



WEST MIDLANDS COMBINED AUTHORITY

Audit, Risk & Assurance Committee

Friday 17 November 2017 at 10.00 am

Minutes

Present

David Lane (Chair)	
Councillor Craig Collingswood (Vice-Chair)	City of Wolverhampton Council
Councillor Sucha Bains	Coventry City Council
Councillor Margaret Bassett	Solihull Metropolitan Borough Council
Councillor Kerrie Carmichael	Sandwell Metropolitan Borough Council
Sean Farnell	Coventry & Warwickshire LEP
Councillor John Fisher	Redditch Borough Council
Councillor Simon Peable	Tamworth Borough Council/Cannock Chase District Council
Councillor Alexander Phillips	Shropshire Council
Councillor June Tandy	Nuneaton & Bedworth Borough Council

In Attendance

Mark Babington	West Midlands Combined Authority
Nicola Coombes	Grant Thornton
Linda Downes	Nuneaton & Bedworth Borough Council
Peter Farrow	City of Wolverhampton Council
Julia Goldsworthy	West Midlands Combined Authority
Linda Horne	West Midlands Combined Authority
Councillor Peter Hughes	Overview & Scrutiny Committee
Sandra Kalyan	City of Wolverhampton Council
Tim Martin	West Midlands Combined Authority
Lorraine Quibell	West Midlands Combined Authority
Rita Rais	West Midlands Combined Authority
Joti Sharma	West Midlands Combined Authority
Jane Tattam	Solihull Metropolitan Borough Council
Councillor Jackie Taylor	Sandwell Metropolitan Borough Council

Item Title

No.

18. Apologies for Absence

Apologies for absence were received from Councillor Keith Chambers (Walsall Metropolitan Borough Council) and Councillor Steve Clark (Dudley Metropolitan Borough Council)

19. Declarations of Interest

No declarations of interest were made in relation to matters under consideration at the meeting.

20. Chair's Remarks

(a) Letter received from Jess Phillips MP, Birmingham Yardley Constituency

The Chair had received a letter from Jess Phillips MP concerning a complaint she had received from a constituent on the governance and procurement processes relating to the award of a contract. As part of his review, the Chair had been briefed by the Monitoring Officer and had asked to see the Authority's internal report and legal advice regarding this challenge. Following consideration of the evidence, he considered that although there were some lessons for the Authority to learn, the procurement process had been handled fairly.

(b) Monitoring Officer

The Chair had met with the recently appointed Monitoring Officer, Tim Martin and had discussed the Chairs expectations of officers for the next year in order to make the committee more effective.

21. Minutes of the meeting held on 15 September 2017

The minutes of the meeting held on 15 September 2017 were agreed and signed by the Chair as a correct record.

22. Matters Arising

(a) Health and Safety Issues and Whistleblowing

The Head of Governance reported that there were no health and safety or whistleblowing issues during this period.

The Chair identified that he did not believe that health & safety reporting should come through Audit, Risk & Assurance Committee in the long term (although the committee would have a role in being satisfied that the process was right and being handled appropriately) but the committee should await proposals from the Monitoring Officer on how this was being handled for the future relaxing the obligation to report to the committee at each meeting.

(b) Approval of the WMCA Accounts 2017/18 ARAC Membership

It was noted that the membership of the committee was as determined by the constituent/non-constituent authorities and the Head of Governance assured the committee that appropriate training would be provided to the current and new members joining the committee at the start of the municipal year to enable them to carry out their responsibilities effectively. It was also suggested that new members should be able to take confidence from their predecessors' work and opinions prior to any change in membership.

23. Forward Plans

The committee considered the plan of items to be reported to future meetings of the Audit, Risk & Assurance Committee and the forward plan for the WMCA Board.

At its meeting on 21 November, Overview & Scrutiny Committee would consider a report on the Authority's approach and plans to cope with the new General Data Protection Regulations before they became enforceable in May 2018. The Chair asked the Head of Governance to provide an update on this item of business at the next meeting.

Resolved

- (1) That an update be provided on General Data Protection Regulations (GDPR) preparations by the WMCA at January's meeting.

24. Combined Authority Leadership Team Priorities

The committee received an update from the Director of Strategy on the internal challenges in terms of resources and capacity to meet demand and achieve its forward momentum ambitions, emerging priorities including SEP ambitions, the first devolution deal and the delivery of the outcomes as expected, and the devolution agreement, in which negotiations were continuing with the Government. It was expected that the finalised devolution deal would be announced on 22 November.

The West Midlands Combined Authority needed to undertake further work to understand the cumulative impact and risks associated to Brexit. It also recognised the importance of continuing to improve the relationships and engagement with its non-constituent members.

