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## Audit, Risk & Assurance Committee Meeting

<b>Date</b>	12 November 2018
<b>Report title</b>	Internal Audit Update
<b>Accountable Chief Executive</b>	Deborah Cadman, OBE Chief Executive of the WMCA Email: <a href="mailto:Deborah.Cadman@wmca.org.uk">Deborah.Cadman@wmca.org.uk</a> Tel: 0121 214 7552
<b>Accountable Employee</b>	Tim Martin Chief Audit Executive Email: <a href="mailto:Tim.Martin@wmca.org.uk">Tim.Martin@wmca.org.uk</a> Tel: 0121 214 7435
<b>Report to be/has been considered by</b>	Not applicable

**Recommendation(s) for action or decision:**

**The Audit, Risk & Assurance Committee is recommended to:**

Note the contents of the latest Internal Audit Update Report.

## **1.0 Purpose**

1.1 The purpose of this report is to present the Committee with an update on the work completed by internal audit so far, this financial year.

## **2.0 Background**

2.1 In accordance with the agreed work programme for internal audit, the reports provide an independent and objective opinion on the Combined Authority's effectiveness in managing their risk management, governance and control environment.

2.2 The reports will also feed into the Annual Internal Audit Report that will be prepared at the end of the financial year. The Annual Report will provide an overall audit opinion on the adequacy and effectiveness of the governance, risk management and internal control processes, based upon the outcome of the reviews completed during the year. This opinion can then be used to feed into the Combined Authority's Annual Governance Statement that accompanies the Annual Statement of Accounts.

## **3.0 Wider WMCA Implications**

3.1 There are no implications

## **4.0 Financial implications**

4.1 There are no implications

## **5.0 Legal implications**

5.1 There are no implications

## **6.0 Equalities implications**

6.1 There are no implications

## **7.0 Other implications**

7.1 Not applicable

## **8.0 Schedule of background papers**

8.1 None

## **9.0 Appendices**

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# Internal Audit Update Report Quarter 2 2018-2019

Delivered by City of Wolverhampton Council – Audit Services

## 1 Introduction

The purpose of this report is to bring the Audit and Risk Assurance Committee up to date with the progress made against the delivery of the 2018 - 2019 internal audit plan.

The Audit, Risk and Assurance Committee has a responsibility to review the effectiveness of the system of internal controls and to monitor arrangements in place relating to corporate governance and risk management arrangements. Internal audit is an assurance function which provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance. This work update provides the committee with information on recent audit work that has been carried out to assist them in discharging their responsibility by giving the necessary assurances on the system of internal control.

The information included in this progress report will feed into and inform our overall opinion in our internal audit annual report issued at the year end. Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

Limited	Satisfactory	Substantial
There is a risk of objectives not being met due to serious control failings.	A framework of controls is in place, but controls need to be strengthened further.	There is a robust framework of controls which are applied continuously.

### Year on year comparison

Two pieces of audit work have been completed so far in the current year, where an audit opinion has been provided. A summary of the audit opinions given, with a comparison over previous years, is set out below:

Opinion	2018/19 (@ Q2)	2017/18	2016/17
Substantial	0	6	5
Satisfactory	2	7	4
Limited	0	2	2

## 2 Summary of progress at quarter two

The following audit reviews were completed by the end of the second quarter of the current year. Reports containing amber or above rated recommendations are appended to this report at Appendix 1 and Appendix 2.

Auditable area	AAN Rating	Recommendations					Level of assurance
		Red	Amber	Green	Total	Number accepted	
<b>2018-2019 Audits Completed in this quarter:</b>							
Health and Safety Arrangements	High	-	2	5	7	7	Satisfactory
Asset Management Arrangements	Medium	-	1	2	3	3	Satisfactory
Expenses, Gifts and Hospitality Follow-up review	Medium	-	1	3	4	4	Recommendations fully implemented

### *Health and Safety Arrangements 2018-2019*

Further to the agreed actions within the Internal Audit report issued on 8 October 2018 (Appendix 1), the Director of Integrated Network Services and Health and Safety Manager have advised that the following actions will also be taken:

- Health and Safety governance arrangements for the West Midlands Fire Service post 1 April 2019 – presentation of proposals for review and approval by the WMCA Board, to include a specific decision to review retention of WMCA health and safety responsibility within TfWM.
- Human Resource stress and long-term sickness absence – establishment of mechanisms to facilitate monitoring, review and trend analysis as well as risk identification by the Health and Safety Team through receipt of regular updates from Human Resource and Organisation Development regarding work-related health issues. Stress and long-term absence monitoring to be a standing agenda item for the Safety, Health and Environment Strategic Committee.

Progress with implementation of the above actions as well as those within the Internal Audit report will be followed up in due course.

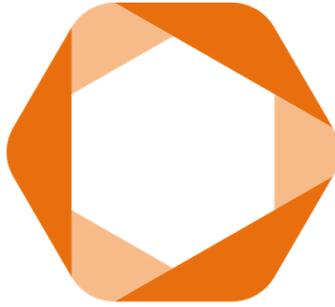
3 *Forward Plan for scheduled audits*

Auditable area	Rating	Start Date	ARAC Report Date
Business Continuity	High	Commenced	January 2019
Key Financial Systems: <ul style="list-style-type: none"> <li>• Accounts Payable</li> <li>• Accounts Receivable</li> <li>• Treasury Management</li> <li>• General Ledger</li> <li>• Budgetary Control</li> <li>• Payroll</li> </ul>	n/a	Commenced	January 2019
Budget Management Role and Responsibilities	Medium	November 2018	January 2019
Birmingham Eastside Extension Project	High	November 2018	January 2019
Joint Data Team Initiative	High	November 2018	January 2019
Human Resource Planning, Capacity and Capability Strategy	High	December 2018	April 2019
WMCA Business Planning Arrangements	High	January 2019	April 2019
Devolution Deal Objectives and Financial Assumptions	High	January 2019	April 2019
WMCA Governance Arrangements	High	February 2019	April 2019
Midland Metro Operational Transfer	High	February 2019	April 2019

4 *Follow-up of previous recommendations*

We continue to monitor the implementation of previous key recommendations, and any major issues of concern relating to their non-implementation, will be reported back to the Audit, Risk and Assurance Committee.

