protective security. These mandated standards allow for increasing maturity across the business by adherence to articulated mandates and best practice advice and guidance. Any non-conformity constitutes risk and is managed appropriately.

The Authority has set itself a demanding programme of work and is ambitious for itself and the benefits that it aims 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 is 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 identified for progression in 24/25 and are outlined within the table below.

Area	Action to be taken
Internal Audit	Policies and procedures to be developed for the service, including a review of the Internal Audit charter to support the development and embedding of the In house team.
Audit, Risk & Assurance Committee	ARAC members to consider the introduction of annual self-assessments to determine the committee's effectiveness, to identify any skills or knowledge gaps within its membership, and its engagement with officers and WMCA Board.
Single Settlement	Full review of the Governance framework to be implemented following the Mayoral Elections in 2024.
Risk Management Framework	Engagement with Directors and their leadership teams will continue to help embed the revised Risk Management Framework, and to provide advice and deliver bespoke guidance and solutions. Development and the delivery of specific training guides for the new Risk Management intranet page
Organisational governance processes	The alignment and awareness of governance arrangements across the authority is to be improved.
Webcasting of meetings – openness and transparency	Investigations are continuing into options for improving our facilities in Summer Lane in relation to hosting public meeting meetings and in particular our ability to host hybrid meetings and to webcast public meetings.

Conclusion

In undertaking this 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:



Audit, Risk & Assurance Committee

Date	11 March 2024
Report title	Overview of WMCA Arm's Length Companies
Portfolio Lead	Councillor Bob Sleight, Finance
Accountable Chief Executive	Laura Shoaf, Chief Executive, West Midlands Combined Authority Email: Laura.Shoaf@wmca.org.uk Tel: (0121) 214 7444
Accountable Employee	Helen Edwards, Director of Law and Governance, West Midlands Combined Authority Email: Helen.Edwards@wmca.org.uk Tel: (0121) 214 7478
Report has been considered by	Not applicable

Recommendation(s) for action or decision:

Audit, Risk and Assurance Committee recommended to:

- (1) Consider and comment upon the information contained within the report in relation to the companies in which the WMCA has an interest.

1. Purpose

- 1.1 To update ARAC on the companies in which WMCA has an interest.

2. Background

- 2.1 ARAC previously received a report summarising the WMCA's Arm's Length Companies.
- 2.2 There was ongoing work within the legal & governance and finance teams of the WMCA to review the arrangements for wholly owned companies, including review of shareholder agreements where necessary. This included consideration of appropriate reporting mechanisms and monitoring of the companies.
- 2.3 It was agreed that an annual report would be provided to ARAC at its final meeting of each municipal year.
- 2.4 The previous report to ARAC brought members' attention to issues within the Grant Thornton Report from September 2022 entitled "Lessons from Public Interest Reports and other interventions" which highlighted the importance of monitoring public owned companies and managing risks. ¹

3. Details of companies

3.1 The WMCA has a number of Arm's Length Companies as detailed below:

3.2 WM5G Ltd – Company Limited by Guarantee (amount not exceeding £1)

Type: Private company limited by guarantee.

Established: Incorporated 26 February 2019

Purpose: To accelerate the benefits and deployment of 5G throughout the region

Stake: 100% - it is a wholly owned subsidiary of the WMCA

Structure: Independent Chair – Mark Stansfeld

Non-Executive Directors – Nider Johal and Tracey Westall

Managing Director – Robert Franks

Investment and Commercial Activities Director – Ian Martin

Observers

2 x DCMS reps

Number of

Employees: Average monthly number of employees, including directors, during the year 2022 was 20.

Turnover: Year ending 31 March 2023 £3,057,969

¹ [Grant Thornton Report from September 2022 entitled "Lessons from Public Interest Reports and other interventions" - Search \(bing.com\)](#)

Agreement: Members Agreement dated 23 May 2019 subsequently amended via a Deed of Amendment and Reinstatement dated 03 August 2022.

