



Meeting: Audit, Risk & Assurance Committee

Subject: Minutes

Date: Friday 28 April 2017

Present:

David Lane (Independent Chair)

Councillor Sucha Bains

Councillor Keith Chambers

Sean Farnell

Councillor Rachel Harris

Councillor John Haynes

Councillor Jackie Taylor

(Substitute for Councillor Kerrie Carmichael)

Tom Westley

Coventry City Council

Walsall Metropolitan Borough Council

Coventry and Warwickshire LEP

Dudley Metropolitan Borough Council

Nuneaton & Bedworth Borough Council

Sandwell Metropolitan Borough Council

Black Country LEP

Invited:

Councillor Bob Sleigh

Chair of the West Midlands
Combined Authority

In Attendance:

John Cade

Linda Downes

Peter Farrow

Laurelin Griffiths

Linda Horne

Angus MacLeod

Grant Patterson

Joti Sharma

Debbie Simpson

Sarah Roche

Institute of Local Government Studies

Nuneaton & Bedworth Borough Council

Head of Audit (Shared), City of Wolverhampton Council
& Sandwell Metropolitan Borough Council

Grant Thornton

West Midlands Combined Authority

West Midlands Combined Authority

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40/16 Welcome and Introductions

The Chair welcomed Councillor Bob Sleigh, Chair of the West Midlands Combined Authority to the meeting.

41/16 Apologies for Absence

Apologies for absence were received from Councillor Kerrie Carmichael, Councillor Tristan Chatfield, Councillor Craig Collingswood, Councillor John Fisher, Councillor Maureen Freeman, Councillor Angela Sandison and Councillor Rob Sloan.

42/16 Declarations of Interest

There were no declarations of interest made in respect of any items on the agenda.

43/16 Chair's Remarks

(a) Greater Manchester Combined Authority - Audit & Risk Committee

The Chair reported on his recent visit to Greater Manchester Combined Authority's Audit & Risk Committee and noted that although there was value in attending because there were significant differences between the Greater Manchester Combined Authority and West Midlands Combined Authority, there were no direct lessons to be learnt.

(b) Audit, Risk & Assurance Committee - Membership

The Chair reported that the Combined Authorities (Overview and Scrutiny Committees Access to Information and Audit Committees) Order 2017 (the Order) was ratified by Parliament on 27 January 2017 and would come into force on 8 May 2017.

The Chair explained the implications of the Order on this committee in respect of its membership, and added that the committee would have a membership of 13, which would comprise of;

- 7 seats for constituent councils
- 4 seats for non-constituent councils
- 1 seat for a LEP representative
- 1 seat for the independent chair

The Chair proposed to write to each local authority Leader following the meeting and ask that consideration be given when nominating a member to this committee, and would highlight the importance for the nominee to be engaged and a committed member of the committee.

(c) Audit, Risk & Assurance Committee - Training

The Chair explained that he had suspended training for the Authority's Audit, Risk & Assurance Committee until its membership for 2017/18 had been established, and indicated that John Cade from the Institute of Local Government Studies had agreed to attend meetings of the committee.

(d) James Aspinall and Debbie Simpson

The Chair reported that James Aspinall, Director of Corporate Services, had left the West Midlands Combined Authority on 31 March 2017, and Debbie Simpson, Interim Head of Governance, would be leaving the Authority on 1 May 2017. The Chair recorded his thanks and welcomed their contribution to the West Midlands Combined Authority during the year.

44/16 Minutes of the Audit, Risk and Assurance Committee held on 27 January 2017

The minutes of the meeting held on 27 January 2017 were agreed, and signed by the Chair, as a correct record.

45/16 Matters Arising

(a) Strategic Risk Register (minute no. 31/16 refers)

Linda Horne, Head of Finance, explained that as James Aspinall had now left the organisation, she would arrange for Mark Taylor, Finance Director, to liaise with Councillor Jackie Taylor directly to discuss her concerns regarding the Strategic Risk Register and the Authority's obligation on equality and diversity.

(b) External Audit Plan (minute no. 28/16 refers)

At the last meeting of the committee Councillor Jackie Taylor enquired about the audit fees of £46,500 and asked whether the report could be more explicit as to what the audit fee covered. It was agreed that a copy of the amended Audit Plan would be circulated to members of the committee for information.

46/16 Councillor Bob Sleigh

Councillor Bob Sleigh addressed the committee and provided an overview of the vision of the West Midlands Combined Authority, the Authority's model and the reasoning behind this specific model, the devolution deal that provided an opportunity to deliver funding, the launch of the 2017/18 West Midlands Combined Authority Annual Plan and the Transport for West Midlands Transport Plan, which set out the direction of travel for the next 12 months.

Councillor Bob Sleigh noted the priorities of the West Midlands Combined Authority, key investments including transport, health, skills and housing, and emphasised the significant importance of value for money, governance, risk management and the role of the Authority's Audit, Risk & Assurance Committee in the development of the West Midlands Combined Authority.