Auditable area	Level of assurance	Recommendations				Start Date	ARAC Report Date
		Red	Amber	Green	Total		
Transport for West Midlands Capital Programme Prioritisation	Satisfactory	-	2	1	3	In progress	November 2018
Data Security Arrangements	Limited	1	3	-	4	In Progress	January 2019
Cyber Security	Limited	1	6	-	7	In progress	January 2019
Programme Management Office Project Appraisal and Support Functions	Satisfactory	-	4	2	6	November 2018	January 2019
Establishment of the Mayoral Office	Limited	1	6	-	7	December 2018	April 2019
Recruitment and Retention Review	Limited	6	2	1	9	December 2018	April 2019
Investment Programme - Governance Arrangements for Project Appraisal and Approval	Satisfactory	-	8	-	8	January 2019	April 2019
Management of IR35	Satisfactory	-	4	3	7	February 2019	April 2019
National Fraud Initiative	Satisfactory	-	2	4	-	February 2019	April 2019



# **West Midlands Combined Authority**

**Final Internal Audit Report  
Health and Safety Arrangements 2018-2019  
8 October 2018**

**Delivered by City of Wolverhampton Council – Audit Services**

# 1. Executive summary

## Introduction

An audit of the Health and Safety arrangements in operation for the West Midlands Combined Authority (WMCA) was undertaken as part of the approved internal audit plan for 2018-2019.

The Health and Safety at Work Act 1974 lays down the general principles for the management of health and safety at work. The objectives of the Act include ‘securing the health, safety and welfare of persons at work and protecting persons, other than persons at work, against risks to health or safety arising out of or in connection with the activities of persons at work.’

The WMCA Health and Safety Team is situated within Transport for West Midlands (TfWM) although its remit covers the entirety of the WMCA. Organisational wide responsibility has been delegated to the TfWM Managing Director by the WMCA Chief Executive.

Currently, the management and governance arrangements are being further developed to encompass the wider remit of the WMCA and engage with the more recently established portfolios. However, it is fully recognised that most health and safety risks will continue to be concentrated within TfWM due to the nature of the services provided and the significant engagement with customers when utilising such services.

Consequently, this review considered both current arrangements and the changes that were proposed or in the process of being developed and embedded at the time of audit.

## Scope and objectives of audit work

Our audit was conducted in conformance with the Public Sector Internal Audit Standards and considered the following objectives, and the potential risks to the achievement of those objectives:

- To seek assurance that a robust health and safety management system is in operation for the West Midlands Combined Authority (WMCA) to effectively manage health and safety risks.

Scope	Potential risks
<p>The scope of the review included coverage of the following areas:</p> <ul style="list-style-type: none"><li>• Governance arrangements</li><li>• Policy</li><li>• Management structure and arrangements</li><li>• Planning</li><li>• Measuring and reviewing performance</li></ul>	<ul style="list-style-type: none"><li>• Lack of clear direction for the organisation to follow leading to a failure to manage risk.</li><li>• Failure to deliver policy due to ineffective management structure and arrangements.</li><li>• Lack of effective planning and structured approach to risk control leading to failure to mitigate risks to an acceptable level.</li><li>• Lack of application of lessons learnt and identification of areas for enhancement leading to a failure in organisational improvement.</li></ul>

### Limitations to the scope of our audit

This review was limited to a high-level review of the above scope areas. Reference was made to sources of external assurance including accreditation against relevant standards. Reference was also made to proposed changes to organisational and governance arrangements.

## Overall conclusion

Taking account of the issues identified in this report, in our opinion the controls operating within the system, provide **satisfactory assurance** as part of the process to mitigate risks to an acceptable level.

Limited	Satisfactory	Substantial
There is a risk of objectives not being met due to serious control failings.	<b>A framework of controls is in place, but controls need to be strengthened further.</b>	There is a robust framework of controls which are applied continuously.

## Key issues identified

We found that suitable operational Health and Safety management arrangements were evident, supported by regular reporting and an effective management system, specifically noting the continuing accreditation achieved by the WMCA Health and Safety Team.

We recognise that the WMCA has significantly developed its remit with the onboarding of several new portfolios alongside Transport for West Midlands, as well as the full establishment of the WMCA Leadership Board and appointment of new Directors.

Consequently, it is appreciated that Health and Safety arrangements are currently subject to change as the Team's remit develops to encompass and engage with the wider WMCA, albeit most risks will continue to remain within TfWM and therefore the focus of most health and safety activity.

We noted that revised governance and reporting arrangements were being consulted upon prior to approval with supporting mechanisms being developed by the Health and Safety Team in the meantime. We further noted that formal reporting to WMCA Leadership Team had recently commenced.

We have therefore made recommendations to further support and build upon the current and proposed arrangements going forward, as well as develop greater visibility across the WMCA regarding the role of the Health and Safety Team as an organisational wide function.

We have identified two **amber** issues where improvements could be made, arising from the following:

- Positioning of the proposed Safety, Health and Environment Strategic Committee and the existing Safety, Health and Environment Committee (constituted under relevant Regulations) and associated lines of accountability and reporting required clarity.
- Contracts of employment for Directors did not include reference to Health and Safety responsibilities for compliance with legislation and policy, and training was not mandatory.