Meetings: Regular Shareholder Meetings

Delivery: Delivery against WM5G's initiatives included in the Plan for Growth (P4G) and is monitored through the WMCA's membership at the Urban Connected Communities Strategic Board (via the WMCA CEO) and the WM5g Board (via the Director of Public Service Reform and Managing Director of Wolverhampton City Council)

Support: Some support services are provided by WMCA through a Service Level Agreement (Legal, Data Protection, Business Continuity and Insurance)

WM5G manage their own financial risk, risk management and procurement activities directly through the utilisation of WMCA systems.

Regular reporting is maintained as defined within the Member Agreement which also contains measures enabling WMCA to maintain control over WM5G through reserved matters.

3.3 West Midlands Development Capital Limited

Type: Private limited company

Established: Incorporated May 2017

Purpose: To act as

- the fund manager for two WMCA investment funds
- an Investment Advisor for the Brownfield Land and Property Development Fund
- an Investment Advisor for the Collective Investment Fund

Stake: 100% - it is a wholly owned subsidiary of the WMCA

Structure: Director – Linda Horne (WMCA) – note WMCA have not yet appointed an additional director following the departure of Julie Nugent.

Director – John Handley

Director – Suzanne Summers

Number of Employees: The Company has no employees, other than directors, who receive no remuneration. This company is used as a vehicle for work due to the restrictions on the CA as a public body.

Net Assets: Year ending 31 March 2023

2023 (£)	2022 (£)
151,534	91,485

The company is a small company and is exempt from filing full accounts.

Agreements: None

Meetings: Direct liaison with the Housing, Property and Regeneration Directorate and with the Director of Commercial and Investment who is the SRO for CIF to provide a fund monitoring dashboard to the Investment Advisory Group and Investment Board each Month

Delivery: See meetings section above.

Support: Support is sought from the WMCA for Data Protection purposes including it being subject to the WMCA's policies and procedures for this area

Audit: An external auditor (Smith Cooper) has been appointed to audit the financial accounts

3.4 Midland Metro Limited

Type: Private limited company

Established: Incorporated 24 June 2018

Purpose: To operate the current metro operations within the West Midlands

Stake: 100% - it is a wholly owned subsidiary of the WMCA

Structure: 4 Directors (1 x Executive, 2 x non-executive and 1 independent non-executive director)

Linda Horne

Sophie Allison

Laura Shoaf

Philip Hewitt (independent non executive director who is also Chair of the Board)

There is also provision to appoint a second non-executive director.

Number of

Employees: The average monthly number of employees, including directors, during the year 2023 was 264 and in 2022 was 242. No directors received any remuneration in respect of their services to the company.

Turnover: Year ending 31 March 2023

2023 (£)	2022 (£)
10,008	10,312

Agreements: Public Service Contract

Shareholders Agreement with shareholder representative being the Director of Law & Governance

Meetings: Regular Board meetings attended by Directors and shareholder representative

Delivery: Business continuity and insurance arrangements are in place.

Support: A number of support services are provided by WMCA (Procurement, Legal and Finance) all of which follow WMCA procedures. Under a SLA with Corporate Services, financial services for MML are provided by WMCA.

Audit: The shareholding agreement has specified the performance reporting requirements that MML are required to adhere to as specified by the WMCA

MML has its own internal audit committee that meets quarterly.

Risks related to MML are escalated from the MML Board to the TfWM Board and then to the Corporate / Strategic risk register where appropriate.

3.5 West Midlands Growth Company Ltd

Type: Private company, limited by guarantee without share capital.

Established: Incorporated 26 April 1982

Purpose: To attract investment, jobs, visitors and businesses to the West Midlands in support the West Midlands Combined Authority’s strategic economic plan targets, working with a range of partners – public, private and higher education sectors - on projects and programmes that deliver for the region.