Resolved

- (1) A governance map to enable members to identify the relationship and liaison with other Authority committees was to be submitted at the next meeting.
- (2) The Head of Governance to circulate an organisational chart and brief summary for each Leadership Team post holder to members of the committee for information.

25. Delegation of Statement of Accounts Approval

The committee considered a report of the Director of Finance which set out the rationale for recommending an amendment to the Authority's Constitution that would allow for the delegation of statutory accounts approval to the Audit, Risk & Assurance Committee.

The Head of Finance & Business Planning agreed to share a background briefing note on the Pension Fund with the Chair to review and assess whether it was appropriate for it to be circulated to all members of the committee in advance of any training on the accounts.

The committee emphasised the importance of training to enable them to carry out their responsibilities effectively. The Chair proposed that the January and March meetings be extended by 30 minutes to incorporate the appropriate training. All members of the committee agreed with this proposal.

Resolved

- (1) The report be approved on condition that appropriate training be provided to members to enable them to carry out their responsibilities effectively, and that satisfactory hand-over planning was made for new Audit, Risk & Assurance Committee members joining at the end of the approval process.

26. Grant Thornton - The Annual Audit Letter for the West Midlands Combined Authority

The committee considered a report from Grant Thornton that summarised the key findings arising from the work carried out at the West Midlands Combined Authority, including the West Midlands Integrated Transport Authority Pension Fund for the year ending 31 March 2017.

Councillor Craig Collingswood referred to the action plan within the report and enquired about the implementation date for those issues that were highlighted as a medium priority. Nicola Coombes, Grant Thornton, noted that the issues in respect of ICT would be reviewed as part of this year's audit. The Chair added that as the committee was to receive a presentation on Cyber Security in January 2018, this should also include an update on the issues identified as part of the audit.

Resolved

- (1) That the report be noted.

27. Grant Thornton - Progress Report and Update Year ended 31 March 2017

The committee considered a report from Grant Thornton on the progress in delivering its responsibilities as the Authority's external auditors.

Resolved

- (1) That the report be noted.

28. Audit, Risk and Assurance Committee Self-Assessment Exercise

The Chartered Institute of Public Finance and Accountancy (CIPFA) in their 'Audit Committees - Practical Guidance for Local Authorities' recommend that an Audit Committee should carry out a regular review of its performance and effectiveness.

The Internal Auditor reported that members of Audit, Risk & Assurance Committee had been asked to complete a self-assessment of good practice along with a knowledge and skills framework checklist based on a model provided by CIPFA.

The Chair asked that all members of the committee review, complete and return the self-assessment documentation, and requested that a paper copy of the documentation was to be sent to Councillor Sucha Bains. The Chair asked all members to recognise that the lessons to learn from this self-assessment were all part of being a high performing Audit, Risk & Assurance Committee.

Resolved

- (1) That the report be noted.

29. WMCA Arm's Length Companies Checklist - Nov 2017

The committee considered a report of the Director of Finance that provided a checklist, which would be used by the Corporate Assurance Manager to assess if assurance arrangements for arm's length companies related to WMCA were satisfactory.

The Corporate Assurance Manager added that there had been an amendment to the checklist in respect of governance, to seek confidence and clarification as to whether independent members were included on the board, with the Chair being an independent member.

Councillor Margaret Bassett agreed to circulate a proposed list of questions for consideration to be incorporated within the checklist. Sean Farnell added that he would wish to see the definition of 'adequate', and considered that the accounts should be subject to external audit regardless of the size of the company. With regard to procurement, there should be a commitment for local procurement and Key Performance Indicators also to be attached. Councillor John Fisher considered that an understanding of the legal requirements and responsibilities in advance would be useful.

Following the completion of the checklists by a company, Councillor Craig Collingswood requested that the Corporate Assurance Manager produce a summary of the results, which was to be presented to Audit, Risk & Assurance Committee for its information.

The Chair requested that the checklist should be submitted to the next meeting of the committee for approval.

Resolved

- (1) The checklist that was to be used to seek confidence in assurance arrangements for arm's length companies related to the West Midlands Combined Authority be noted, and the other points that members of the committee had asked to be incorporated were to be considered.
- (2) The signed checklist was to accompany the Annual Governance Letter when it was presented to Audit, Risk & Assurance Committee on an annual basis.

30. Internal Audit Update

The committee considered a report of the Chief Audit Executive that provided an update on the work completed by internal audit so far this year.

Four pieces of audit work had been completed, where an audit opinion had been provided as follows:

- Programme Management Office Project Appraisal and Support Functions - Satisfactory
- Transport for West Midlands Capital Programme - Satisfactory
- Expenses, Gifts and Hospitality - Satisfactory
- Draft Report: Investment Programme - Governance Arrangements for Project Approval and Appraisal - Satisfactory. Internal Audit was currently awaiting a response from management in respect of its recommendations.

