



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.