

**Meeting:** Audit, Risk & Assurance Committee

**Subject:** Minutes

**Date:** Friday 16 June 2017

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**Present:**

David Lane (Independent Chair)	
Councillor Craig Collingswood (Vice-Chair)	City of Wolverhampton Council
Councillor Sucha Bains	Coventry City Council
Councillor Kerrie Carmichael	Sandwell Metropolitan Borough Council
Councillor Bob Copland	Nuneaton & Bedworth Borough Council
(Substitute for Councillor John Haynes)	
Councillor Rachel Harris	Dudley Metropolitan Borough Council
Tom Westley	Black Country Local Enterprise Partnership

**In Attendance:**

Paul Beckley	West Midlands Combined Authority
Nicola Coombe	Grant Thornton
Linda Downes	Nuneaton & Bedworth Borough Council
Peter Farrow	City of Wolverhampton Council
Linda Horne	West Midlands Combined Authority
Sandra Kaylin	City of Wolverhampton Council
Tim Martin	West Midlands Combined Authority
Grant Patterson	Grant Thornton
Councillor Jackie Taylor	Sandwell Metropolitan Borough Council

Please note that in accordance to the WMCA Constitution, this meeting was inquorate. However, the recommendations contained within the minutes were submitted to the WMCA Board on 21 July 2017 for formal approval and adoption.

**61/16 Apologies for Absence**

Apologies for absence were received from Councillor Keith Chambers, Councillor Tristan Chatfield, Sean Farnell, Councillor John Fisher, Councillor Maureen Freeman, Councillor John Haynes, Councillor Angela Sandison and Councillor Rob Sloan.

**62/16 Declarations of Interest**

David Lane declared an interest in respect of his recent co-option as a councillor on Rowington Parish Council in Warwickshire. Tom Westley declared an interest as a Director of the West Midlands Growth Company Ltd.

## **63/16 Chair's Remarks**

### **(a) Member Pre-Meetings**

The Chair explained that in future Audit, Risk & Assurance Committee meetings would be preceded by a pre-meeting to enable members of the committee to discuss the agenda, reports and any issues without officers present. He asked that all members make attendance at these a priority.

### **(b) Progress made on Cyber Security**

The Chair apologised that a report on cyber security had not been circulated in advance and that as an exception a presentation on the progress being made on cyber security would be made to this meeting because much of the work was continuing up to the day of the meeting. The Chair made it clear that the expectation would remain that written reports, circulated in advance would be the norm.

### **(c) Audit Findings and Annual Accounts - Late Reports**

The Chair enquired about the late circulation of the Audit Findings Report and Annual Accounts 2016/17 for the West Midlands Combined Authority. Councillor Craig Collingswood highlighted the importance of receiving reports in advance of the meeting to enable members to make an informed decision. The Head of Finance explained that on 19 May 2017, the Annual Accounts were emailed to all members of the committee to review and comment on prior to them being submitted to Audit, Risk & Assurance Committee on 16 June.

Due to the cycle of meetings and timescales, the accounts had been circulated electronically to all members of the committee for review and comments, and members were given approximately four weeks to review and comment on the accounts. A review of the cycle of meetings for 2017/18 had been undertaken to avoid the late circulation of these papers in future.

## **64/16 Minutes of the Last Meeting**

The minutes of the meeting held on 28 April 2017 were agreed and signed by the Chair as a correct record.

## **65/16 Matters Arising**

### **(a) Environment - Air Quality (minute no. 57/16 refers)**

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

Councillor Rachel Harris reported that at Dudley Metropolitan Borough Council's AGM she was not re-appointed as a cabinet member and therefore was unable to attend the Wellbeing Board to raise this issue of air quality.

### **(b) Health & Safety Issues and Whistleblowing**

The Head of Governance reported that there were no issues in respect of health & safety or whistleblowing to report.

## **66/16 The Scope and Responsibilities of Audit, Risk & Assurance Committee in Relation to Additional WMCA Bodies and Connected Companies**

The committee considered a report from the Head of Governance on the scope and responsibilities of Audit, Risk & Assurance Committee in relation to additional WMCA bodies and connected companies.