In response to a question raised by Councillor Jackie Taylor, Councillor Bob Sleigh assured the committee that access to transport for all was embedded in the Transport for West Midlands Transport Plan and with regard to the provision of housing for people with a disability, planning powers remained with each constituent council.

Councillor Bob Sleigh added that the West Midlands Fire Authority had expressed a view that it wished to be under the remit of the West Midlands Combined Authority and discussions continue to be on-going.

47/16 West Midlands Combined Authority Integrated Assurance & Approvals - Presentation

The committee received a joint presentation from the Corporate Assurance Manager and the Head of PMO and Projects on the Investment Programme and Assurance Processes.

The Chair recognised that the West Midlands Combined Authority's Assurance Plan was still in development and therefore proposed that there was an obligation for the Plan to be presented to the Authority's Audit, Risk & Assurance Committee in September 2017 for approval.

In response to a question raised by Tom Westley regarding guidance by Government, the Corporate Assurance Manager explained that the Authority had dialogue with the Department for Business, Energy & Industrial Strategy (BEIS) on an annual basis to review its best practice models and to ascertain whether the Authority was meeting its expectations.

The Chair considered that the Authority would benefit from a year-end review of assurance, programme management and internal audit to ensure that the West Midlands Combined Authority had best practice for how the Authority would grow. It was agreed that a proposal to seek funding for an independent year-end review (to be completed and able to report well before the year end) of the WMCA Governance, Assurance and Internal Audit Arrangements was to be drafted by the Head of Governance.

The Chair recognised that the Strategic Economic Plan Board currently reviewed a dashboard that identified monetary awards in respect of projects, and considered that it would be worthwhile if this specific information was in the form of a summary for the Audit, Risk & Assurance Committee.

Resolved:

- (1) That the presentation be noted;
- (2) That the WMCA Assurance 17/18 Plan be submitted to Audit, Risk & Assurance Committee on 15 September 2017 for approval;
- (3) The future assurance proposed plans (and internal audit proposed plans) to be submitted to Audit, Risk & Assurance Committee for consideration and approval no later than February of each year; and
- (4) That a proposal to seek funding for an independent year-end review of the WMCA Governance, Assurance and Internal Audit Arrangements be drafted.

48/16 Informing the Audit Risk Assessment for the West Midlands Combined Authority

The committee considered a report from Grant Thornton on important areas of auditor risk assessment that was being undertaken. The report set out the fraud risk assessment questions that had been asked of the Authority, along with the answers provided by management.

In response to comments received from the Chair regarding a reference within the report to reflect that the Authority was an evolving organisation, Grant Thornton agreed to add additional context on the changing environment at the West Midlands Combined Authority.

Resolved:

- (1) The committee considered whether the management responses were consistent with its understanding of the entity and confirmed that this was the case, and requested that additional context be included on the changing environment at the West Midlands Combined Authority.
- (2) That the contents of the report be noted.

49/16 West Midlands Combined Authority Progress Report and Update

The committee considered a report from Grant Thornton on the status of the 2016/17 audit. The report set out developing issues as they impacted on the Authority, as well as the planned value for money audit work.

The Chancellor's Autumn Statement 2016 speech delivered a number of changes that would impact the UK business environment. The Chair requested an internal audit review of IR35 and how the West Midlands Combined Authority was addressing the new requirements. The Head of Internal Audit agreed to liaise with the Head of Finance regarding an additional audit on IR35.

Resolved:

- (1) That the contents of the report be noted; and
- (2) An internal audit review of IR35 and how the West Midlands Combined Authority was addressing the new requirements be undertaken.

50/16 Internal Audit Update

The committee considered a report of the Head of Audit on the Internal Audit Plan 2017/18 and internal audit reports.

The internal audit document provided the Authority with a risk-based internal audit plan based upon an assessment of assurance needs, and provided an overview of the recommendations and audit ratings provided to each of the reviews as follows:

- Procurement Arrangements - substantial assurance
- Midland Metro Alliance Governance Arrangements - satisfactory assurance

With regard to the Mayoral election, the Internal Auditor reported that appropriate steps were in place for the management and administration of the 2017 Combined Authority Mayoral election and had identified no significant concerns/areas of non-compliance at this stage of the process that required formal reporting.

The committee considered that, in addition to a further review on procurement, which was to be included within the Audit Plan on an annual basis for the next couple of years, an audit on business continuity should be undertaken during 2017/18.

Resolved:

- (1) That the Internal Audit Plan 2017/18 be approved, subject to the addition of an audit on IR35, Business Continuity, Procurement to be undertaken on an annual basis for the next couple of years.

(2) That the contents of the Internal Audit reports be noted.

51/16 Strategic Risk Register

The committee considered a report from the Director of Finance on the Strategic Risk Register which supported the committee with their responsibility of providing oversight of Risk Management within the West Midlands Combined Authority.

It was reported that 28 key risks were included within the strategic risk register. A new risk had been escalated to the register as a medium risk which refers to staff engagement, as there was a number of senior posts vacant in the leadership team.

The Corporate Assurance Manager brought the committee's attention to the key five risks within the corporate register including information security, staff engagement, information governance, stakeholder and political relations and objectives of the West Midlands Combined Authority.