Stake: Owned by WMCA and the 7 Constituent Authorities

Structure: There are currently 20 Directors. There are Company Members and Directors of the Board. Company Members are split into A Members and B Members. A Members each appoint a Director to the Board and collectively, the B Members appoint 3 Directors. In addition, A Members are entitled to appoint further Directors (so the total number of A Directors is not exceeding 22):

A Members	WMCA Birmingham City Council Coventry City Council Dudley MBC Solihull MBC Sandwell MBC Walsall City of Wolverhampton Council
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A Directors	Cllr Patrick Harley (Dudley) Tim Johnson (Wolverhampton) Andy Williams (Coventry) Laura Shoaf (WMCA) Matt Hammond (PwC) Rob Valentine (Bruntwood) Sally Scott (Advanced) Paul Thandi (NEC Group) Andrew Lovett (Black County Living Museum) Tom Westley (The Westley Group) Jane Whitlock (Deloitte) Cllr Adrian Andrew Nicholas Barton John Cotton Ian Courts Monica Fogarty Shokat Lal David Uzochukwesi Neil Rami
B Members	Aston University Birmingham City University University of Birmingham University of Warwick University of Wolverhampton Stratford Upon Avon DC.
B Directors	Prof Adam Tickell (University of Birmingham)

Number of Employees: The average monthly number of employees during the year 2023 was 91.

Turnover: Year ending 31 March 2023

2023 (£)	2022 (£)
10,926,454	8,885,634

Agreements: Service Level Agreement

Meetings: Regular Board meetings and meetings with WMCA and other stakeholders.
 Also reports to Executive Board and Economic Growth Board quarterly, so there is visibility of their activity.

Delivery: Business Plan approved by WMCA Board

Support: Collaborative working

Audit: An external auditor (Dains Audit Limited) has been appointed to audit the financial accounts

3.6 West Midlands Rail Limited

Type: Private company limited by guarantee without share capital

Established: Incorporated 10 April 2014

Purpose: A not-for-profit company owned by local authorities in the region. It works with the Department for Transport, Network Rail and other organisations and its role is to:

- specify and manage the West Midlands Railway train service contract
- upgrade train stations and build new ones on behalf of Transport for West Midlands and other partners.
- support improvements for passenger and freight train services
- plan future network improvements in the region
- maximise the benefits of the rail network for local communities.

Stake: Owned by WMCA and the seven geographically located Local Transport Authorities.

Structure: Councillor Pervez Akhtar – Director
Cllr Adrian Andrews – Director
Cllr Michael Bird – Director
Peter Butlin – Director
Lee Carter – Director
Cllr Elizabeth Clements – Director
Craig Collingswood – Director
John Cotton – Director
Cllr Ian Courts - Director
Andrea Goddard – Director
Kenneth Hawkins – Director
Peter Hughes – Director
Phillip Larratt – Director
Richard Marshall – Director
Cllr James O’Boyle – Director
Simon Phipps – Director
Philip Price - Director
Michael Rouse – Director
Cllr Isabelle Seccombe – Director
Stephen Simkins – Director
Philip White – Director
David Williams – Director

The Mayor of WMCA is the Chair and is entitled to speak at the meetings but not vote.

Number of Employees: Average monthly number of employees, including directors, during the year 2022 was 0. The Company has no employees, other than directors.

Turnover for the year ending 31 March 2023 £897,603

Agreements: Governance Note and SLA was approved by the WMR Board in March 2022. The SLA is for the provision of certain support services particularly in respect of governance, finance and legal services. WMCA will provide services for the arrangements and conduct of its WMR board meetings

Support: West Midlands Rail Executive are not registered with the ICO as a Data Controller. WMCA take full responsibility for WMRE Data Controller responsibilities. – For data protection they are subject to all WMCA policies, procedures and data protection assurance.

Audit: An external auditor (Williamson & Croft Audit Limited) has been appointed to audit the financial accounts

3.8 Black Country Innovative Manufacturing Organisation Ltd (BCIMO)

Type: Private Company, limited by guarantee without share capital.

