



## Audit, Risk & Assurance Committee

<b>Date</b>	4 March 2021
<b>Report title</b>	Midland Metro Limited Accounts 2019/20
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<b>Report has been considered by</b>	

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

#### Audit, Risk & Assurance Committee is recommended to:

- (1) Note the annual accounts for Midland Metro Limited for the year ended 31 March 2020.
- (2) Note that the independent auditors issued an unqualified audit opinion for the accounts on 9 December 2020.
- (3) Note that Midland Metro Limited's accounts were filed with Companies House on 17 February 2021.

## 1.0 Purpose

- 1.1 This report has been prepared to enable Audit, Risk & Assurance Committee to note the annual accounts of Midland Metro Limited for the financial year ended 31 March 2020.

## 2.0 Background

- 2.1 West Midlands Combined Authority's wholly-owned subsidiary, Midland Metro Limited (MML) was established in 2017. The company was created to take over the day-to-day running of Midland Metro trams in the West Midlands region and is expected to generate profits in the longer term which will be channelled back into the network for the benefit of passengers and the local economy. Patronage falls during the coronavirus outbreak have significantly increased the risk to the availability of funding for future investment.

## 3.0 Annual Accounts

- 3.1 MML Board has received regular financial monitoring updates throughout 2019/20. The final outturn position for 2019/20 was reported to MML Board on 28 October 2020.
- 3.2 The accounts for 2019/20 are attached as an appendix for review and noting. The audit process has been completed and the auditors have issued an unqualified audit opinion on the accounts. The audit findings in relation to significant audit risks are summarised in the table below:

Table 1: MML Accounts 2019/20 – Audit Findings

<b>Significant Audit Risk</b>	<b>Conclusion</b>
Fraud risk due to improper revenue recognition	There were no issues noted from the review of manual sales entries and journals. No issues noted from the review of the revenue recognition policy. On deferred revenue, expectation was higher than the deferred revenue recorded by management by £12k. As it is not material and a difference arising from judgement, the auditors are comfortable that deferred revenue is reasonably accurate.
Fraud risk relating to management overriding controls	No issues noted.
Impact of Covid-19 on disclosures and going concern assessment	The auditors engaged with management on the impact Covid-19 could have on the business. Indicative grant awards from the Department for Transport were noted.

3.3 The accounts were filed with Companies House on 17 February 2021 in line with statutory requirements. Going forwards starting with the 2020/21 financial year, Audit, Risk and Assurance Committee will consider and approve MML's accounts prior to them being filed with Companies House in line with agreed assurance arrangements for the company.

#### **4.0 Financial Implications**

4.1 The financial implications are covered within the body of this report and the attached annual accounts reflect MML's results for the year ended 31 March 2020.

#### **5.0 Legal Implications**

5.1 Production of these accounts is a statutory requirement.

#### **6.0 Equalities Implications**

6.1 Alternative formats for these accounts are available upon request.

#### **7.0 Inclusive Growth Implications**

7.1 Not applicable.

#### **8.0 Geographical Area of Report's Implications**

8.1 Not applicable.

#### **9.0 Other Implications**

9.1 Not applicable.

#### **10.0 Schedule of background papers**

10.1 MML financial reports 2019/20

10.2 Audit Findings Report