Resolved that the comments received on the Strategic Risk Register be noted.

52/16 West Midlands Combined Authority - Assurance Overview April 2017

The committee considered a report from the Director of Finance on the assurance activity since the last meeting.

The Metro-Edgbaston full business case submission was approved by the West Midlands Combined Authority Board in February 2017, and in terms of approvals, the Department for Transport held the final approval on the release of funding as it was contributing towards the overall cost of the project. The Corporate Assurance Manager added that future reports would provide confirmation of adherence to the assurance process.

Resolved:

- (1) That the assurance reviews and activities that had been undertaken in the last quarter be noted;
- (2) That the Assurance Plan Framework & Risk Categories/Tolerances be noted;
- (3) That the Corporate Risk & Assurance Balance Card April 2017 be noted;
- (4) The committee confirmed that it was satisfied with the assurance activity between February - April 2016, and requested confirmation of adherence to the assurance process in respect of the Metro-Edgbaston Extension Full Business Case; and
- (5) An audit report on Business Continuity be submitted to September's meeting of the committee.

53/16 Outturn Report for 2016/17

The committee considered a report of the Director of Finance on the opinion of the Chief Audit Executive on the adequacy of Centro and WMCA control environment which was relevant in compiling the 2016/17 Annual Governance Statement.

The Centro Internal Audit Plan for 2016/17 was considered and agreed by the Audit & Risk Committee on 14 March 2016. The Plan was re-confirmed in June 2016 by the Department for Communities & Local Government when Centro transitioned into the West Midlands Combined Authority and subsequently by the Audit & Risk Committee in July 2016.

Resolved:

- (1) That the Chief Audit Executive's opinion on the adequacy of Centro and WMCA control environment and the assurance arrangements in place be noted;
- (2) The current position on the implementation of audit recommendations provided in 2016/17 be noted;
- (3) That it be noted that no major risk exposure had been discovered since the last meeting of the committee; and
- (4) That the contents of the report that provided the basis and assurance over the Annual Governance Statement for approval to be included in the annual accounts be noted.

54/16 West Midlands Combined Authority Annual Governance Statement

The committee considered a report of the Finance Director that provided members with a draft of the Annual Governance Statement.

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

Resolved that the Annual Governance Statement be approved prior to its inclusion within the financial statements for 2016/17, subject to the inclusion of the action required with regard to Cyber Security.

55/16 Internal Audit Report - Recruitment & Retention Procedures Action Plan

The committee considered a report of the Finance Director which provided members with the assurance that recommendations from the Internal Audit Report Recruitment and Retention Review 2016/17 had been implemented and significant actions had been undertaken and processes reviewed to ensure compliance.

Resolved:

- (1) That the content of the report be noted;
- (2) That the detailed action plan that had been implemented in response to the audit report Recruitment and Retention Review 2016/17 be noted; and

- (3) That the information with regards to salary drift, grading process and existing grading be noted.

56/16 Forward 2016/17 Accounts Plan

The committee received an update from the Head of Finance on the Forward Plan 2016/17 Accounts Plan.

The committee noted the following Accounts Plan:

- Annual Governance Statement considered by the committee on 28 April
- Draft Annual Account for Audit was to be circulated electronically to the committee in May 2017 for consideration
- Audited Annual Accounts to be considered and approved by the committee on 16 June, following consideration of the audit findings report.

Resolved that the report be noted.

57/16 Any Other Business

(a) Environment - Air Quality

The Chair enquired about air quality and questioned whether the environment and the issue of air pollution was a responsibility of the West Midlands Combined Authority to monitor and address. The Head of Governance added that the Authority contributed to the work being undertaken by local authorities to ensure that the carbon footprint was as low as possible.

Councillor Rachel Harris agreed to raise the issue of air quality at the next meeting of the Authority's Wellbeing Board and would seek guidance as to the role of the Audit, Risk & Assurance Committee and the Authority in monitoring this area of concern.

Resolved that Councillor Rachel Harris to raise the issue of air quality at the next meeting of the West Midlands Combined Authority Wellbeing Board and would seek guidance as to the role of the Audit, Risk & Assurance Committee and the Authority.

58/16 Date of Next Meeting

Friday 16 June 2017 at 1.00pm

59/16 Exclusion of the Public and Press

That in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following item of business as it involved the likely disclosure of exempt information relating to an action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

60/16 Progress Made on Internal Audit - Review of Cyber Security

The committee considered a report of the Director of Finance on the progress made on the recommendations in the City of Wolverhampton Internal Audit Report dated 25 May 2016 regarding cyber security. The committee also received a presentation from the Authority's Cyber Security Specialist on Information and Security and noted the extent of the progress being made on outstanding issues.

Resolved:

- (1) That a further report on cyber security be presented to the next meeting of the committee;
- (2) That the Chair to correspond with Martin Reeves, Chief Executive regarding cyber security considerations within the Combined Authority; and
- (3) That the conclusion within the West Midlands Combined Authority Annual Governance Statement be amended to reflect action required with regard to cyber security.

The meeting ended at 12.15pm.