



**West Midlands
Combined Authority**

Audit, Risk & Assurance Committee

Tuesday 18 April 2023 at 10.00 am

Minutes

Present

Mark Smith (Chair)

Councillor Dave Borley

Councillor Craig Collingswood

Councillor Ram Mehmi

Councillor Nick Bardsley

Councillor Richard Baxter-Payne

Councillor Charn Padda

Lisa Ritchie

Dudley Metropolitan Council

City of Wolverhampton Council

Walsall Metropolitan Borough Council

Shropshire Council Non- Constituent
Authorities

Warwickshire Non-Constituent
Authorities

Sandwell Metropolitan Borough Council

Greater Birmingham and Solihull Local
Enterprise Partnership

**Item Title
No.**

51. Inquorate meeting

It was noted that the meeting was inquorate and therefore the recommendations contained within the minutes would be submitted to the next meeting for formal approval and adoption.

52. Apologies for Absence

Apologies for absence were received from Councillors Meeson, Mosquito and Sutherland.

53. Chair's Remarks

The Chair reported on meetings he had attended since last meeting of the committee.

54. Minutes - 24 January 2023

The minutes of the meeting held on 24 January 2023 were agreed as a true record.

55. Matters Arising

40. Midland Metro Limited Annual Accounts

The Chair asked that the Head of Financial Management confirm for the next meeting the committee's responsibilities regarding the process for the approval of Midland Metro Limited's annual accounts.

46. Housing Investigation - Action Plan

The Chair asked that the progress in relation to the Action Plan for the Housing Investigation be added to the Forward Plan for the September meeting of the committee.

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

The Chair asked that the committee be provided with an update at a future meeting on the investigation into the financial breach relating to the Metro Wolverhampton City Extension.

56. Strategic Risk Register

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

The Head of Business Improvement, Fiona Bebbington, presented the report on behalf of the Strategic Risk Manager who was unable to attend the meeting.

The Head of Business Improvement reported that 2 new strategic risks had been identified since the last meeting but there was not much movement on risks generally, so work was being undertaken with the relevant directorates to understand why some risks were static.

The Chair reported that he expected strategic risks to be around for a longer period of time and it was helpful that changes to risk were highlighted in red.

Councillor Collingswood (Wolverhampton) enquired whether it was sustainable to have 13 risks rated red, high risk, in the current environment and that his own authority, called in high risks whereby the owners were questioned by the audit committee.

The Head of Business Planning, Fiona Bebbington reported that there was little movement on the risks which, was not desirable but risks were reviewed on a regular basis and there was engagement between risk owners and the Executive Board.

The Executive Director of Finance & Business Hub, Linda Horne, reported that she was pleased with progress being made and the reporting mechanism which provided quality information. She added that the Strategic Risk Manager was reviewing risks that have been around for some time to ensure these were updated and the Executive Board could take a 'Deep dive' into risks as they see fit.

In relation to an enquiry from the Chair regarding how risks for the Commonwealth Games Legacy Fund would be managed, the Executive Director of Finance & Business Hub advised that they were part of the risk management framework and would be reported to this committee if there was any concern.

In relation to an enquiry from Councillor Mehmi (Walsall) regarding money lost by four local authorities that were part of the Black Country Plan and the impact on the WMCA, the Executive Director of Finance & Business Hub, Linda Horne reported that there was no impact on the WMCA's schemes but undertook to speak to the Finance Director at Walsall with regards to them providing Councillor Mehmi with a briefing note on the matter.

Councillor Borley (Dudley) enquired as to the new risk relating to transport and effective cost management of TfWM's programmes and whether the impact was known.

The Executive Director of Finance & Business Hub reported that the WMCA had secured a Deeper Devolution Deal with Government since the report was written which, should help alleviate some of the risks and bring extra funding for the Wednesbury to Brierley Hill Metro Extension. Additionally, the WMCA would receive funding from the second round of the City Region Sustainable Transport Settlement (CRSTS). She advised that a report updating the WMCA Board on transport pressures would be considered at their next meeting in June and undertook to provide Councillor Borley with a copy of the report when submitted.

Resolved:

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.

57. Single Assurance Framework - Assurance Performance Report - October to December 2022

The board considered a report of the Executive Director of Finance and Business Hub that provides a quarterly update on progress of WMCA projects that have been assured through the Single Assurance Framework. The report submitted outlined performance on business case assessments, health checks, risk & appraisals and change requests during the period October to December 2022.

