



**Audit, Risk & Assurance Committee**

**Tuesday 12 November 2019 at 10.00 am**

**Minutes**

**Present**

David Lane (Chair)	
Councillor Ram Lakha (Vice-Chair)	Coventry City Council
Councillor Marje Bridle	Birmingham City Council
Councillor Ahmad Bostan	Sandwell Metropolitan Borough Council
Councillor Alan Butt	City of Wolverhampton Council
Sean Farnell	Coventry & Warwickshire LEP
Councillor Michael Gough	Solihull Metropolitan Borough Council
Councillor Alan Taylor	Dudley Metropolitan Borough Council
Councillor Vera Waters	Walsall Metropolitan Borough Council

**In Attendance**

Peter Farrow	City of Wolverhampton Council
Julia Goldsworthy	West Midlands Combined Authority
Linda Horne	West Midlands Combined Authority
Sandra Kaylan	City of Wolverhampton Council
Grant Patterson	Grant Thornton
Hardial Phull	West Midlands Combined Authority
Tim Martin	West Midlands Combined Authority
Lorraine Quibell	West Midlands Combined Authority

**Item Title  
No.**

**181. Apologies for Absence**

Apologies for absence were received from Councillor Fred Grindrod (Birmingham City Council) and Councillor Alexander Phillips (Shropshire Council).

**182. Declarations of Interest**

Councillor Alan Taylor reported that he was a member of Transport Delivery Committee.

**183. Minutes of the meeting held on 24 September 2019**

The minutes of the meeting held on 24 September 2019 were agreed as a correct record, subject to the addition of Nick Abell (Coventry & Warwickshire LEP) in the list of those present at the meeting.

**184. Chair's Remarks**

The Chair informed the committee that he was no longer the Chair of the Midland Metro Audit Committee and it had been agreed that ARAC would have responsibility for MML audit, risk and assurance review as per item 191.

**185. Matters Arising**

- **Whistleblowing**

The Monitoring Officer advised the committee of one notification that had been received regarding whistleblowing, although following an investigation it was determined that the disclosure was not considered to be a whistleblowing matter but a service complaint.

- **Brexit Contingency Planning**

The Monitoring Officer advised the committee that work had been undertaken to prepare for, and mitigate risks arising from, Brexit however due to regulations relating to the pre-election period this report had not been made available to this meeting. The Chair confirmed he had noted the report and advised ARAC members he was satisfied with the arrangements in place.

- **Accessible Transport Group**

Following the previous update, the Monitoring Officer advised the committee that some administration process were outstanding however he felt that Internal Audit should now undertake a review of the processes the WMCA undertook in regards to the administration process. The terms of reference for this audit would be agreed with the statutory officers and the chair before the January ARAC meeting and that the review should be carried out in Q4 19/20.

**186. Forward Plan**

The committee considered the plan of items to be reported to future meetings of the committee. Councillor Ahmad Boston requested that the committee receive a report on climate change and the budget allocated to this. The Chair requested that the committee receive a report on performance monitoring for the WMCA and the Director of Investment & Commercial Activities be invited to attend committee to report on the changes, proposals and process being implemented to gain investment.

Resolved:

(1) The items of business to be reported at future meetings be noted.

**187. Strategic Risk Register**

The committee were provided with an update on the current status of the strategic risk register. It was noted that there continued to be uncertainties relating to external factors, in particular Brexit, meaning risks were difficult to manage effectively. Two new risks were identified relating to HS2 and Transport for West Midlands' reputation. The register continued to be monitored by the Senior Leadership Team.

The Monitoring Officer updated the committee in relation to 5G and indicated that there were some risks associated to the programme, and regular meetings had been undertaken with himself, the Director of Finance and leading officers from the 5G Team. Assurance was provided that the team were actively working towards gaining funding streams to progress the programme. The Chair indicated that he recognised the commercial sensitivity of the programme and would be provided with detailed updates on behalf of the committee.

Resolved:

- (1) The strategic risks contained within the WMCA strategic risk register be noted.

#### **188. WMCA Assurance Overview November 2019**

The committee considered a report on the Corporate Assurance Manager's opinion on the WMCA's systems of project & programme assurance, business assurance and performance assurance for the reporting period November 2018 - October 2019.

In relation to performance assurance, the committee requested sight on the operational performance dashboard presented to the Corporate Management Team. The Chair requested that when assurance reviews had taken place and a red rating was given, these should be shared with committee. He also expressed concern that sufficient detail was not being provided to the committee relating to projects that were not Investment Programme funded and requested that more understanding was provided in terms of the risks.

Resolved:

- (1) The assurance reviews and activities that had been undertaken since the last reporting period be noted.
- (2) The committee were satisfied with the assurance activity from November 2018 to October 2019.