In addition, we have raised five issues classified as **green** which are detailed in section two of this report. A summary of this report will be presented to the Audit, Risk and Assurance Committee.

## Examples of good practice identified

During our work we identified the following examples of good practice in the management of risk, as achieved through the effective design and application of controls:

- Review confirmed that current operational arrangements delivered by the Health and Safety Team ensured that the WMCA was able to meet its obligations under the Health and Safety at Work Act 1974 which requires employers to protect the health, safety and welfare at work of all their employees, as well as others on their premises.
- Although the current policy appeared to be reasonable, the proposed Health and Safety policy to be approved shortly, clearly conformed to guidance provided by the Health and Safety Executive and included the recommended sections: statement of intent, organisation and responsibilities, and arrangements for implementation.
- The proposed Health and Safety Policy now suitably reflected the current organisational structure which was established after the previous (current) policy was approved, and clearly reflects the roles and responsibilities of all WMCA employees at all levels of the organisation as well as those of the WMCA Board.
- A Safety, Health and Safety Committee had been constituted (and found to be operating) under the requirements of the Health and Safety at Work Act 1974 to consult with employees on matters of health, safety and welfare at work, and in accordance with the Safety Representatives and Safety Committees Regulations 1977.
- A suitable management system was in place and operated by the Health and Safety Team to monitor and manage Health and Safety within the organisation, which facilitated performance reporting, monitoring and management of risks, undertaking risk assessments, maintenance of records of health and safety checks undertaken, and accident and incident reporting and investigation.
- The Health and Safety Team and their management system were subject to an external review in June 2017 and November 2017 which concluded that the WMCA had achieved the required standards and therefore recommended retention of its accreditation under ISO14001-20004 for Environmental Management systems and BSOHSAS18001-2007, an international standard for Occupational Health and Safety Management Certification.
- Suitable records were maintained, and investigations undertaken regarding accidents and incidents reported, that included establishment of the cause of the accident and actions to be taken to prevent / reduce the chance of further accidents i.e. lessons learnt, and where necessary make reports to the Health and Safety Executive.
- A programme of audits of the Health and Safety arrangements was in place and undertaken by both the Health and Safety Team and TfWM Directors. The reports produced included actions to resolve issues, implementation periods and responsible officers. In addition, completion of and outcomes from audits undertaken were included in monthly Health and Safety reports. The Health and Safety Team intended to widen the range of audits to other areas of the WMCA and engage other Directors to undertake audits now that the Leadership Team had been fully appointed.

- Health and Safety arrangements had been included as a strategic risk within the WMCA Strategic Risk Register which was jointly reviewed on a regular basis by the Health and Safety Manager and Corporate Risk & Business Assurance Specialist.
- The Health and Safety Team produced regular monthly performance reports and dashboards detailing key issues and incidents as well as monitoring data referring to both TfWM and other areas of the WMCA, which were regularly presented to the Transport Operations Board and the TfWM Board and evidenced within minutes and action logs.
- Procedures had been introduced to present quarterly reports on Health and Safety to the WMCA Leadership Team, and the first report was taken in May 2018.
- The Health and Safety Team had produced an Annual Report 2017-2018 which included a Health and Safety Strategy for 2018 – 2020 and was understood to have been presented to the WMCA Leadership Team in May 2018. Going forward, an annual report will be presented to the WMCA Board.
- Health and Safety information was included as part of the induction process via the online learning and development module, available for all new starters, supported by Health and Safety training where requested.
- Training for WMCA Directors had been scheduled for September 2018 in support of their roles and responsibilities within the current and proposed Health and Safety Policy.

## Acknowledgement

Several employees gave their time and co-operation during this review. We would like to record our thanks to all the individuals concerned.

## 2. Issues arising

Priority rating for issues identified:

### Red

Action is imperative to ensure that the objectives for the area under review are met

### Amber

Action is required to avoid exposure to significant risks in achieving objectives

### Green

Action is advised to enhance risk control or operational efficiency

Action is required to avoid exposure to significant risks in achieving objectives  
**Amber**

No	Issue arising	Recommendation	Agreed action including responsibility and target date
2.1	<p><b>Safety, Health and Environment Committees</b></p> <p>As part of the proposed reporting arrangements, we note that a new Safety, Health and Environment (SHE) Strategic Committee will be established. Currently, the supporting diagram shows the SHE Strategic Committee as accountable and reporting to the Health and Safety Lead Director Integrated Network Services responsible for WMCA wide health and safety and the operational Health and Safety Team.</p> <p>Whilst the membership and terms of reference were yet to be established, the current proposed reporting structure for the SHE Strategic Committee may not facilitate an appropriate level of challenge or support delivery of strategic direction if not aligned or made directly accountable to the TfWM Managing Director as WMCA Executive</p>	<p>As part of the consultation process for the proposed health and safety arrangements, review should be included to determine at which level of the organisation the SHE Strategic Committee and SHE Committee should sit to facilitate the appropriate level of challenge, effective escalation of issues where required, and support delivery of strategic direction i.e. through alignment and accountability to the TfWM Managing Director as WMCA Executive Health and Safety Lead or directly to the WMCA Leadership Board.</p> <p>Once the proposed arrangements have been approved, appropriate terms of reference should be established for the SHE Strategic Committee and the SHE Committee that clearly reflect revised lines of reporting and accountability between the two Committees as well as to other governance boards.</p>	<p>The consultation process is ongoing. Supporting diagram in relation to the proposed reporting arrangements has been updated to show alignment and accountability of SHE Strategic Committee (SHESC) to the WMCA Leadership Board via the TfWM Managing Director as WMCA Executive Health and Safety Lead as per recommendation.</p> <p><b>Responsibility:</b> Ben Gittings – Health and Safety Manager Pete Bond - Health and Safety Lead, Director of Integrated Network Services</p> <p><b>Target date:</b> 31 December 2018</p> <p>Terms of Reference for the SHESC to be established. Terms of Reference for SHEC to be reviewed and updated to reflect revised reporting lines and accountabilities.</p>

