



Audit, Risk & Assurance Committee

Wednesday 4 October 2023 at 10.00 am

Minutes

Present

Mark Smith (Chair)

Councillor Nick Bardsley

Shropshire Council Non- Constituent
Authorities

Councillor Dave Borley

Dudley Metropolitan Council

Councillor Jaspreet Jaspal

City of Wolverhampton Council

Councillor Brigid Jones

Birmingham City Council

Councillor Leslie Kaye

Solihull Metropolitan Borough Council

Councillor Ram Lakha OBE

Coventry City Council

Councillor Rose Martin

Walsall Metropolitan Borough Council

In Attendance via MS Teams

Councillor Richard Baxter-Payne

Warwickshire
Authorities

Non-Constituent

Lisa Ritchie

Business Representative

Item Title
No.

18. Apologies for Absence

Apologies for absence were received from Councillors Ashley and Preece.

19. Chair's Remarks

The Chair reported that he continues to liaise with Councillor Cathy Bayton, Chair of the WMCA's Overview and Scrutiny Committee on issues of common interest. He advised that regular liaison meetings will also include the Chair of Transport Delivery Overview and Scrutiny Committee, Councillor John McNicholas, going forward.

20. Minutes - 19 July 2023

The minutes of the meeting held on 19 July 2023 were agreed as a true record.

21. Matters Arising

6. Matters Arising – Minute no.58 Internal Audit- March 2023

The Head of Financial Management, Louise Cowen, reported that the issue of debit balances of £8.8m on credit ledgers identified as part of the Key Financial Systems audit had been identified and addressed.

6. Matters Arising- Minute no.61 WMCA External Audit Plan for 2022/23

Grant Patterson. Grant Thornton reported that he hoped to advise of the name of the new Lead Auditor following a meeting this week and would contact the Head of Financial Management, Louise Cowen to arrange meetings with the Finance colleagues and the Chair of ARAC.

22. Action List

The Chair reported that most items on the action list would be dealt with at today's meeting.

Resolved that: the action list be noted.

23. West Midlands Combined Authority Audit Progress Report and Sector Update

The committee considered a report of the Executive Director of Finance and Business Hub that attached as an appendix a report by Grant Thornton that provided an update on progress in delivering their responsibilities as WMCA external auditors for the prior year 2021/22 and the current year audit 2022/23.

The Head of Financial Management, Louise Cowen, introduced the report and with regards to the 2022/23 audit, advised that the audit process had started on 3 July this year as the Annual Accounts were originally scheduled to be approved at this meeting. However, due to the increased complexity of the WMCA's accounts and other commitments by the external auditors, the process for the accounts approval has been delayed.

Further to the commentary provided by the Head of Financial Management, Grant Patterson, Grant Thornton, reported that the complexity of the WMCA's accounts had resulted in additional time needed to obtain the appropriate level of assurance. He advised that a timeline for the approval of the Annual Accounts would be discussed with Linda Horne, Executive Director of Finance and Business Hub next week and he hoped the process would be completed by the end of November.

In relation to the closure of 2021/22 Annual Accounts, Grant Patterson, Grant Thornton reported that the audit would shortly be concluded as the audit data received supports the outstanding issue related to the West Midlands Pension Fund.

The Chair reported that it would be good to resolve the Pension Fund liability issue as soon as possible.

Resolved that: the report presented by Grant Thornton be noted.

24. WMCA Loan to Woking Borough Council - Briefing Note

The committee considered a briefing note of the Executive Director of Finance and Business Hub that outlined the WMCA's loan to Woking

Borough Council. The note was submitted for information following a request from the Chair at the previous meeting.

The Executive Director of Finance and Business Hub, Linda Horne, reported that the briefing note had initially been provided for the WMCA's Overview & Scrutiny Committee who wanted to be advised of local authority transactions following Woking Borough Council issuing a Section 114 Notice.