Established: Incorporated 23 May 2019

Purpose: BCIMO is the driving force behind a state-of-the-art research and development facility based in Dudley. This multi-purpose centre, situated at the heart of the Black Country, offers a host of unique facilities including a Rail Development and Test Site, Engineering Laboratories, Serviced Offices and an Events Suite.

Stake: 50% - it is jointly owned with Dudley Metropolitan Borough Council

Structure: 4 Directors – Jonathan Beasley, Philip Marsh, Neil Fulton and Robert Evans. Currently neither DMBC nor WMCA have a director on the Board.

Number of Employees: Average monthly number of employees for year ending 2021 was 3 and for 2022 was 7.

To Note: There are currently discussions underway with Dudley MBC (also listed as a person with significant control) and the company, about its future operating model with a report coming to WMCA Board on 15 March 2024.

3.7 Help to Own

Type: Limited Liability Partnership.

Established: H2O1 Incorporated 3 March 2021 and H2O2 on 9 March 2021

Purpose: H2O1 LLP is “the Group”. A Limited Liability Partnership and H2O2 LLP is the vehicle that carries out the Marches development and investment in 100 homes at The Marches.

Stake: 50% - it is jointly owned with Wolverhampton City Council.

Structure: Ian Martin acts as Chair for the HTO meeting. Ian Martin and Carl Pearson are appointed as Member Representatives. The Members are Wolverhampton City Council and WMCA for each LLP, which is owned and run by its Members. Neither of the member representatives have any fiduciary duty to the LLP but rather there is an appointed manager who administers such activity and the Member representatives rely upon their reports.

Meetings: Regular reports from the LLP to the Members.

Delivery: It is reported on Housing and Land dashboards received by Investment Board on a monthly basis, and anything significantly outside the approved business plan is taken back to Investment Board for decision.

Audit An external auditor (Haines Watts Birmingham LLP) has been appointed to audit the financial accounts

3.8.1 **WMCA JV Ltd**

Type: WMCA JV Ltd is a private company limited by shares.

Established: Incorporated on 16 March 2023

Purpose: WMCA JV Ltd was established as a vehicle for the investments into WM Co-Investment Fund

Stake: 100% - it is a wholly owned subsidiary of the WMCA

Structure: 2 Directors – Ian Martin and Carl Pearson

Note: this is a newly established company and further information can be found in this press release: [Pioneering £25 million investment fund launched to help grow region’s industries of the future \(wmca.org.uk\)](https://www.wmca.org.uk)

3.9 WMCA also has dormant companies as follows. These are kept under review and will be wound up if considered that they are no longer needed or likely to be needed.

Midlands Development Capital Ltd

100% wholly owned company incorporated March 2017

Network West Midlands Ltd

100% wholly owned company incorporated July 2000

4. Strategic Aims and Objectives

4.1 Not applicable

5. Financial Implications

5.1 WMCA's Finance team are involved with the wholly owned companies, to differing levels as detailed in the report above and as appropriate in the circumstances. There are no specific financial asks or recommendations from this report.

6. Legal Implications

6.1 When companies have been established, legal advice has been provided whether by the WMCA internal legal team, or in some cases by external lawyers. Legal advice is sought and given on any matters affecting the companies or the WMCA in relation to the companies, as appropriate. Companies are established only when it is not possible to achieve the required outcomes through WMCA. There are no specific legal implications to this report.