No	Issue arising	Recommendation	Agreed action including responsibility and target date
	<p>Health and Safety Lead or to the WMCA Leadership Board.</p> <p>We noted that the existing Safety, Health and Environment Committee (SHE Committee) will report into the new SHE Strategic Committee. However, the proposed reporting structure did not clearly reflect lines of reporting and accountability between the SHE Strategic Committee and the SHE Committee.</p> <p>Considering the regulatory requirement to constitute a SHE Committee, there is a need to ensure accountability for the effective operation of the SHE Committee is clearly assigned within governance arrangements.</p> <p>We noted that not all current members of the SHE Committee had attained an appropriate level of training as required by the terms of reference (i.e. within a one-year time frame of becoming a Committee member) However, the newly appointed Health and Safety Manager had confirmed that in addition to himself, several of the current members held relevant professional qualifications. We were further advised that SHE Committee members will be required to attain Institute</p>	<p>The status of the SHE Committee as a regulatory requirement should be clearly communicated and evidenced as such within governance and policy documentation.</p> <p>The lines of independent reporting and accountability between the WMCA Health and Safety Team and the SHE Strategic Committee (as distinct from its line management reporting within TfWM) should be clearly documented within terms of reference.</p> <p>Specific responsibility for ensuring that the SHE Committee operates effectively and in accordance with all relevant Regulations should be clearly assigned to a Senior Responsible Officer.</p> <p>Once the proposed reporting arrangements have been approved and new membership appointed, action should be taken to ensure that all members of the SHE Committee have or will attain the appropriate level of training in accordance with Regulation and within one year of becoming a member.</p>	<p><b>Responsibility:</b> Ben Gittings – Health and Safety Manager</p> <p><b>Target date:</b> 31 December 2018</p> <p>Draft WMCA Safety Management System (Section SMS 4.0) and associated policies and documentation clearly outline the statutory requirements in relation to Committees, namely:</p> <ul style="list-style-type: none"> <li>▪ Safety Representatives and Safety Committees Regulations 1977 (as amended);</li> <li>▪ Health and Safety (Consultation with Employees) Regulations 1996 (as amended).</li> </ul> <p>Further review of applicable governance documentation to be undertaken and revised as necessary.</p> <p><b>Responsibility:</b> Ben Gittings – Health and Safety Manager and Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tim Martin, Head of Governance</p> <p><b>Target date:</b> 31 December 2018</p> <p>Lines of independent reporting and accountability between WMCA Health and</p>

No	Issue arising	Recommendation	Agreed action including responsibility and target date
	<p>of Occupational Safety and Health Managing Safely training as a minimum, and that training will be introduced once the review of the SHE Committee membership had been completed and all new members have been appointed.</p> <p><b>Implication:</b>                      Governance arrangements may not be fully effective in achievement of objectives if not clearly defined and established.</p>		<p>Safety Team and SHESC to be clearly defined within SHESC Terms of Reference.</p> <p><b>Responsibility:</b> Ben Gittings – Health and Safety Manager</p> <p><b>Target date:</b> 31 December 2018</p> <p>Senior Responsible Officer to be identified and appointed to ensure ongoing compliance and effective operation of SHESC/SHESC.</p> <p><b>Responsibility:</b> Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tim Martin, Head of Governance</p> <p><b>Target date:</b> 31 December 2018</p> <p>It will be ensured that all members of the revised SHE Committee membership have or will attain the appropriate level of training within one year of becoming a member.</p> <p><b>Responsibility:</b> Ben Gittings – Health and Safety Manager  <b>Target date:</b> 31 December 2018</p>

No	Issue arising	Recommendation	Agreed action including responsibility and target date
2.2	<p><b>Directors' roles and responsibilities</b>                      Whilst the current and proposed Health and Safety Policy included the roles and responsibilities of Directors, we found that contracts of employment may not make specific reference to Health and Safety.</p> <p>We further understand that a Health and Safety Overview to provide a level of Health and Safety knowledge commensurate to the roles and responsibilities of Directors had been scheduled but that this training had not been made mandatory.</p> <p><b>Implication:</b>                      Roles and responsibilities may not be fully undertaken if appropriate training has not been undertaken.</p>	<p>Contracts of employment should include reference to Health and Safety responsibilities where the post holder (i.e. Executive and Non-Executive Directors) has overall responsibility for ensuring compliance with Health and Safety legislation and policy.</p> <p>Considering the above and in accordance with the proposed Health and Safety policy, training should be made mandatory for all Directors of the WMCA.</p>	<p>To be reviewed in liaison with Human Resources and Organisation Development.</p> <p><b>Responsibility:</b> Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tracy Walters – Head of Human Resources and Organisation Development</p> <p><b>Target date:</b> 31 December 2018</p> <p>Health and Safety Overview for Directors training scheduled for 20<sup>th</sup> &amp; 25<sup>th</sup> September 2018. Attendance strongly encouraged and subject to monitoring by Head of Human Resource &amp; Organisation Development. Directors who fail to attend are to be provided with training later within the next six months.</p> <p><b>Responsibility:</b> Ben Gittings – Health and Safety Manager in liaison with Tracy Walters - Head of Human Resources and Organisation Development</p> <p><b>Target date:</b> 31 December 2018</p>