The Executive Director of Finance and Business Hub assured the committee that all transactions including loans undertaken by the WMCA are in accordance with the WMCA's Treasury Management Strategy and are not at risk as local authorities continue to trade with written assurance. She advised that in the light of the press coverage of the loan to Woking BC and potential reputational risk to the WMCA in the future, the decision had been taken to not forward deal by more than one month.

The Chair reported that he trusted the Lead Treasury Accountant would update the WMCA's Treasury Management Policy to reflect the change in operating practice. He asked that details be included in the Treasury Management report to the next meeting and reported that moving forward, it would be helpful to include details of forward commitments as an appendix in Treasury Management reports.

Resolved that: the briefing be noted.

25. WMCA Strategic Risk 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 three new strategic risks.

Further to enquiry from Councillor Jones (Birmingham) regarding the Single Settlement negotiation and ratification of the Trailblazing Devolution Deal by constituent authorities that were identified as new strategic risks, the Executive Director of Finance & Business Hub, Linda Horne provided the committee with an update on the timescales and process for the ratification of the TDD and reported that the Single Settlement would be negotiated with Government over the next 18 months.

In relation to an enquiry from the Chair regarding the issue of Buckingham Group Contracting Limited entering into administration and whether the WMCA has reviewed the due diligence around the award of the contract (design and build for Darlaston and Willenhall Rail Stations) to the company, the Risk Manager reported that he would ask TfWM colleagues to reflect on lessons learnt. The Executive Director of Finance & Business Hub added that she would report back on the matter to this committee and the WMCA Board to provide reassurance.

Resolved that:

1. The key messages in the Strategic Risk Update be noted and

2. The revisions/ planned revisions to the Strategic Risk Register be noted.

26. Update on Internal Audit Resourcing

The Chair reported that Peter Farrow was no longer leading on Internal Audit as the WMCA had decided to bring the Internal Audit function in-house.

The Chair asked that thanks be recorded to Peter Farrow and colleagues at Wolverhampton for resourcing internal audit since the WMCA was established.

The Head of Corporate Support & Governance, Julia Cleary, reported that job advertisements had been placed to recruit a Head of Internal Audit and Information Governance, a Senior Auditor and two Internal Auditors along with a Security and GDPR Officer and an Information Governance Officer to support and strengthen this area of the business.

The Internal Audit Liaison Officer, Loraine Quibell, reported on the interim audit arrangements that are in place until the new structure is implemented.

The Chair asked to receive a structure chart covering the new audit posts for the next meeting.

Resolved that: the update be noted.

27. Internal Audit Update

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

The Internal Audit Liaison Officer, Loraine Quibell, advised the committee that since the last meeting, the Head of Audit, Peter Farrow, had confirmed there was no change to the provisional audit opinion (reasonable assurance) for the Annual Internal Audit report following the completion of the outstanding audits.

In relation to comments made by Councillor Kaye (Solihull) at the last meeting regarding changing the categories of audit opinion, the Internal Audit Liaison Officer, Loraine Quibell reported that this issue would be reviewed when the new Internal Audit Team is in place.

It was noted that three audits had been completed since the last meeting that were appended to the report; the adult education budget and external funding arrangements had both been awarded a satisfactory level of assurance and the gifts and hospitality arrangements audit had been given a limited level of assurance.

The Interim Director for Employment, Skills, Health & Communities, Clare Hatton was in attendance to answer any questions relating to the adult education budget audit. It was noted that the recommendations contained within the report have been implemented and the concerns identified addressed.

Resolved that:

1. The contents of Internal Audit Update report be noted and
2. The confirmation of the 2022/23 Annual Audit opinion be noted.

28. Key Financial Systems Audit: Accounts Payable Update

The committee considered a report of the Executive Director of Finance & Business Hub that provided an update on progress in implementing the Accounts payable audit recommendations that were set out in the Key Financial Systems audit report for 2022/23.

The Head of Financial Management, Louise Cowen, advised the committee that as part of the WMCA Key Financial Systems Internal Audit report this year, Accounts Payable had received an overall audit opinion of 'Satisfactory' whilst the other areas audited, Accounts Receivable, Budgetary Control, General Ledger and Treasury Management had all received an audit opinion of 'Substantial'. The report submitted therefore set out progress to date in implementing the audit recommendations for Accounts Payable as requested by the Chair at a previous meeting.

