



# WEST MIDLANDS COMBINED AUTHORITY

## Audit, Risk & Assurance Committee

Friday 16 March 2018 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 Keith Chambers

Walsall Metropolitan Borough Council

Councillor Simon Peuple

Staffordshire Non-Constituent Authorities

Councillor Alexander Phillips

Shropshire Council

Councillor June Tandy

Nuneaton & Bedworth Borough Council

#### Item Title

##### No.

#### 54. Inquorate Meeting

Please note that in accordance to the WMCA Constitution, this meeting was inquorate. However, the recommendations contained within the minutes were submitted to the WMCA Board on 25 May 2018 for formal approval and adoption.

#### 55. Apologies for Absence

Apologies for absence were received from Councillor Kerrie Carmichael (Sandwell Metropolitan Borough Council), Councillor Steve Clark (Dudley Metropolitan Borough Council), Councillor John Fisher (Redditch Borough Council) and Councillor Mariam Khan (Birmingham City Council)

#### 56. Declarations of Interest

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

#### 57. Chair's Remarks

The Chair reported that the City of Wolverhampton Council in partnership with Grant Thornton hosted a Midlands Audit Committee Forum on 15 March, which saw councillors and Audit Committee members from Local Authorities come together to discuss key themes and their governance responsibilities. The Chair thanked Councillor Craig Collingswood, Grant Patterson and Peter Farrow for an informative and very useful session. The Governance Services Officer agreed to circulate a copy of the presentations presented on the day.

**58. Minutes of the meeting held on 19 January 2018**

The minutes of the meeting held on 19 January were agreed and signed by the Chair as a correct record.

**59. Matters Arising**

**(a) Health and Safety Reporting**

Due to a burst water pipe and flooding to the first floor area at 16 Summer Lane a decision was made to close the building to staff. The business continuity process was followed and managed effectively.

**(b) Whistleblowing Reporting**

The West Midlands Combined Authority had launched a new method for whistleblowing concerns and reporting suspected fraud for both officers and members of the public. Anyone who wished to raise their concerns could submit a Whistleblowing and Fraud Form found on the WMCA website.

The Chair requested a review of the process and an understanding of all staff to the process. The Head of Governance noted this request and undertook to look into this.

**(c) Wolverhampton Interchange Overspend - Lessons Learned**

A lessons learned report with regard to the Wolverhampton Metro extension element of the Wolverhampton Interchange scheme was considered by the Investment Board on 13 March 2018.

The Chair asked whether the summary could be shared with Audit, Risk & Assurance Committee, and dependent on whether the committee considered that it adequately covered the issues and lessons learned, it would determine whether a more detailed internal audit review would be required.

**(d) Devolution Deal Update**

The Head of Governance provided an update on the Second Devolution Deal. He agreed to circulate the Devolution Action Plan that was considered by the Combined Authority Board on 9 March 2018.

With regard to the West Midlands Fire Service, the Combined Authority Board would consider the outcomes of the consultation undertaken on the future fire service governance arrangements in May 2018. The Chair asked for a report on the West Midlands Fire Authority Governance Proposals to be presented to Audit, Risk and Assurance Committee in June 2018.

**60. Forward Plan**

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

Following the recent Audit, Risk & Assurance Committee self-assessment exercise, the initial results had been shared with the Chair. However, in recognition of the forthcoming local elections it had been decided to put the exercise on hold until the composition and membership of the committee had been confirmed post-election. The exercise had been added to the forward plan and time would be allocated at the September meeting in order to revisit it.

The following items were to be added to the forward plan.

- Standards Report (21 June 2018). This should also include non-elected Combined Authority appointees to the various boards and committees that it was establishing to ensure that there was consistency.
- Audit Findings Report (21 June 2018). This should also include Pension Fund.
- West Midlands Fire Authority Governance Proposals (21 June 2018).
- General Data Protection Regulations (September 2018).
- Brexit and the anticipated effect on finances and devolution aims (November 2018).
- HR Vacancies Update (November 2018).
- Grant Thornton Audit Plans (January 2019).

Resolved

(1) That the report be noted.

#### **61. Governance Structures**

The committee considered a report of the Head of Governance that provided an overview of the Governance Structures of the Combined Authority and the Boards, Bodies and Committees that were associated with it.

The Chair indicated that Audit, Risk & Assurance Committee was independent of the executive and Overview and Scrutiny Committee and as part of the review of the West Midlands Combined Authority's Constitution, the committee asked for this to be clarified in the Constitution.

Resolved

(1) The information regarding Governance Structures provided in the report be noted.

**62. Capability and Vacancy Risks**

The committee considered a report of the Director of Finance that provided a progress update on how the WMCA planned to meet capability and capacity demand through its resourcing and planning processes to ensure vacancies were managed effectively.

In respect of questions from Councillor Craig Collingswood, the Interim Head of Organisational Development provided further information on secondments, recruitment, consultants, budget and financial monitoring reports, skills and the development of existing employees.

Resolved

- (1) That the contents of the report be noted.
- (2) The actions and considerations taken including systems and planning processes to manage Capability and Vacancy Risks be noted.