No	Issue arising	Recommendation	Agreed action including responsibility and target date
2.3	<p><b>Governance Arrangements</b> We noted that whilst roles and responsibilities across the organisation were detailed within existing and proposed policy, and current delegations were stipulated within the proposed policy, these had not been clearly referenced to date within the WMCA Constitution or the terms of reference for the various boards including the WMCA Board.</p> <p>Whilst it was clear that WMCA wide reporting was presented to the TfWM Board, the terms of reference for the TfWM Board only referred to responsibility for “oversight of transport related health &amp; safety requirements and network resilience issues”. The dual role of the TfWM Board had not been explicitly reflected within the terms of reference.</p> <p>We also noted that the proposed reporting structure whilst refers to the Executive and Non-Executive Health and Safety Lead roles, these could be made more explicit as distinct roles separate to their specific TfWM Roles both within the proposed reporting structure and TfWM Board terms of reference.</p> <p><b>Implication:</b> Governance documents may not clearly reflect the Health and Safety arrangements in operation or proposed.</p>	<p>All terms of reference should be reviewed to ensure include clear reference to roles and responsibilities as stipulated within the proposed Health and Safety Policy (once ratified), including (but not limited to):</p> <ul style="list-style-type: none"> <li>• WMCA Board</li> <li>• WMCA Leadership Board</li> <li>• All Portfolio boards (i.e. Executive Director level boards equivalent to the TfWM Board for example)</li> <li>• All Portfolio operational boards (i.e. equivalent to Transport Operations Board for example).</li> </ul> <p>Action should be taken to ensure reference to Health and Safety responsibilities and any delegations under the Health and Safety policy are included in the WMCA Constitution in liaison with Governance Services.</p> <p>The terms of reference for the TfWM Board should clearly refer to the dual role and responsibilities undertaken with specific reference to the Executive and Non-Executive Safety Lead roles, regarding both TfWM specific health and safety issues and wider organisational issues as well as any specific issues relating to other WMCA portfolios.</p>	<p>Governance Services to assist in a review of all Terms of Reference ensuring that they are aligned to the responsibilities as stipulated within the Health and Safety Policy.</p> <p><b>Responsibility:</b> Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tim Martin, Head of Governance</p> <p><b>Target date:</b> 31 December 2018</p> <p>Governance Services to ensure reference to H&amp;S responsibilities and any delegations under the Health and Safety policy are included in the WMCA Constitution.</p> <p><b>Responsibility:</b> Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tim Martin, Head of Governance Services</p> <p><b>Target date:</b> 31 December 2018</p> <p>Governance Services to assist TfWM Board in update of Terms of Reference to ensure the dual roles of Executive and Non-Executive Health and Safety Lead roles are clearly defined.</p> <p><b>Responsibility:</b> Pete Bond - Health and Safety Lead, Director of Integrated Network</p>

			<p>Services in liaison with Tim Martin, Head of Governance</p> <p><b>Target date:</b> 31 December 2018</p>
<p>2.4</p>	<p><b>Health and Safety reporting and action tracking</b></p> <p>We found that whilst regular reporting was undertaken and presented to the relevant TfWM Boards for their consideration and noting, review of TfWM Board minutes for the period January 2018 to June 2018 identified that the minutes required enhancement to more explicitly reflect the Board’s wider remit for WMCA Health and Safety, consideration of wider WMCA issues contained within Health and Safety reports and progression of actions relating to non-TfWM matters.</p> <p>We noted that the report recommended noting of TfWM dashboards only, although non-TfWM areas were covered in the report. We also found that a formal action plan to support the Health and Safety report was yet to be established. However, it was clear that TfWM related actions and issues which made up most of the report were minuted and captured as actions where required by the Transport Operations Board</p> <p><b>Implication:</b></p> <ul style="list-style-type: none"> <li>Records may not clearly evidence the governance and scrutiny undertaken and</li> </ul>	<p>Minutes or other records of meetings should clearly evidence the governance, scrutiny undertaken and review of Health and Safety reporting as demonstration that assigned roles and responsibilities are being undertaken. This should be undertaken at all relevant Board meetings throughout and at all levels of the governance arrangements for Health and Safety.</p> <p>The current format of and recommendations made within the monthly and quarterly Health and Safety reports should be reviewed to ensure that they fully support the WMCA wide Health and Safety role and can be presented to each operational and director level portfolio Board as currently undertaken for TfWM. As part of current development of engagement with all portfolios within the WMCA, the Health and Safety report should be submitted to the operational and director level boards for each portfolio to support Executive and Non-Executive Directors in fulfilling their responsibility for ensuring compliance with Health and Safety legislation and policy as specified in the proposed Health and Safety Policy.</p> <p>The reporting mechanism should be used as a vehicle to engage with new portfolios and</p>	<p>Governance Services (or those responsible for the records of each forum) to ensure minutes and other records of meetings provide sufficient documentary evidence of consideration and scrutiny of Health and Safety reporting.</p> <p><b>Responsibility:</b> Pete Bond - Health and Safety Lead, Director of Integrated Network Services in liaison with Tim Martin – Head of Governance</p> <p>Options for the structure, format, recommendations and associated action plan for monthly and quarterly Health and Safety reports are currently under review by the H&amp;S Manager. It is intended the revised report and action format will successfully implement the criteria set out in the recommendation.</p> <p><b>Responsibility:</b> Ben Gittings – Health and Safety Manager</p> <p><b>Target date:</b> 31 December 2018</p>