7. Single Assurance Framework Implications

7.1 Not applicable

8. Equalities Implications

8.1 Not applicable

9. Inclusive Growth Implications

9.1 Not applicable

10. Geographical Area of Report's Implications

10.1 The companies identified in this report work across and relate to the whole of the geographic area of WMCA.

11. Other Implications

11.1 None

12. Schedule of Background Papers

12.1 None



Audit, Risk & Assurance Committee

Date	11 March 2024
Report title	Terms of Reference - Audit Risk and Assurance Committee
Accountable Chief Executive	Laura Shoaf, Chief Executive of the WMCA Email: Laura.Shoaf@wmca.org.uk
Accountable Employee	Helen Edwards, Director, Law and Governance Email: Helen.Edwards@wmca.org.uk

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

1. Review the Terms of Reference for the Audit, Risk and Assurance committee (ARAC).
2. Give consideration to increasing the number of Independent persons from one to two, (currently held by the Chair of ARAC).
3. Note the addition of the following to the terms of reference:

To approve, under authority delegated by the WMCA Board on 8 December 2017, the WMCA's statutory Statement of Accounts

4. Purpose

- 2.1 The Terms of Reference were previously considered at the ARAC meeting in April 2023 and it was resolved that they be reviewed and brought back annually in March. When ARAC reviewed the terms of reference in April 2023, the delegation agreed by WMCA Board in December 2017 had been omitted, this has now been reinstated. WMCA Board considered that this delegation was appropriate as approval of the Statement of Accounts fitted closely with the Committee's existing terms of reference and members had an understanding of the regulatory background to the approval of the statutory Statement of Accounts having been actively involved in considering the external audit approach to the financial statements that had been adopted by the local audit team at Grant Thornton. It was noted that any issues of concern would be raised with the WMCA Board when necessary. The Full report that was considered by the WMCA Board in December 2017 is attached at Appendix 1.

2.2 The Terms of Reference set out the structure of the committee, detailing its purpose, roles and responsibilities. This includes details of the committee membership and provisions to ensure that the committee complies with the obligations, as defined in Part 4 of the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.

3. Background

3.1 CIPFA's position statement 2022 in relation to the purpose of Audit Committees states that :

“Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective. The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.”

3.1 The Terms of Reference were previously updated taking the CIPFA statement into account.

3.2 The committee are asked to give consideration to increasing the number of Independent persons from one to two, (currently held by the Chair of ARAC). This is in line with CIPFA's Position Statement: *Audit Committees in Local Authorities and Police 2022* which states:

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

3.3 The role of Chair continues to be undertaken by the independent member. We previously recommend that there also be an annual appointment of a Vice Chair, to be determined at the first meeting of the municipal year by voting members of the Committee.

3.4 The membership remains as previously set, apart from the discontinuation of the GBSLEP membership which will continue until 31st March 2024 in line with the continuation of this LEP until this date.

3.5 The Quorum reflects the requirements as set out within the Order referenced in 1.2 which sets a requirement in Part 4, paragraph 14.7 for the quorum to be no fewer than two thirds of the total number of members as shown below:

'The combined authority must determine a minimum number of members required to be present at a meeting of the audit committee before business may be transacted, to be no fewer than two-thirds of the total number of members of the audit committee'.

3.6 The functions were previously updated to reflect the additional annual assurance reports that are received by ARAC in relation to Health and Safety, Data Protection and Equalities.

4. Financial Implications

There are no financial implications associated with this report

5. Legal Implications

The terms of reference ensure that the committee complies with the obligations, as defined in Part 4 of the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.

6. Equalities Implications

There are no equality implications associated with this report

7. Inclusive Growth Implications

There are no inclusive growth implications associated with this report

8. Geographical Area of Report's Implications

West Midlands

9. Other Implications

None

10. Schedule of Background Papers

Appendix 1 – WMCA Board Report 8 December 2017

Appendix 2 – Draft Terms of Reference

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WMCA Board

Date	8 December 2017
Report title	Delegation of Statement of Accounts Approval
Portfolio Lead	Councillor Izzi Seccombe - Finance & Investments
Accountable Chief Executive	Deborah Cadman, West Midlands Combined Authority tel: (0121) 214 7552 email: deborah.cadman@wmca.org.uk
Accountable Employee	Sean Pearce, Director of Finance, West Midlands Combined Authority tel: (0121) 214 7936 email sean.pearce@wmca.org.uk
Report to be/has been considered by	Audit, Risk & Assurance Committee - 17 November 2017 Programme Board - 24 Nov 2017

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

- (1) Endorse an amendment to the WMCA Constitution, to enable consideration and approval of the WMCA's statutory Statement of Accounts to be delegated to the Audit, Risk & Assurance Committee.

