



**Audit, Risk & Assurance Committee**

**Monday 4 December 2023 at 10.00am**

**Minutes**

**Present**

Mark Smith (Chair)  
Councillor Dave Borley  
Councillor Brigid Jones  
Councillor Ram Lakha  
Councillor Rose Martin  
Councillor Liam Preece  
Lisa Ritchie

Independent Member  
Dudley Metropolitan Borough Council  
Birmingham City Council  
Coventry City Council  
Walsall Metropolitan Borough Council  
Sandwell Metropolitan Borough Council  
Business Representative

**In Attendance**

Julia Cleary  
Louise Cowen  
Dan Essex  
Mark Finnegan  
Linda Horne  
Helen Lillington  
Grant Patterson  
Lorraine Quibell  
Joti Sharma  
Kieran Stockley

Head of Corporate Support & Governance  
Head of Financial Management  
Governance & Scrutiny Manager  
Lead Treasury Accountant  
Executive Director of Finance & Business Hub  
Grant Thornton  
Grant Thornton  
Internal Audit Liaison Officer  
Head of Programme Assurance & Appraisal  
Head of Legal Services

**35. Inquorate Meeting**

The Governance & Scrutiny Manager indicated that the meeting was inquorate, and therefore any decisions made at the meeting would need to be ratified at the next meeting of the committee on 30 January 2024.

**36. Chair's Remarks**

The Chair reported that he had recently attended a meeting of the West Midlands Audit Committee Chairs forum, where there had been a good discussion on the role of the independent member. He had also continued to have good engagement with the chairs of the WMCA's two overview & scrutiny committees, particularly in respect of the recently published Scrutiny Protocol.

**37. Minutes - 4 October 2023**

The minutes of the meeting held on 4 October 2023 were agreed as a correct record.

**38. Annual Accounts 2022/23 for West Midlands Combined Authority**

The committee considered a report of the Executive Director for Finance & Business Hub to approve the annual accounts for the WMCA for the financial year ended 31 March 2023. The Interim Audit Findings for the WMCA report was also presented, along with the Auditor's Draft Annual Report on the WMCA for the year ended 31 March 2023, which summarised the key findings arising from the work carried out by the external audit team at Grant Thornton. The Auditor's Draft Annual Report provided a commentary on the results of Grant Thornton's work to the WMCA and to external stakeholders.

The Head of Financial Management explained that there were two minor outstanding issues to resolve, but it was expected that these would be completed by the end of the month. In respect of the WMCA's levels of financial reserves, the Executive Director of Finance & Business Hub explained that the lower levels of reserves were due to the fact that 93% of the WMCA's expenditure comprised grant funding, which either needed to be spent or handed back. Reserves could only therefore be accrued from either fees or the transport levy, and discussions with constituent authorities had indicated that these should be kept lower due to the impact of councils' budgets. However, the WMCA did hold appropriate levels of reserves in respect of its transport functions (eg. concessionary travel payments).

The Chair noted instances where a small number of duplicate payments had been made. The Executive Director of Finance & Business Hub suggested that this had been a result of the increased complexity of WMCA activity, which often involved multiple funding sources. She had asked the Head of Financial Management to undertake a review of how the WMCA's financial services were delivered to ensure these issues were addressed, including the need to bring in additional accounting resources.

In respect of the Auditor's Draft Annual Report on the WMCA, Grant Patterson noted that this was a period of significant development for the WMCA. In respect of procurement arrangements, the Executive Director of Finance & Business Planning confirmed that the recently appointed Head of Procurement was to develop an overarching procurement strategy to complement the WMCA's existing procurement regulations. The Chair thanked Grant Patterson and his staff for his useful report and findings.

Recommended:

- (1) The annual accounts for 2022/23 be approved.
- (2) The Interim Audit Findings for the WMCA report for 2022/23, presented by Grant Thornton, be noted.
- (3) It be noted that Grant Thornton proposed to issue an unqualified audit opinion for the accounts.
- (4) The signing of the letter of representation by the Executive Director of Finance & Business Hub be approved.

- (5) The Chair of Audit, Risk & Assurance Committee be authorised to sign off any further changes required to the Statement of Accounts for 2022/23 prior to publication.
- (6) Subject to no further issues being raised by Grant Thornton, the Mayor and the Executive Director of Finance & Business Hub be authorised to sign the accounts on behalf of WMCA.
- (7) The Auditor's Annual Report on the WMCA for the year ended 31 March 2023 be noted.
- (8) The publication of the Auditor's Draft Annual Report on the WMCA on the WMCA's website be approved.

[NB. Councillor Brigid Jones declared a personal interest in this item in respect of any future decision to excluded former members of the WMCA Board from becoming a member of this committee.]