	<p>may be difficult to demonstrate in the event of query or challenge.</p> <ul style="list-style-type: none"> <li>• Actions required by specific portfolios or by the organisation may not be progressed or completed.</li> </ul>	<p>initiate discussions of any potential Health and Safety implications of new programmes, initiatives and service development.</p> <p>An action plan should be developed to accompany the Health and Safety reporting to capture:</p> <ul style="list-style-type: none"> <li>• Actions for specific portfolios with responsible officers and target dates.</li> <li>• Actions relating to Health and Safety guidance or advice that all portfolios (including TfWM) across the organisation should address.</li> <li>• Actions arising from the direction provided by the TfWM Board and WMCA Leadership Board as part of their WMCA Health and Safety responsibility (including TfWM), the strategic direction provided by the proposed SHE Strategic Committee and from the work of the SHE Committee.</li> </ul>	
<p>2.5</p>	<p><b>Escalation routes and exception reporting</b></p> <p>We found that regular reporting by the Health and Safety Team included details of specific incidents, actions taken to date as part of their standard operational processes and any further actions required as well as any engagement with external organisations where relevant.</p> <p>Whilst these reports were presented at Transport Operations Board through to TfWM</p>	<p>Escalation routes for specific incident and issues as part of exception reporting outside of regular reporting should be clearly defined and established within the proposed Health and Safety arrangements. This could include a framework of criteria or thresholds against which assessment is made to determine the reporting route for specific incidents and issues.</p>	<p>Draft SMS supporting document <i>SMS 04.5 Health and Safety Reporting</i> provides guidance and sets out the arrangements for Health and Safety reporting within the WMCA including annual, quarterly, monthly and exception reporting, along with the audience and methods of delivery. The draft document will be expanded to include a framework of criteria for exception reporting as recommended.</p>

Board and more recently to WMCA Leadership, criteria or thresholds for escalating incidents required formalising. The Health and Safety Manager advised that escalation of specific incidents outside the regular reporting undertaken would be based on an assessment of risks impacting on the WMCA and whether that required escalation as far as the WMCA Board.

We also note that the proposed reporting arrangements required clearer definition of escalation routes between operational and strategic levels of governance. The current terms of reference for the SHE Committee stated that it could make recommendations to relevant Boards and Committees on areas within its remit and determine any issues that need escalating to the Chief Executive. However, the proposed reporting structure and the proposed Health and Safety policy stated that their route for escalation of issues will be to the SHE Strategic Committee.

**Implication:**

It may be difficult to demonstrate the basis for reporting and escalation in the event of query or challenge regarding specific incidents.

Clarity regarding the routes of escalation for the Health and Safety Team, SHE Committee and SHE Strategic Committee should be sought and reflected within relevant terms of reference.

Further clarity regarding routes of escalation to be incorporated into wider review and update of relevant Terms of Reference.

**Responsibility:** Ben Gittings – Health and Safety Manager

**Target date:** 31 December 2018

Further clarity regarding routes of escalation for SHEC to be incorporated into wider review and update of relevant Terms of Reference.

**Responsibility:** Ben Gittings – Health and Safety Manager

**Target date:** 31 December 2018

## 2.6 **Communication, training and induction**

We understand that Health and Safety information was included within the mandatory induction training for new starters. Whilst Health and Safety training was available, testing found that of the 36 new starters in the last six months, only 10 had attended this training. We note that it is the responsibility of the new starter to arrangement attendance.

However, we understand that during the audit Health and Safety training had been made mandatory for all employees.

We also found that training records were kept in several places with no central record maintained.

We noted that although the Health and Safety Policy was displayed and was available via the WMCA intranet, there was no evidence that the current policy had been communicated to all employees. As Health and Safety regulations require that employees be able to raise concerns and be consulted in health and safety issues, it is imperative that employees are made aware of policy and routes for advice and assistance.

### **Implication:**

Employees may not be fully aware of their roles and responsibilities regarding health and safety.

In accordance with the proposed Health and Safety Policy, all existing and new employees should be required to undertake the mandatory Health and Safety Training.

A single centrally held training record should be maintained.

A WMCA wide communications plan should be developed to support wider engagement within the WMCA, implementation of the proposed governance and reporting arrangements and the introduction of the new Health and Safety Policy as well as increasing the visibility of the Health and Safety Team as a WMCA wide function.

Monthly Health and Safety Induction courses are conducted by the Health and Safety Team. Further discussions between Health and Safety Manager and Head of Human Resources & Organisation Development to be undertaken to identify route of escalation for repeated non-attendance by employees.

The majority of Health and Safety related training records are held by the Health and Safety Team. However, it is acknowledged that there are improvements which could be made and will hopefully be addressed via the introduction of an online e-learning platform which incorporates a training record function.

Health and Safety Manager to liaise with Internal Communications to develop communications plan to support wider engagement within the WMCA and enhance delivery of new policy, reporting arrangements and overall visibility.

**Responsibility:** Ben Gittings – Health and Safety Manager

**Target date:** 31 December 2018

2.7

### Events

We understand that a process had been in operation for the Health and Safety Team to be consulted and engaged within risk assessments for external events, largely planned through the Marketing Team.

However, the process was yet to be formalised and documented, and required further action to ensure process clearly extended and communicated to cover the newer areas of the WMCA.

#### Implication:

The wider organisation may not be clearly aware of the need to engage the Health and Safety Team during event planning.

Processes to ensure all WMCA events (external and internal) are suitably risk assessed by Health and Safety prior to being undertaken should be formalised and documented.

The necessity to ensure the Health and Safety Team are consulted within events planning should be communicated to all areas of the organisation.

SMS supporting guidance document to be produced to formalise and document procedure for Events to supplement existing draft SMS supporting documents *SMS 8.1 Event Management – Pre-Event Checklist* and *SMS 8.2 Event Management – Emergency Action Plan*.

Process to be communicated to all areas of the organisation by most appropriate means e.g. PING.

**Responsibility:** Ben Gittings – Health and Safety Manager

**Target date:** 31 December 2018

## Limitations inherent to the internal auditor's work

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### Internal control

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### Responsibilities of management and auditors

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- Internal audit endeavours to plan audit work so that it has a reasonable expectation of detecting significant control weakness and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.
- Accordingly, these examinations by internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist.