1.0 Purpose

1.1 This report sets out the rationale for recommending an amendment the WMCA Constitution that will allow delegation of statutory accounts approval to the Audit, Risk & Assurance Committee.

2.0 Background

2.1 In accordance with the Accounts and Audit Regulations 2015, the WMCA is required to prepare and approve the following:

1. its annual statement of accounts; and
2. an annual governance statement.

2.2 Following its preparation, the responsible financial officer (Director of Finance) must sign and date the Statement of Accounts and confirm that they are satisfied that it presents a true and fair view of –

- i) the financial position of the authority at the end of the financial year;
- ii) the authority's income and expenditure for the year.

2.3 Once the statutory accounts preparation is completed, the authority is required to commence the period for the exercise of public rights and notify the local auditor of the date that the period commenced.

2.4 The local auditor, Grant Thornton, is also required to carry out an audit on the annual financial statements.

2.5 The Accounts and Audit Regulations require that the final version of these audited documents are considered and approved either by members of the authority meeting as a whole or alternatively by a committee of the authority.

2.6 The audited Statement of Accounts and the Annual Governance Statement together with the auditor's opinion must then be published on the authority's website by no later than 31st July of the financial year immediately following the end of the relevant financial year.

2.7 Owing to the condensed timetable that the authority is now required to follow, as well as a relatively short amount of time available following their completion for members to consider and approve the Statement of Accounts, it is suggested that the WMCA's Constitution is amended to assign responsibility for considering and approving the Statement of Accounts for the WMCA and the WMITA Pension Fund to the Audit, Risk & Assurance Committee.

2.8 Approval of the Statement of Accounts fits closely with the Audit, Risk and Assurance Committee's existing terms of reference and members already have an understanding of the regulatory background to the approval of the statutory Statement of Accounts having been actively involved in considering the external audit approach to the financial statements that has been adopted by the local audit team at Grant Thornton. Any issues of concern will be raised with the WMCA Board when necessary.

2.9 It is suggested that the WMCA Constitution is now updated to include the following additional NEW functions for Audit, Risk & Assurance Committee, to allow delegation of the Statement of Accounts approval process to the committee so that they can be approved in a timely manner in accordance with the requirements of the Accounts and Audit Regulations 2015:

- i. **To approve the WMCA's annual Statement of Accounts;**
- ii. **To approve the WMITA Pension Fund's annual Statement of Accounts.**

The timetable below sets out the indicative key dates for the 2017/18 Statement of Accounts approval:

Description	Responsible	Date
Finance training for members of ARAC	Finance team	March 2018
Draft Statement of Accounts 2017/18 completed & certificate signed by Finance Director (WMCA & ITA Pension Fund)	Finance team/Director of Finance	May 2018
Financial Statements Audit	Local audit team (Grant Thornton)	May 2018
Consideration and approval of Statement of Accounts	Members of ARAC	June 2018
Publication of Statement of Accounts	Finance team	31 July 2018

3.0 Legal implications

3.1 The WMCA has a statutory obligation to approve and publish its statutory accounts by the statutory deadline. The current route for approval of the accounts under the Constitution is through the Combined Authority Board. To enable the Audit Risk and Assurance Committee to undertake this task, the function needs to be delegated to that committee by the Board as recommended by this report.

