



**West Midlands
Combined Authority**

Audit, Risk & Assurance Committee

Thursday 4 March 2021 at 10.00 am

Minutes

Present

David Lane (Chair)	
Councillor Ram Lakha OBE (Vice-Chair)	Coventry 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 Christine Martin	Staffordshire Non-Constituent Authorities
Councillor June Tandy	Nuneaton & Bedworth Borough Council
Councillor Alan Taylor	Dudley Metropolitan Borough Council
Councillor David Thain	Worcestershire Non-Constituent Local Authorities

In Attendance

Fiona Bebbington	West Midlands Combined Authority
Louise Cowen	West Midlands Combined Authority
Jason Danbury	West Midlands Combined Authority
Dan Essex	West Midlands Combined Authority
Peter Farrow	City of Wolverhampton Council
Julia Goldsworthy	West Midlands Combined Authority
Victoria Harman	West Midlands Combined Authority
Linda Horne	West Midlands Combined Authority
Wajid Hussain	Midland Metro Limited
Sandra Kalyan	City of Wolverhampton Council
Helen Lillington	Grant Thornton
Tim Martin	West Midlands Combined Authority
Lorraine Quibell	West Midlands Combined Authority
Joti Sharma	West Midlands Combined Authority
Rachel Teoh	West Midlands Combined Authority

Item Title

No.

54. Apologies for Absence

An apology for absence was received from Councillor Fred Grindrod (Birmingham).

55. Minutes - 18 January 2021

The minutes of the meeting held on 18 January 2021 were approved, subject to the addition of Councillor June Tandy's apologies for absence from the meeting and the correction of a minor typographical error within minute no. 51.

56. Matters Arising

(a) Recruitment of New Independent Member/Chair

Following the Chair's announcement that he would be stepping down from his role as independent member/chair in September he requested that the committee be informed of the process and timeline for recruitment of a new independent member/chair.

The Governance Services Manager informed the committee of the process and timeline of recruitment which had been put into place. He expected the independent member/chair to be appointed at the WMCA Board meeting in July, which would allow for a transition leading up to the meeting of the committee planned for September. The Chair requested that a further update be provided at the meeting of the committee on 28 June.

(b) Overview & Scrutiny Committee Mayoral Question Time: Budget - Response from the Mayor to Recommendations Presented to the WMCA Board on 13 November 2020

The committee received a copy of the Mayoral response to Overview & Scrutiny Committee following its Q&A session. Following comments from committee members, it was agreed that the Director of Finance would ensure the committee had access to regular financial monitoring information, and the Director of Strategy would provide a half-yearly update against the WMCA's annual delivery plan.

57. Forward Plan

The committee considered the plan of items to be reported to future meetings. The Chair requested that the Chief Executive be invited to a future meeting of the committee and provide an update on the Business Transformation Programme. The Director of Finance also noted that it was likely approval of accounts would be undertaken in July and therefore asked that a meeting of the committee planned for the 12 July 2021 be put in committee members' diaries.

Resolved:

- (1) The forward plan of items to be reported to future meetings be noted.

58. Quarterly Programme Assurance Update Report

The committee considered a report from the Head of Strategic Hub updating it on the progress made to date regarding the projects in the Investment Programme transitioning into the new Single Assurance Framework arrangements, and on the intention to present an assurance update to committee on a quarterly basis to provide reassurance that the new programme assurance arrangements continued to be embedded and were being followed by the WMCA.

The Chair expressed his thanks to the Head of Strategic Hub and the team for the work undertaken to strengthen and give confidence around the investment decisions and monitoring processes.

Resolved:

- (1) The Programme Assurance Observation report and the assurance activity undertaken to date in relation to projects following the Single Assurance Framework be noted.
- (2) The next steps of the Single Assurance Framework implementation and delivery be noted.
- (3) Organisation restructure changes that impacted future assurance and appraisal arrangements be noted.

59. Strategic Risk Register

The committee received an update from the Strategic Risk Manager on the developments of the review being undertaken on the strategic risk management framework and the strategic risk register. She noted that the review was undertaken by a cross directorate working group with the strategic risk management framework focusing on three key areas. The conclusions of the review would be brought to committee as its June meeting for endorsement. The committee also noted that since the last meeting there has been no significant material changes to the risk register.

The committee also received a brief update on the strategic risk relating to the UK's withdrawal from the EU from the Director of Strategic and the regional context of this.

Resolved:

The update provided to committee be noted.

60. Assurance Report - Arm's Length Companies: Assurance & Governance Arrangements

The committee considered a report on the annual review of the governance and assurance arrangements for all of the Arm's Length Companies where the WMCA had a shareholding, along with details of the areas of assurance being sought. It was agreed that in future years this would be tabled for the January meeting of ARAC.

The Chair requested that the Head of Governance and Director of Finance consider the future arrangements as to whether it is appropriate that ARAC continue its oversight of Arm's Length Companies and to provide an update at the next annual review (i.e. the 21/22 position would remain as current).

Following Councillor Ram Lakha's question as to whether consideration was sought from the external auditors, the Director of Finance confirmed that with regard to subsidiaries, Grant Thornton required assurance that those accounts were unqualified. The external auditor also confirmed that it undertook specific procedures around its group audit to confirm satisfaction and would continue to follow those in upcoming and future audits.

