



Audit, Risk & Assurance Committee

Date	11 March 2024
Report title	Terms of Reference - Audit Risk and Assurance Committee
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Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

1. Review the Terms of Reference for the Audit, Risk and Assurance committee (ARAC).
2. Give consideration to increasing the number of Independent persons from one to two, (currently held by the Chair of ARAC).
3. Note the addition of the following to the terms of reference:

To approve, under authority delegated by the WMCA Board on 8 December 2017, the WMCA's statutory Statement of Accounts

4. Purpose

- 2.1 The Terms of Reference were previously considered at the ARAC meeting in April 2023 and it was resolved that they be reviewed and brought back annually in March. When ARAC reviewed the terms of reference in April 2023, the delegation agreed by WMCA Board in December 2017 had been omitted, this has now been reinstated. WMCA Board considered that this delegation was appropriate as approval of the Statement of Accounts fitted closely with the Committee's existing terms of reference and members had an understanding of the regulatory background to the approval of the statutory Statement of Accounts having been actively involved in considering the external audit approach to the financial statements that had been adopted by the local audit team at Grant Thornton. It was noted that any issues of concern would be raised with the WMCA Board when necessary. The Full report that was considered by the WMCA Board in December 2017 is attached at Appendix 1.

- 2.2 The Terms of Reference set out the structure of the committee, detailing its purpose, roles and responsibilities. This includes details of the committee membership and provisions to ensure that the committee complies with the obligations, as defined in Part 4 of the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.

3. Background

- 3.1 CIPFA's position statement 2022 in relation to the purpose of Audit Committees states that :

“Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective. The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.”

- 3.1 The Terms of Reference were previously updated taking the CIPFA statement into account.

- 3.2 The committee are asked to give consideration to increasing the number of Independent persons from one to two, (currently held by the Chair of ARAC). This is in line with CIPFA's Position Statement: *Audit Committees in Local Authorities and Police 2022* which states:

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

- 3.3 The role of Chair continues to be undertaken by the independent member. We previously recommend that there also be an annual appointment of a Vice Chair, to be determined at the first meeting of the municipal year by voting members of the Committee.

- 3.4 The membership remains as previously set, apart from the discontinuation of the GBSLEP membership which will continue until 31st March 2024 in line with the continuation of this LEP until this date.

- 3.5 The Quorum reflects the requirements as set out within the Order referenced in 1.2 which sets a requirement in Part 4, paragraph 14.7 for the quorum to be no fewer than two thirds of the total number of members as shown below:

'The combined authority must determine a minimum number of members required to be present at a meeting of the audit committee before business may be transacted, to be no fewer than two-thirds of the total number of members of the audit committee'.

- 3.6 The functions were previously updated to reflect the additional annual assurance reports that are received by ARAC in relation to Health and Safety, Data Protection and Equalities.

4. Financial Implications

There are no financial implications associated with this report

5. Legal Implications

The terms of reference ensure that the committee complies with the obligations, as defined in Part 4 of the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.

6. Equalities Implications

There are no equality implications associated with this report

7. Inclusive Growth Implications

There are no inclusive growth implications associated with this report

8. Geographical Area of Report's Implications

West Midlands

9. Other Implications

None

10. Schedule of Background Papers

Appendix 1 – WMCA Board Report 8 December 2017

Appendix 2 – Draft Terms of Reference