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Audit Risk and Assurance Committee

Terms of Reference

Purpose	<p>The Audit, Risk & Assurance Committee is a key component of the WMCA's corporate governance arrangements. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The purpose of the committee is to provide independent assurance to the WMCA on the adequacy of the risk management framework and the internal control environment.</p> <p>It provides an independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.</p>
Accountable to	<p>To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.</p> <p>To report to WMCA Board on a regular basis on the committee's performance in relation to the terms of reference, and the effectiveness of the committee in meeting its purpose.</p>
Membership	<p>Constituent Authorities x 7 Non-Constituent Authorities x 4 – representing Warwickshire, Shropshire, Staffordshire and Worcestershire GBSLEP representative x 1 Independent Member x 1</p>
Chair	<p>The committee is to be chaired by the independent member.</p> <p>The Vice Chair will be appointed by Committee members at the first meeting of the municipal year.</p>
Voting	<p>All members of the Audit, Risk & Assurance Committee will have one vote, except the Chair who is not eligible to vote and nor will exercise a casting vote.</p>

Quorum	The quorum shall be two-thirds of its membership.
Frequency	The Audit, Risk & Assurance Committee will meet quarterly, or more frequently if required to deliver the work.
Servicing	Meetings of the committee will be serviced by the WMCA's Governance Services Team.
Functions	<p>Governance, Risk and Control</p> <ul style="list-style-type: none"> • To review the WMCA's corporate governance arrangements against the good governance framework and consider annual governance and assurance reports. • To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the WMCA's framework of governance, risk management and control. • To consider the WMCA's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements. • To consider the WMCA's framework of assurance and ensure that it adequately addresses the risks and priorities of the WMCA. • To monitor the effective development and operation of risk management in the WMCA. • To monitor progress in addressing risk-related issues reported to the committee. • To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions. • To review the assessment of fraud risks and potential harm to the WMCA from fraud and corruption. • To monitor the counter-fraud strategy, actions and resources.

- To receive additional assurance reports from the Programme Assurance and Appraisal, Health & Safety, Data Protection and Equalities teams

Internal Audit

- To approve the Internal Audit Charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve the internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
- To consider reports from the Head of Internal Audit on internal audit's performance during the year, including the performance of external providers of internal audit services.
 - These will include:
 - Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
 - Regular reports on the results of the quality assurance and improvement programme;
 - Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.
- To consider the Head of Internal Audit's annual report:
 - The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement programme

	<p>that supports the statement - these will indicate the reliability of the conclusions of internal audit;</p> <ul style="list-style-type: none"> ○ The opinion on the overall adequacy and effectiveness of the WMCA's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the annual governance statement. <ul style="list-style-type: none"> ● To consider summaries of specific internal audit reports as requested. <p>External Audit</p> <ul style="list-style-type: none"> ● To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance. ● To consider specific reports as agreed with the external auditor. ● To comment on the scope and depth of external audit work and to ensure it gives value for money. ● To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies. <p>Financial reporting</p> <ul style="list-style-type: none"> ● To approve, under authority delegated by the WMCA Board on 8 December 2017, the WMCA's statutory Statement of Accounts ● To receive detailed training in respect of the process associated with the preparation, sign-off, audit and publication of the Authority's annual statement of accounts. ● To monitor the on-going progress towards publication of the Authority's annual statement of accounts, ensuring the statutory deadlines are achieved. ● To obtain explanations for all significant variances between planned and actual expenditure to the extent that it impacts on the annual statement of accounts. ● To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from
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	<p>the financial statements or from the audit that need to be brought to the attention of the Authority.</p> <ul style="list-style-type: none"> • To consider the external auditor’s report to those charged with governance on issues arising from the audit of the accounts. <p>Standards</p> <ul style="list-style-type: none"> • To promote and maintain high standards of conduct and ethical governance by Members and co-opted Members of the Authority. • To appoint Sub-Committees with delegated power to consider investigation reports, to conduct hearings (including the imposition of sanctions), to review decisions of the Monitoring Officer to take no action on a complaint, and to review findings of failure to comply with the Code of Conduct and action taken in respect thereof.
Review	Annually in March

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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