The Head of Financial Management outlined the processes that have been put in place following the Internal Audit report and advised that most actions identified in the report would be completed by the end of December and would continue to be monitored by the team for an improved and effective Accounts Payable control environment.

Resolved that:

The progress update set out in the report on implementing the Accounts Payable recommendations in the Key Financial Systems audit report for 2022/23 be noted.

29. Housing Investigation - Action Plan Update

The committee considered a report of the Interim Director of Housing, Property and Regeneration that provided an update on the Action Plan agreed by this committee in January 2023 in response to the recommendations from an independent investigation carried out by CBRE.

The Head of Property & Strategic Assets, Nigel Ford was in attendance to present the report and respond to any questions.

It was noted that no further acquisitions for onward disposal or disposals completed have occurred since the Action Plan was agreed. The recommendations contained within the Action Plan would form part of a Single Property & Estates Strategy that was due for completion later this year.

The Chair asked that the committee be advised at an appropriate time in the future, when any assets have been acquired or disposed of.

Resolved that:

1. Progress on the Action Plan presented and agreed by the committee in January 2023 be noted and
2. The need to embed policies as part of the Action Plan for the Single Property & Estates Strategy to be approved later this year be recognised.

30. Single Assurance Framework Assurance Performance Report April to June 2023

The committee 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 outlined performance on business case assessments, health checks, risk & appraisals and change requests during the period April to June 2023.

The Head of Programme Assurance & Appraisal, Joti Sharma, outlined the report and referred to Section 4 of the report that identified key emerging assurance themes during the reporting period.

Resolved that:

The contents of the report be noted.

31. Single Assurance Framework Annual Refresh 2023

The committee considered a report of the Executive Director of Finance and Business Hub that provided background information on the requirement for the Single Assurance Framework (SAF) update and the changes made as part of this year's annual review and refresh.

A copy of the Single Assurance Framework was attached to the report

It was noted that the WMCA is required to take an annual refresh of its Single Assurance Framework in accordance with the Department for Levelling Up, Housing & Communities document, 'The National Local Growth Framework'

The Head of Programme Assurance & Appraisal, Joti Sharma outlined the report.

Resolved that:

1. The Single Assurance updates be noted and
2. The Single Assurance Framework attached to the report be endorsed to progress to the WMCA Board for approval.

32. Summary of WMCA Arm's length companies

The committee considered a report of the Director of Law & Governance that informed them of the companies in which the WMCA has an interest having previously requested the information.

The Director of Law & Governance, Helen Edwards, outlined the report and advised the committee that work is ongoing in reviewing and monitoring the companies established by the WMCA/it is involved with.

The Chair reported that he was unable to gauge the size of the companies, company turnover, the number of people employed and the money going through West Midlands Development Capital from the report submitted.

The Director of Law & Governance, Helen Edwards, undertook to provide more details in the next report to the committee.

The Executive Director of Finance & Business Hub, Linda Horne, advised that Grant Thornton has visibility of the WMCA's companies, and the issues identified.

Grant Patterson, Grant Thornton confirmed that there were only 2 companies of material interest, these were Midland Metro Limited and WM5G.

Councillor Jones (Birmingham) considered it would be useful for the committee to receive a quarterly or half-year update on WMCA's companies that could provide a 'temperature check' for the committee.

The Director of Law & Governance, Helen Edwards, assured the committee that the WMCA closely monitors the companies in which it has an interest.

The Chair reported that he would like the committee to receive a regular report even if it is to note there has been no change to the current position.

Resolved that:

1. The information provided in the report be noted;
2. The Executive Board is reviewing the monitoring arrangements for each of the companies be noted and
3. The monitoring arrangements proposed be reported to a future committee be agreed.

33. Forward Plan

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

Resolved that: the report be noted.

34. Monday 4 December 2023 at 10.00am

The meeting ended at 12.05 pm.