#### **189. Internal Audit Update**

The committee considered a report updating them on the work completed by internal audit and noted the amendments to the Internal Audit Plan 2019 - 2020 as a result of a mid-year review. The ICT Strategy audit would be deferred until 2020 - 2021 due to the external review commissioned on the WMCA's ICT arrangements, and the Investment Programme would also be deferred until 2020 - 2021. The planned audit for the West Midlands Fire Service was no longer required. The internal audits taken place during the quarter were given a substantial level of assurance.

The Audit Business Partner provided the committee with an overview of the WMCA Governance Arrangements internal audit, which was noted to be in its draft stage at the time of the meeting but had been given a substantial level of assurance

Further to Sean Farnell's request for assurance in capacity for the completion of timetabled audits, the Head of Audit confirmed that to date the finalising of reports were within the timelines and was confident that all audits scheduled for the financial year would be completed.

Resolved:

- (1) The contents of the latest Internal Audit Update Report be noted.
- (2) The amendments to the Internal Audit Plan 2019 – 2020 be noted.

**190. Investment Programme Governance Audit Update**

The committee received a report from the Monitoring Officer which provided details on the intent and proposed delivery of governance improvements to be delivered through a revised assurance framework and decision-making process. The improvements had been directed by a number of drivers, and in October the Senior Leadership Team agreed to the development of a revised decision-making process and assurance framework. It was hoped that this new process would create consistency and streamlined approach in how projects were developed and delivered.

It was noted that the assurance framework formed part of the constitution, therefore any changes require approval through the WMCA Board. However, the Monitoring Officer advised the committee that changes being made to the assurance process would not change or affect the role of the Investment Board but considered improvements to the membership and terms of reference to strength its arrangements. Further to the Chair's request, it was agreed that WMCA-wide project registers would be shared with the committee once fully implemented.

Resolved:

- (1) The work that had been undertaken to date on the assurance framework and the decision-making process, and the intent behind the proposed way forward, be noted.
- (2) The principles for delivering the revised decision-making process and assurance framework be noted.
- (3) That a progress report on delivery of these proposals be brought to committee on the 13 January 2020.

**191. Midland Metro Limited Governance Update**

The committee received a report from the Director of Finance outlining the governance arrangements for Midland Metro Ltd, who operated the Metro on behalf of Transport for West Midlands. It was noted that the Director of West Midlands Metro had departed the organisation and revised management and governance arrangements had subsequently been implemented.

In relation to the internal audit recommendations, it was noted that the Head of Governance had been appointed as the Shareholder's Representative and, further to legal advice being sought, it was agreed that the requirement for an independent Audit & Risk Committee was not required.

Resolved:

- (1) The revised management arrangements following personal changes in Transport for West Midlands be noted.
- (2) The update to the actions as a result of the Internal Audit reported presented to committee in August be noted.
- (3) It be confirmed that there was no requirement for a separate Audit & Risk Committee for Midland Metro Ltd and that this committee would carry out the function.

**192. West Midlands Development Capital Limited - Audit Committee Arrangements**

The committee received a report from the Director of Finance on the audit committee arrangements for West Midlands Development Capital Ltd and it was noted that due to the materiality to date, a separate Audit & Risk Committee was not required and any risks were to be managed through this committee.

Resolved:

- (1) It be confirmed that there were no requirements for a separate Audit & Risk Committee for West Midlands Development Capital Ltd and that this committee would undertake the function.

**193. The Annual Audit Letter for West Midlands Combined Authority and the West Midlands ITA Pension Fund**

The committee considered the WMCA's Annual Audit letter for the year ended 31 March 2019 which summarised the key findings arising from the work carried out by external audit team at Grant Thornton.

The Annual Audit Letter confirmed the unqualified opinion on both the WMCA and group financial statement, as well as the accounts of the West Midlands ITA Pension Fund. However, it was not possible to certify the conclusion of the audit as it was necessary to give an opinion on the consistency of the pension fund financial statement. The conclusion of the audit will be confirmed with both the Director of Finance and the Chair, as well as confirmation of the potential audit fee variation.

Sean Farnell requested confirmation that the initial risks identified within the audit relating to developing capacity and capability were being address in the organisation. The Director of Finance confirmed that the Head of Human Resource & Organisational Development was actively bringing together resourcing and planning processes to address this risk.

Resolved:

- (1) The contents of the WMCA's Annual Audit Letter for the year ending 31 March 2019 be noted.
- (2) The WMCA's Annual Audit Letter be published on its website.

**194. Date of Next Meeting**  
Monday 13 January 2020 at 10.00am.

The meeting ended at 11.25 am.