Resolved:

- (1) It be confirmed that the committee were satisfied with the assurance arrangements that had been established and confirmed for all of the WMCA's Arm's Length Companies and that in future years this report would come to ARAC in its January meeting.
- (2) The CA would review during 2021 whether ARAC should continue to be the body through which Audit, Risk and Assurance Governance should be handled beyond the year 2021/22.
- (3) The structure and purpose of each of the companies, all of which were registered and adhered to the requirements of Companies House, be noted.

61. Midland Metro Limited Accounts 2019/20

The committee considered a report outlining the annual accounts of Midland Metro Ltd for the financial year ended 31 March 2020. It was noted that the audit process had been completed, and the auditors had issued an unqualified audit opinion on the accounts and were filed with Companies House on 17 February 2021. It was recognised that future approval of Midland Metro Ltd accounts would be required by the committee and that a process had been put into place to ensure that agreed assurance arrangements for the company were met.

Sean Farnell sought further information on turnover and how profit was derived. The Director of Finance explained the clauses outlined within the contract between the subsidiary and the WMCA whereby any profit made would go towards financial plans around extension schemes and the Metro network. She also confirmed that income essentially was driven from ticket, advertising and marketing revenue.

Resolved:

- (1) The annual accounts for Midland Metro Ltd for the year ended 31 March 2020 be noted.
- (2) It be noted that the independent auditors issued an unqualified audit opinion for the accounts on 9 December 2020.
- (3) That Midland Metro Ltd's accounts were filed with Companies House on 17 February 2021 be noted.
- (4) That Midland Metro Ltd's accounts would in future be approved by ARAC prior to submission to Companies House.

62. Internal Audit Plan 2021 - 2022

The committee considered the Internal Audit Plan for 2021 - 2022 for approval, setting out the range of audit reviews to be undertaken and the methodology on how those areas were chosen. The plan was co-produced by the WMCA with all directors being consulted as part of the developments of the draft risk-based internal audit plan. It was recognised that if any changes were made to the plan, the Chair would be informed.

Sean Farnell commented that he was pleased with the plan presented, which offered a good scope of work to be completed.

Resolved:

The Internal Audit Plan for 2021 - 2022 be approved.

63. Internal Audit Update - March 2021

The committee received an update on the work completed by Internal Audit for this financial year. It was noted that as this was an additional meeting, only one internal audit had been completed and issued, relating to Procurement (COVID-19 Response) and that this was given a substantial opinion. The Head of Audit also provided an overview of the remainder of internal audits to be completed.

The Chair commented that it was pleasing to see the number of substantial and satisfactory reports the committee are seeing.

Resolved:

The contents of the latest Internal Audit update report be noted.

64. Informing the Audit Risk Assessment 2020/21 for West Midlands Combined Authority

The committee considered a report from the External Auditors on the risk assessment of the WMCA. The risk assessment procedures included obtaining an understanding of management processes and the WMCA's oversight of the following areas: General Enquiring of Management, Fraud, Laws and Regulations, Related Parties and Accounting Estimates. It was recognised that the format of the report had changed due to new guidance.

Following the Chair's question regarding timelines for approval of accounts, the External Auditor confirmed that approval would likely be sought in July with no anticipated earlier sign off due to the complexities around the pension fund audit being completed.

Resolved:

The draft Informing the Audit Risk Assessment 2019/20 report presented by Grant Thornton, and the responses provided by management being consistent with its understanding, be noted.

65. Adoption of a Revised Code of Conduct for the Mayor and Members of the Combined Authority

The committee considered a report from the Head of Governance and Monitoring Officer advising it of the changes recommended to the WMCA Code of Conduct following publication of a revised draft Code of Conduct from the Local Government Association. The revised Code of Conduct added or or strengthened provisions around bullying and harassment, equalities, communication via social media, use of resources, bringing the authority into disrepute, compliance with the code of conduct and any investigations.

Councillor June Tandy suggested that once Government had addressed both social media and sanctions, a review of the amended code of conduct be looked at. The Head of Governance and Monitoring Officer confirmed that he was alert to this and would undertake a further review as appropriate.

Resolved:

The draft revised Code of Conduct be recommended to the WMCA Board for adoption.

66. Exclusion of the Public and Press

Resolved:

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 items of business as they involved the likely disclosure of exempt information as specified in the paragraphs of the Act.

67. Update on Cyber Security & ICT Processes

The committee considered a report from the Strategic Head of Digital & Data on cyber security and ICT processes. It also considered information on the Protection of Digital and Data Systems and Information - Acceptable Use Policy which set out five main categories for awareness to provide employees of the WMCA with a better understanding. The committee also received an in-depth presentation outlining security metrics, trend analysis and information on processes, access and systems.

Resolved:

(1) The Protection of Digital and Data System and Information - Acceptable Use Policy to support the organisation be noted.

(2) The presentation be noted.

68. Investigations and Whistleblowing Update

The committee considered a report updating it on the outcomes of any recently completed investigations into concerns that had been raised with the WMCA, including those through the whistleblowing route.

Resolved:

The contents of the latest Investigations and Whistleblowing Update report be noted.

69. ATG Administration

The committee received a brief update in relation to the administration process of the Accessible Transport Group from the Head of Governance and Monitoring Officer.

Resolved:

That the update be noted.

70. Date of Next Meeting

Monday 19 April 2021 at 10.00am

The meeting ended at 12.15 pm.