### Report distribution:

Laura Shoaf – Managing Director, Transport for West Midlands  
Pete Bond – Director of Integrated Network Services  
Ben Gittings – Health and Safety Manager  
Sean Pearce – Director of Finance, Corporate Services  
Tim Martin – Head of Governance  
Tracy Walters – Head of Human Resources and Organisation Development

### Date:

8 October 2018



# West Midlands Combined Authority

Final Internal Audit Report  
Asset Management 2018-2019  
8 October 2018

Delivered by City of Wolverhampton Council – Audit Services

# 1. Executive Summary

## Introduction

An audit of policies and procedures in respect of asset management was undertaken as part of the approved internal audit plan for 2018-2019.

The Asset Management Team sits within the West Midlands Combined Authority's (WMCA) Corporate Services division. The current Strategic Asset Manager was appointed during May 2017, the Team's responsibilities include leading on the establishment and implementation of WMCA's environmental strategy and facilities management which includes ensuring the safe and efficient operation of 16 Summer Lane as well as asset management.

At the time of our review the majority of WMCA's assets were transport based, alongside the head office (16 Summer Lane) and some areas of land that will potentially be used for future development opportunities.

## Scope and objectives of audit work

Our audit was conducted in conformance with the Public Sector Internal Audit Standards and considered the following objectives, and the potential risks to the achievement of those objectives:

- To seek assurance that robust asset management arrangements have been developed for WMCA that reflect best practice and support achievement of the organisation's strategic objectives.

Scope	Potential risks
<p>The scope of the review included the following areas as part of asset management arrangements:</p> <ul style="list-style-type: none"><li>• Asset management strategy and plan</li><li>• Governance arrangements</li><li>• Risk management</li><li>• Monitoring and reporting</li><li>• Asset management records and reconciliation to financial records.</li></ul>	<ul style="list-style-type: none"><li>• Asset management arrangements may not align with and therefore support achievement of the organisation's strategic objectives.</li><li>• Asset management records may be inaccurate, incomplete and may not support delivery of the strategic plan and decision making.</li></ul>
Limitations to the scope of our audit	
The review was limited to the above areas.	

## Overall conclusion

Taking account of the issues identified in this report, in our opinion the controls operating within the system, provide **satisfactory assurance** as part of the process to mitigate risks to an acceptable level.

Limited	Satisfactory	Substantial
There is a risk of objectives not being met due to serious control failings.	<b>A framework of controls is in place, but controls need to be strengthened further.</b>	There is a robust framework of controls which are applied continuously.

## Areas of current good practice

We found that at the time of our review the arrangements in place for the management of assets were operating effectively. We noted the following areas of good practice with regards to current operating arrangements:

- A draft asset management policy had been established. Examination of the draft policy identified that it suitably reflected the WMCA's 2018-2019 Business Plan objectives and the Asset Management Team's individual objectives that had been set by the Head of Governance. We also noted that the policy adequately detailed how success would be measured. Measures had been broken down into five key performance areas and included details of who will be responsible for each measure.
- Except for Public Art, named asset owners had been established for each class of asset. Asset owners were responsible for the day to day management of individual assets. From discussions with the Strategic Asset Manager and the Asset Development Officer we understood that asset owners were aware of their responsibilities with regards to asset management.
- Sufficient asset management records (Access Databases and Excel Spreadsheets) had been established for each class of asset and are maintained by the Asset Development Officer. The Access Databases could be used to create bespoke asset reports, this was demonstrated by the Asset Development Officer at the time of our review.
- The Asset Development Officer held monthly meetings with asset owners to discuss issues and review asset information. We noted that the Asset Development Officer had spent a significant amount of time reviewing existing records to ensure that information held is adequate and that any anomalies in the information held was discussed and resolved with asset owners.
- The Finance Team used the fixed assets module within Business World to record asset values, and the Financial Accountant confirmed that assets were valued in accordance with CIPFA guidelines. Quarterly meetings were undertaken between the Financial Accountant and the Asset Development Officer to discuss changes to assets and any issues that could affect the information held in Business World. These meetings were also used to resolve any differences between the information in Business World and the Asset Management Team's records. It was noted that this issue was raised during the previous audit review.
- As part of managing risk asset owners were responsible for assigning condition scores to each asset to monitor which assets needed remedial work or could potentially need replacing.

These scores were recorded within asset registers and then used to inform asset expenditure plans that were included within the WMCA's capital expenditure plan.

- The WMCA project brief had been amended to include asset handover documentation, this had been included in the gateway process to ensure that asset management requirements are considered during the project management process.
- It was noted that the Asset Development Officer attended a Building Information Modelling (BIM) conference during the audit, the Development Officer confirmed that BIM was a new process which was continually being developed and used by the WMCA for asset management purposes.

## Proposed arrangements

We noted that due to the necessity to undertake priority work i.e. the establishment of the statutory environmental policy, building improvements and changes to building layouts made under the direction of senior management, asset management policies and strategies to support the operational activities detailed were yet to be finalised and approved at the time of our review. The Strategic Asset Manager also highlighted several proposed developments that the Team were planning to implement throughout the remainder of the 2018-2019 financial year, including:

- Approval of the draft asset management policy during August 2018.
- Establishment of individual asset management strategies for each class of asset, including asset owner's roles and responsibilities, objectives and key performance indicators, supported by monitoring by the Asset Management team of implementation of asset management strategies.
- Development of strategies for maintenance, information system(s) and communications to support delivery of the asset management policy.
- Purchase of an asset management solution to allow centralization of asset management. Discussions with the Asset Development Officer at the time of our review confirmed that he was in the process of identifying potential solutions.
- Establishment of an asset management working group following approval of the asset management policy.
- Establishment and reporting of relevant monitoring information regards asset management activities to relevant officers through tableau dashboards.
- Review of procedures for the disposal of assets and re-approval where necessary.
- Adherence to best practice guidance i.e. ISO 55000:2014 (an international Asset Management standard) and ISO 14001:2015 (an Environmental Management standard).