The Head of Programme Assurance & Appraisal, Joti Sharma, summarised key highlights in the report and advised the committee that Single Assurance Framework is embedded across all of the WMCA's directorates.

The Chair asked that a copy of the final, 'signed-off' version of the Single Assurance Framework document is circulated to the committee for information.

Resolved: That the contents of the report be noted.

58. Internal Audit Update - March 2023

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

The Head of Audit, Peter Farrow, reported that 4 internal audits had completed since the last meeting, namely, Organisation Change, Payroll, Key Financial Systems and Information and Cyber Security (private agenda item).

In relation to 7 further audits identified for completion this year, the Head of Audit advised that 2 had been completed and the remaining 5 audits were planned to be completed to feed into the annual review. The Internal Audit Liaison Officer, Loraine Quibell reported that no significant issues had been identified for the outstanding audits which should be completed by the end of the month.

In relation to the audit of Key Financial Systems and the audit of the General Ledger, the Chair reported that he wanted to understand debt balances on credit ledgers in respect of £8.8m identified and asked that the Head of Financial Management, Louise Cowen report back to him on this issue.

In relation to an enquiry from Councillor Baxter-Payne (Warwickshire Non-Constituent Authorities) regarding whether any checks are undertaken to ensure the audit recommendations have been carried out, the Internal Audit Liaison Officer reported that the audit actions are reviewed with the audit owners, and these are followed-up to ensure they are delivered.

Lisa Ritchie (Greater Birmingham & Solihull LEP) noted that in relation to the audit of accounts payable (part of Key Financial Systems) recommendations regarding the proper verification and processing of bank details had been identified in 2 previous audits.

The Chair acknowledged that the accounts payable audit had received a satisfactory level of assurance whereas all other key financial systems had been awarded a substantial level of assurance and expressed concern regarding the rigour of following-up audit recommendations. He asked that a specific report back be made on the accounts payable audit recommendations at a future meeting and undertook to discuss with the Internal Audit Liaison Officer the process for following-up audit recommendations.

Resolved: The contents of the latest Internal Audit Update Report be noted.

59. Internal Audit Plan 2023/24

The committee considered a report of the Director of Law and Governance, which provided the WMCA with a risk-based internal audit plan. The plan is based on assessment of assurance needs, to direct internal audit resources to those aspects of the organisation which are assessed as generating the greatest risk to the achievement of the WMCA's objectives.

Lorraine Quibell, Internal Audit Liaison Officer informed the committee that following consideration of the draft Internal Audit Plan in January 2023, 1 audit had been removed, the Commonwealth Games Legacy Fund as it was felt this was too early for this to be considered. She advised that the programme would, however, still follow the Single Assurance Framework and an assurance health check would be undertaken.

Resolved: That the Internal Action Plan for 2023/24 which includes an indicative timetable for delivery be approved.

60. WMCA Response to Audit Findings Report for the Year Ending 31 March 2022

The committee considered a report of the Executive Director of Finance & Business Hub that had been prepared to formally respond to the draft Audit Findings Report for the year ended 31 March 2022 presented by Grant Thornton at the committee's last meeting on 24 January 2023.

The Head of Financial Management, Louise Cowen, presented the report and informed the committee that significant resource challenges due to staff sickness in both the WMCA Finance Team and the Grant Thornton audit team impacted progress of the audit of the annual accounts which were published later than planned.

It was noted that the 6 recommendations (4 medium risk and 2 low risk) identified for the WMCA Group by Grant Thornton during the audit (referred to in the appendix attached to the report) have been completed or are in the process being completed.

The Head of Financial Management reported that the WMCA's Finance Team and Grant Thornton were working together to ensure the audit process for the year ended 31 March 2023 would progress at a faster pace to meet the statutory deadline. It was noted that only 12% of local authorities published their accounts by the statutory deadline last year.

Councillor Bardsley sought assurance that staff sickness would be less of a problem this year.

The Executive Director of Finance & Business Hub, Linda Horne, reported that it was wholly unacceptable to her that the accounts were published so late and would seek to ensure the appropriate resource was in place so that the WMCA was not in the same position this year. She added that she would ideally like the accounts to be approved by the end of June moving forward.

Resolved: The WMCA's response to the draft Audit Findings Report for the year ended 31 March 2022 presented by Grant Thornton at the Committee's meeting on 24 January 2023 be noted.