A question had been posed by the Chair concerning the scope of the committee in light of the number of arm's length and connected bodies to the West Midlands Combined Authority, such as the West Midlands Growth Company. The Head of Governance assured the committee that it would remain as the single audit, risk and assurance body for the West Midlands Combined Authority.

As the dormant companies identified within the report become active, the Chair would expect the Head of Governance to propose the role of Audit, Risk & Assurance Committee in a report to be approved by the committee. The Chair would be consulted on any proposals before Audit, Risk & Assurance Committee were asked to approve any proposal. Councillor Craig Collingswood welcomed clarification on the role of this committee and asked that the Chair was sensitive to the workload placed on its members needing to remain manageable. The Chair requested that the list of arm's length companies be presented to all future meetings of the committee and the document should also note the any other names that the companies were known as or referenced elsewhere.

In response to a question raised by the Chair with regard to pension liabilities, Grant Thornton explained that the City of Wolverhampton Council was the administrating authority for the West Midlands Pension Fund and the West Midlands Combined Authority was responsible for the ITA Pension Fund. The committee noted the process in which the accounts were approved and the role of Audit, Risk & Assurance Committee.

The Chair proposed that members of the committee should receive a summary on how pension accountability flowed.

It be recommended to the WMCA Board that:

- (1) The information within the report be noted and the creation of a number of additional boards, companies and structures that potentially added to the risk profile of the West Midlands Combined Authority be also noted.
- (2) Appropriate entries should be made to the audit plan and strategic risk assessments to reflect the varying nature of the exposure to risk that these developments posed, and that this position be under review.
- (3) A list of the arm's length or connected bodies to the West Midlands Combined Authority would be presented to all meetings of Audit, Risk & Assurance Committee as a standard item of business.

[Tom Westley declared an interest in this item as a Director of the West Midlands Growth Company Ltd]

**67/16 The West Midlands Combined Authority's bid for the Commonwealth Games 2022**

The committee received a verbal update from the Head of Governance on the bid to host the Commonwealth Games 2022 with an acknowledgement that some of the detail was commercially sensitive.

The bid was being led by Birmingham City Council and was supported by the West Midlands Combined Authority Board and other metropolitan authorities. An independent feasibility study was currently being undertaken which would look at the cost to fund the preparation of the bid and the wider benefits that could be achieved. A report on the developments in relation to the proposed bid would be presented to the West Midlands Combined Authority Board on 23 June 2017.

The Chair requested that a report on the role of the Audit, Risk & Assurance Committee with regard to the bid and the WMCA's funding for the Commonwealth Games 2022 was to be presented to the next meeting.

It be recommended to the WMCA Board that:

- (1) The verbal report be noted.
- (2) A report on the role and expectations of the Audit, Risk & Assurance Committee with regard to the bid and the WMCA's funding for the Commonwealth Games 2022 proposal be presented to the next meeting.

**68/16 Audit Findings for the West Midlands Combined Authority**

The committee considered a report from Grant Thornton on the key issues affecting the results of the West Midlands Combined Authority and the preparation of the Authority's financial statements for the year ended 31 March 2017.

With regard to the valuation of pension fund liability, Grant Thornton was still in the process of liaising with the actuary and hoped to be in a position to provide appropriate assurance in the near future. Grant Thornton agreed to circulate an updated page 12 of the Audit Findings report to all members of the committee following the conclusion of their work within this area.

The Chair requested assurance from the Head of Finance that as the metropolitan authorities had taken the benefit of the three year pension valuation liability decrease from the 2017/18 to 2019/20 transport levy, and that there was also agreement to increase the funding should there be an increase in the liability in future valuations. The Head of Finance stated that it was unlikely that such an explicit commitment would have been formally made, given the pressures on local authority finances. However, she undertook to give an update to the next meeting of the committee.

With regard to rights as a council elector in terms of inspecting the accounts, Grant Thornton agreed to forward a copy of the document that was produced by the National Audit Office to Councillor Jackie Taylor for her information.