## Key issues identified

Whilst we appreciate that action was being taken and has been proposed to further develop asset management arrangements and address the issues previously reported in the follow-up review undertaken in March 2018, we have identified a further **amber** issue where improvements could be made, arising from the following:

- An action plan with specific timescales to fully establish an asset management policy (including a disposal policy) and supporting strategies that covered all assets and ensure proposed developments were implemented on a timely basis, was yet to be established.

In addition, we have raised two issues classified as **green** which are detailed in section two of this report. A summary of this report will be presented to the Audit, Risk and Assurance Committee.

## Acknowledgement

Several employees gave their time and co-operation during this review. We would like to record our thanks to all the individuals concerned.

## 2. Issues arising

Priority rating for issues identified:

<b>Red</b> Action is imperative to ensure that the objectives for the area under review are met	<b>Amber</b> Action is required to avoid exposure to significant risks in achieving objectives	<b>Green</b> Action is advised to enhance risk control or operational efficiency
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Action is required to avoid exposure to significant risks in achieving objectives  
**Amber**

No	Issue arising	Recommendation	Agreed action including responsibility and target date
2.1	<p><b>Asset Management policy and strategies</b> We noted that the draft asset management policy was due be approved during August 2018.</p> <p>We understand that the draft policy had yet to be been approved due to the Asset Management Team’s necessity to prioritise work to address statutory requirements and specific facilities management issues, due to the significant structural and layout changes taking place at 16 Summer Lane.</p> <p>However, the draft policy only referred to a portfolio of transport infrastructure assets across the West Midlands, with no reference to other assets i.e. 16 Summer Lane at the time of audit.</p> <p>We understand that several actions were proposed to further develop asset management arrangements including</p>	<p>A robust and detailed action plan, including achievable target dates, for the completion of the proposed developments regarding asset management arrangements should be developed and agreed. Completion of the action plan should be monitored at an appropriate level.</p> <p>The draft policy should be reviewed and amended to ensure that it includes reference to all assets where ownership or liability is within the remit of the WMCA.</p> <p>The above action plan should be managed and monitored through appropriate line management arrangements.</p> <p>The asset disposal policy should be reviewed and revised to ensure reflects the disposal regulations set out in the Constitution and covers all assets that the WMCA is responsible for.</p>	<p>Agreed. Action will be taken to address the issue raised by development of an appropriately detailed action plan and will be monitored as part of current line management arrangements in liaison with the Head of Governance. The plan will be developed by 31 October 2018 with a view to complete the actions included by 31 March 2019.</p> <p><b>Responsibility:</b> Tim Martin – Head of Governance Jemma Hodgson – Strategic Asset Manager</p> <p><b>Target date:</b> 31 March 2019</p>

Action is required to avoid exposure to significant risks in achieving objectives  
**Amber**

No	Issue arising	Recommendation	Agreed action including responsibility and target date
	<p>development of supporting strategies once the draft asset management policy had been approved. However, a detailed action plan including timescales for the completion of this work had not been developed or agreed.</p> <p>In addition, we noted that the asset disposal policy and process had not been reviewed since 2015 and was established prior to the formation of WMCA. However, we noted that the Constitution included disposal regulations.</p> <p><b>Implication:</b></p> <ul style="list-style-type: none"> <li>• Sufficient progress with development of supporting asset management arrangements may not be made or completed on a timely basis.</li> <li>• The draft policy may not fully reflect the extent of the WMCA’s asset management responsibilities and liabilities.</li> </ul>	<p>Subsequently, all policies should be reviewed annually and evidenced as reviewed.</p>	

Action is advised to enhance risk control or operational efficiency  
**Green**

No	Issue arising	Recommendation	Agreed action including responsibility and target date
2.2	<p><b>Asset Owners</b> We noted that a named asset owner had not been appointed for Public Art. The Strategic Asset Manager advised that they would be responsible for this area until an asset owner was identified.</p> <p><b>Implication:</b> Accountability for specific assets may not be suitably assigned.</p>	<p>An appropriate asset owner for Public Art should be identified at the earliest opportunity.</p>	<p>Agreed. The Strategic Asset Manager will take responsibility in liaison with the asset owner responsible for the location within which the item of art is physically situated.</p> <p><b>Responsibility:</b> Jemma Hodgson – Strategic Asset Manager</p> <p><b>Target date:</b> 31 October 2018</p>
2.3	<p><b>Disposal of office furniture</b> We noted that arrangements for the disposal of surplus office furniture were yet to be formalised and documented. Discussions with the Strategic Asset Manager identified that items in working order that were no longer required were offered to staff and proceeds from sales were donated to the WMCA's selected charity, on a periodic basis.</p> <p>However, if items could not be sold, these were returned to the WMCA's furniture supplier for recycling at a fee, for which a disposal certificate was received.</p> <p><b>Implication</b> It may be difficult to demonstrate actions taken in the event of query or challenge.</p>	<p>Formal arrangements should be established for the disposal of surplus office equipment.</p>	<p>Agreed. Arrangements are in place for disposal and in support of these a log of stock items is now maintained. A review will be undertaken regarding recording disposals and accounting for any income received in accordance with the WMCA's financial procedures. As part of developing the asset disposal policy will be formalised and will include arrangements for disposal of surplus items.</p> <p><b>Responsibility:</b> Jemma Hodgson – Strategic Asset Manager</p> <p><b>Target date:</b> 31 March 2019</p>



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### Report distribution:

Sean Pearce – Director of Finance  
Tim Martin – Head of Governance  
Jemma Hodgson – Strategic Asset Manager

### Date Issued:

8 October 2018