#### **39. Treasury Management Mid-Year Report 2023/24**

The committee considered a report of the Executive Director for Finance & Business Hub providing a mid-year review of the WMCA's investment portfolio, borrowing strategy, debt rescheduling undertaken, and compliance with Treasury and Prudential Limits for 2023/24.

Following a review of compliance limits in September 2023, a control failure within the treasury management software had been discovered which impacted on the operating parameters for loan limits with counterparties. A software update had now taken place to ensure systems were operating as intended, with additional measures incorporated to strengthen reporting, the segregation of duties, and protocols/procedures for system changes and updates in future. The Executive Director of Finance & Business Hub confirmed that a further report on this matter would be submitted to the next meeting of the committee.

In respect of the list of investments made by the WMCA, the Chair noted that it only went up to the end of the current financial year, and requested that a full list be submitted to future meetings.

Recommended:

The report be noted.

#### **40. Internal Audit Update**

The committee considered a report of the Director of Law & Governance providing an update on the work completed by internal audit so far this financial year.

The Internal Auditor Liaison Officer reported that delivery of the internal audit plan continued to be monitored and current indications were showing that full delivery was unlikely to be achieved within year. This was due to the availability of temporary resources whilst the WMCA recruited and developed an in-house Internal Audit team, and the requirement to redirect resources to the review of the Transport for West Midlands capital programme and other unexpected matters being brought to Internal Audit's attention. The Head of Corporate Support & Governance reported that an appointment to the Head of Audit & Information Governance was being finalised, and she hoped that the successful candidate would be able to be introduced to the committee at its next meeting.

Recommended:

The report be noted.

**41. Financial Due Diligence Checks on Suppliers in Response to Rail Package 1**

The committee considered a report of the Executive Director of Finance & Business Hub on the financial due diligence procedures that were carried out at contract award for Buckingham Group Contracting Ltd in June 2021 and to provide update on what procedures were in place to manage risk and keep an update on suppliers post contract award.

Following a compliant tendering process, the construction contract for Rail Package 1 was awarded to Buckingham Group Contracting in June 2021. However, they submitted a notice to appoint an administrator in August 2023, and formal appointment was made on 4 September 2023. On the same day, Kier Group announced that it had agreed to acquire substantially all the rail assets from Buckingham Group Contracting and their HS2 contract supplying Kier Group's HS2 joint venture, EKFB, for a total consideration of £9.6m.

The Chair sought assurances that the due diligence undertaken by the WMCA was sufficiently up to date. The Executive Director of Finance & Business Hub explained that due diligence was undertaken on company accounts, which by their nature were retrospective. The construction sector was also traditionally a difficult sector to predict. However, the WMCA only paid work actually undertaken and this provided some assurance in respect of companies going into liquidation.

Recommended:

- (1) The financial due diligence process carried out when awarding contracts be noted.
- (2) The ongoing financial checks and mitigations in place for future contract awards be noted.

**42. Single Assurance Framework Performance Report - July to September 2023**

The committee considered a report of the Executive Director of Finance & Business Hub on the Programme Assurance & Appraisal Team's activity from July to September 2023.

The Single Assurance Framework had been implemented across all WMCA directorates and the SAF Framework document had been updated to reflect national guidance and approved by the WMCA Board. 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 its reputation with Government and to secure future additional money to deliver major projects. The SAF was a risk mitigation tool designed to protect public funding and increase confidence that project outcomes could be achieved through approving use of investment grant funding. The report summarised Programme Assurance & Appraisal Team activity between October 2022 and September 2023 and demonstrated engagement across all directorates and an overall increase in activity over time.

Resolved:

The report be noted.

**43. Forward Plan**

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

Recommended:

The report be noted.

**44. Exclusion of Public**

Resolved:

In accordance with s100(A) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business as it was likely to involve the disclosure of exempt information as specified in paragraph 1 of the Act.

**45. Update on Whistleblowing Claims**

The committee considered a report of the Director of Law & Governance providing an update on whistleblowing claims received to date and the actions having been taken in response to them.

The WMCA had a whistleblowing policy in place to meet its obligations of the Public Interest Disclosure Act 1998. It enabled individuals to raise a concern that they considered to be in the public interest. Any claims received were managed by Internal Audit to ensure independence from any operational area. Four claims had been received to date in 2023/24, with all being treated as a priority to limit further impact of any claims found to be proven upon investigation. The Internal Audit Liaison Officer confirmed that all four claims this year had now been investigated and none of them were found to require any further action on behalf of the WMCA.

Recommended:

The actions taken by Internal Audit team in response to whistleblowing claims received from individuals this financial year be noted.

**46. Date of Next Meeting**  
Tuesday 30 January 2024 at 10.00am.

The meeting ended at 12.00pm.

Draft