61. WMCA External Audit Plan for 2022/23

The board considered a report of the Executive Director of Finance & Business Hub that provided the WMCA's External Audit Plan for the year ending 31 March 2023 (attached as appendix 1) and 'Informing the Audit Risk Assessment for WMCA 2022/23' document (attached as appendix 2).

Grant Patterson, Grant Thornton, presented the report and provided an update on the current position with regards to the 2021/22 audit which was planned to be signed-off week commencing 24 April. He referred to the resourcing/staffing issues experienced by Grant Thornton and the WMCA Finance Team and reported that resource would be put in place to deliver the audit earlier this year.

Grant Patterson informed the committee that the External Audit Plan was consistent with the audit plans from previous years and the risks were also the same. Grant reported that he would confirm who was taking over from him as the new Lead Auditor for the WMCA in due course.

The Chair reported that he would like continuity with regards to the handover to the new Lead Auditor and asked that he/she shadow Grant Patterson during this year's audit.

Resolved:

1. The External Audit Plan for the year ending 31 March 2023 presented by Grant Thornton be noted; and
2. The Informing the Audit Risk Assessment report for the West Midlands Combined Authority 2022/23 be noted.

62. Draft Annual Governance Statement

The committee considered a report of the Director of Law and Governance that set out the draft Annual Governance Statement for approval and inclusion in the 2022/23 financial accounts.

The Annual Governance Statement is a statutory document which explains the processes and procedures in place to enable the WMCA to carry out its functions effectively as defined by CIPFA. Final approval of the 2022/23 Annual Governance Statement would be sought as part of the process of approving the annual accounts of the WMCA in due course.

The Director of Law and Governance, Helen Edwards, presented the report and informed the committee that the report looks retrospectively over the past year where the WMCA has demonstrated good governance and, also looks forward to areas where focus should be given in relation to governance for the coming year.

Councillor Collingwood expressed concern regarding the accountability and transparency of the Authority's ten arm's length companies.

The Director of Law and Governance reported that she is currently undertaking an extensive piece of work to understand the arrangements of the ten companies including what they do/ their WMCA's responsibilities and would soon be in a position to report back on the matter.

The Chair asked that a summary of the companies and their nature be submitted to the committee in due course.

The Executive Director of Finance & Business Hub reported that the WMCA Board had agreed for the arm's length companies to be set up and proposed that the briefing note to the committee set out why the companies were established as separate entities.

Resolved: The draft Annual Governance Statement for inclusion in the 2022/23 financial accounts be agreed.

63. Government Response to Local Audit Framework: Technical Consultation

The committee considered a report of the Executive Director of Finance & Business Hub that summarised the government's response on the consultation, Local Audit Framework: Technical Consultation. The report was submitted for information.

It was noted that the Department for Levelling Up, Housing and Communities (DLUHC) shared its consultation outcome on its Local Audit Framework: Technical Consultation on the 31 May 2022 in response to Sir Tony Redmond's independent review into the effectiveness of external audit and the transparency of financial reporting in local authorities. This included strengthening the guidance on audit committees, through the endorsement of CIPFA's position statement as published at the end of April 2022.

The Head of Financial Management, Louise Cowen, outlined key highlights from the report and informed the committee that no firm legislative timetable has been set for establishing the Audit Reporting and Governance Authority (ARGA), which will replace the Financial Reporting Council (FRC), as the new system leader for local audit.

The Chair thanked the Head of Financial Management for the report and asked that the committee be kept updated on the arrangements for local audit.

Resolved: The Government response to the recent Local Audit Framework: Technical Consultation.

64. Terms of Reference - Audit, Risk and Assurance Committee

The committee considered a report of the Director of Law & Governance that provided an updated terms of reference for Audit, Risk and Assurance committee (ARAC) for review and endorsement.

The Director of Law of Governance, Helen Edward highlighted the key changes proposed to the committee's terms of reference that were set out in paragraph 3 of the report.

Resolved: That the updated terms of reference for the Audit, Risk and Assurance Committee be endorsed and submitted to the WMCA Board for approval.

65. Exclusion of the Public and Press

Resolved:

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

66. Internal Audit Report - Cyber Security

The board considered an internal audit report on Cyber Security.

The Chair reported that the committee would receive an update on the matter from Jason Danbury, Strategic Head of Digital and Data, at its next meeting.

Resolved: That the report be noted.

The meeting ended at 12.06 pm.