The Internal Auditor was currently in discussions with officers with regard to the Investment Programme and was confident that he would be able to provide an update on the number of recommendations accepted by management at the next meeting of the committee.

The Internal Auditor explained the process in which Internal Audit would determine whether a Red, Amber or Green rating would be provided. The Chair requested that more detailed reports should be shared with the committee when the ratio of Amber findings outweighed Green, as well as when there was a Red finding to enable the committee to question the findings and implications in more depth.

Resolved:

- (1) The contents of the latest Internal Audit Report was noted, and in future more detailed reports to be shared when the ratio of Amber findings outweighed Green, as well as when there was a Red finding.

31. Internal Audit Charter Review

The committee considered a report of the Chief Audit Executive on the Internal Audit Charter.

The Internal Audit Charter was a formal document that identified the internal audit activity's purpose, authority and responsibility. The Charter would be reviewed annually by the Head of Governance in conjunction with the Corporate Assurance Manager and the Head of Audit.

It was noted that the Audit, Risk & Assurance Committee would be asked to endorse any changes made to the Internal Audit Charter. Sean Farnell considered that it would be useful if these changes were highlighted within the report.

It was recognised that this Charter may be returned to Audit, Risk & Assurance Committee in the early part of 2018 having taken account of changes and recommendations from the new Senior Management Team, especially around the reporting line between the Chief Audit Executive and the Combined Authority.

Resolved

- (1) The Internal Audit Charter be approved, and it be noted that they may be subject to change following the consideration of the new management's proposals due to be heard by Audit, Risk & Assurance Committee at the end of January.

32. Capability and Vacancy Risks and Organisational Development Dashboard

The committee received a verbal report from the Interim Head of Organisational Development on Capability and Vacancy Risks and the Organisational Development Dashboard.

Councillor Alexander Phillips questioned whether the WMCA had the resource and skills to effectively carry out its forward agenda. This was an area that was currently being reviewed by the WMCA's Leadership Team together with the budget to ensure that it had the right resource, skills and support from its partners to carry out its developing agenda effectively.

Councillor Simon Peable added that whilst the WMCA would be calling on the resource of its partners, it also needed to be mindful that respective authorities were currently undergoing a review of its own resource and budgets. The Interim Head of Organisational Development agreed to work in conjunction with the Overview and Scrutiny Committee to undertake a benchmarking exercise in respect of resource.

Committee members continued to be concerned over the level of aspiration and planned activities and the resource levels and capability of the CA staffing. The Interim Head of Organisational Development agreed to engage with the Leadership Team and would submit a written report to the next meeting of the committee.

Resolved

- (1) The report be noted, and that there remained a concern over capability versus aspiration going forward and whether this would mean reduced aspiration or a risk to quality and performance be noted also.
- (2) The committee to receive a written report from the Interim Head of Organisational Development on capability and vacancy risks in respect of aspiration versus capability at its meeting on 19 January 2018.

33. Exclusion of the Public and Press

Resolved

- (1) That, in accordance with s100(A) of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business as they were likely to involve the disclosure of exempt information relating to the financial or business affairs of any particular person (including the authority holding that information).

34. Devolution Deals Update

The committee received a verbal update of the Head of Governance on the current devolution discussions with Government.

Resolved

- (1) That the report be noted.

35. Commonwealth Games Update

The committee considered a verbal update from the Head of Governance on the Commonwealth Games.

Resolved

- (1) That the report be noted; and

- (2) It be agreed that the continued presence of the Commonwealth Games updates on the Audit, Risk & Assurance Committee agenda could be discontinued once the Strategic Risk Register carried a clear reference and mitigation for high perception risk activities that might not be under the direct control of the Authority.

36. Transport for the West Midlands Network Emergency Planning

The committee considered a report of the Safety & Security Manager on the progress made in relation to Network Emergency Planning.

Councillor June Tandy enquired about the engagement with non-constituent partners and their involvement in network emergency planning. The Safety & Security Manager explained that in terms of Transport for West Midlands, it would be in respect of those areas that it had direct responsibility for. The Chair asked the Monitoring Officer to define the areas of responsibilities for the Combined Authority and therefore for members of the committee, to overcome the risk of confusion between the Combined Authority and local authority responsibilities.

Resolved

- (1) That the report be noted.
- (2) The Monitoring Officer to define the boundaries of the Combined Authority's responsibilities for members of the committee to overcome the risk of confusion between the Combined Authority and local authority responsibilities.

37. Friday 19 January 2018

The next meeting would be held on Friday 19 January at 10:00am.

The meeting ended at 12:15pm

DRAFT