**63. WMCA Progress Report March 2018**

The committee considered a report of the Director of Finance on progress in the delivery of the responsibilities of the external auditors against the external audit plan.

In terms of reporting, the final accounts audit was due to begin on 8 May 2018 and the external auditor's findings for 2018 would be included within the audit findings report to the committee on 21 June 2018.

Resolved

- (1) The contents of the report be noted.

**64. Informing the Audit Risk Assessment**

The committee considered a report of the Director of Finance on the effective two-way communication between auditors and the Authority's Audit, Risk & Assurance Committee, as 'those charged with governance'.

Resolved

- (1) That the contents of the report be noted.
- (2) That in respect of financial monitoring, the wording was to be amended to reflect that Audit, Risk & Assurance Committee receive financial updates by exception.

**65. Informing the Audit Risk Assessment for West Midlands Integrated Transport Authority Pension Fund**

The committee considered a report of the Director of Finance on the effective two-way communication between auditors and the Authority's Audit, Risk & Assurance Committee, as 'those charged with governance'.

Resolved

(1) That the content of the report be noted.

**66. WMCA Annual Governance Statement**

The committee considered a report of the Director of Finance on draft Annual Governance Statement.

The Annual Governance Statement was a statutory document which explained the processes and procedures in place to enable the Combined Authority to carry out its functions effectively.

Resolved

(1) The draft Annual Governance Statement be approved, subject to some minor changes, prior to its inclusion within the financial statements for 2017/18.

**67. Outturn Report for Internal Audit 2017/18**

The committee considered a report of the Director of Finance on the opinion of the Chief Audit Executive on the adequacy of WMCA control environment which was relevant in compiling the 2017/2018 Annual Governance Statement.

Resolved

(1) The contents of the report be noted.

(2) The current position on the implementation of audit recommendations provided in 2017/2018 as set out in the report be noted.

(3) That no major risk exposure had been discovered since the last Outturn Report for 2016/17 be noted.

**68. Internal Audit Annual Report 2017/18**

The committee considered a report of the Chief Audit Executive on the annual internal audit opinion on the adequacy and effectiveness of the Combined Authority's governance, risk management and internal control processes.

It was reported that 15 audits had been completed during 2017/18 where an audit opinion had been provided. A limited assurance rating had been given in the following areas:

- Establishment of the Mayoral Office
- Data Security (including General Data Protection Regulations)

The Head of Internal Audit provided further information as to the reasons for the 'limited' assurance ratings provided for the above audits. With regard to the establishment of the Mayoral Office, the committee highlighted the need to ensure that lessons were learned.

Resolved

(1) The report be noted.

**69. WMCA Assurance Overview March 2018**

The committee considered a report of the Director of Finance on the views of the Corporate Assurance Manager's opinion on the Authority's systems of Projects & Programme Assurance and Business Assurance for this reporting period October 2017 - March 2018.

In respect of questions from Councillor Craig Collingswood, the Corporate Assurance Manager agreed to review the format of future reports to include a red, amber and green rating. Future reports would also include activities that were on the horizon to enable Audit, Risk & Assurance Committee to have a detailed understanding of future activities.

In relation to the Wolverhampton Interchange Programme, the Head of Finance and Business Planning agreed to circulate a briefing note on the process used by the Combined Authority in the event of a change in financial assumptions with regard to interest rates.

Resolved

(1) The assurance reviews and activities that had been undertaken in the last six months be noted.

(2) The committee was satisfied with the assurance activity October – March 2018.

**70. Internal Audit Plan 2018/19**

The committee considered a report of the Chief Audit Executive on the Internal Audit Plan 2018/19. The internal audit document provided the Authority with a risk-based internal audit plan based upon an assessment of assurance needs.

Resolved

(1) That the risk based internal audit plan for 2018/19 be approved.

**71. 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 it involves information relating to an action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

**72. Follow Up Review 2017/18 Cyber Security Arrangements**

As part of the Internal Auditor's Annual Report 2017/18, the committee received a summary on the recommendations made by Internal Audit in its report on Cyber Security that was issued in May 2016. During the period Audit, Risk and Assurance Committee had received regular updates from the Authority on how progress was being made in combatting the growing risk of Cyber security.

Resolved that the report be noted.

**73. Data Security Arrangements 2017-18**

As part of the Internal Auditor's Annual Report 2017/18, the committee received a summary on an audit of the Authority's data security arrangements including records management and General Data Protection Regulation readiness.

The General Data Protection Regulation would apply from 25 May 2018 to all UK organisations handling personal data.

The Authority had created approximately 35 policies, documents and procedures that were currently in draft form. The Audit, Risk & Assurance Committee asked the Director of Finance to ensure that all policies and procedures had been published and enacted as opposed to remaining in draft form by 21 June 2018. The Director of Finance assured the committee that this would be addressed prior to the next meeting of the committee.

Resolved

(1) That the report be noted.

**74. Date of Next Meeting**

The next meeting would be held on Thursday 21 June 2018 at 10:00am.

The meeting ended at 12.00 pm.