As the draft letter of representation was not circulated with the agenda and reports, the letter was to be circulated to all members of the committee for review, comment and agreement by 20 June, and authority was to be delegated to the Chair to approve for onward consideration by the West Midlands Combined Authority Board.

It be recommended to the WMCA Board that the Draft Letter of Representation be agreed to be circulated separately to committee members for review, comment and agreement by 20 June 2017, and if content with the content, authority be delegated to the Chair to approve for onward consideration by the WMCA Board on 21 July 2017.

#### **69/16 Annual Accounts 2016/17 for West Midlands Combined Authority**

The committee considered a report from the Director of Finance on the Annual Accounts of the West Midlands Combined Authority for the financial year ended 31 March 2017. This had been circulated in draft form to members on 19 May 2017 and no comments had been received. It was agreed that in future when a final report was subsequently submitted for approval following the circulation of a draft that a facing sheet would be included in the final version identifying changes from the pre-circulated draft.

The Head of Finance noted that the audit had been completed without any issues and only minor presentational adjustments identified during the audit.

It be recommended to the WMCA Board that:

- (1) The contents of the Audit Findings report for the West Midlands Combined Authority, presented by Grant Thornton, be noted.
- (2) Grant Thornton's proposal to issue an unqualified audit opinion on the annual accounts be noted.
- (3) It was confirmed that all related party transactions had been included in note 34 in the financial report.
- (4) The financial report be presented to the WMCA Board for onward approval.
- (5) Subject to there being no further issues raised by Grant Thornton, the Mayor and the Director of Finance be authorised to sign the accounts on behalf of the West Midlands Combined Authority.

#### **70/16 Annual Internal Audit Report**

The committee considered a report of the Chief Audit Executive that provided the committee with an annual internal audit opinion on the adequacy and effectiveness of the Combined Authority's governance, risk management and internal control processes.

It was recognised that the timing of this submission was out of sync with the Annual Governance Statement which had been considered and approved at the 28 April 2017 meeting of Audit, Risk & Assurance Committee. It was agreed that in future years these reports would be considered together.

It be recommended to the WMCA Board that the report be noted.

## **71/16 Independent Audit Review of Assurance, Programme Management and Internal Audit**

The committee considered a report of the Corporate Assurance Manager on the proposal for an independent audit review of the end to end lifecycle for assurance, programme management, risk management and internal audit.

With regard to the selection process to appoint an independent auditor to undertake the governance review, the committee agreed that authority be delegated to the Chair and Councillor Craig Collingswood to meet with the appropriate officers concerning the selection process and terms of reference. It was agreed that a verbal update on the progress being made would be provided at the next meeting of the committee.

It be recommended to the WMCA Board that:

- (1) An independent audit of the full end to end lifecycle for assurance, programme management, risk management and internal audit be undertaken to verify sufficient controls and assurance arrangements were in place for the West Midlands Combined Authority.
- (2) The independent review should take place in early calendar 2018 to help inform any amendments that were required or recommended to the WMCA Assurance Framework. It should be noted that this Assurance Framework was reviewed and re-endorsed by the Department for Communities and Local Government on an annual basis.

## **72/16 Any Other Business**

### **(a) Environment - Air Quality**

The Chair requested a report from the Head of Governance on the Combined Authority's responsibility in respect of Air Quality.

## **73/16 Date of Next Meeting**

Friday 15 September 2017 at 10:00am

## **74/16 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.

## **75/16 Progress Made on Internal Audit - Review of Cyber Security**

The committee received a presentation from the Head of ICT on the progress made on the recommendations in the City of Wolverhampton Council's Internal Audit report dated 25 May 2016 regarding cyber security.

In the context of previous discussions regarding the progress reports on cyber security, the committee welcomed the presentation and were reassured on the progress now reported as being made. The committee discussed the identification of lead officers within the organisation and the recent security issues within the NHS.

It be recommended to the WMCA Board that a further report on cyber security be presented to the Audit, Risk & Assurance Committee on 17 November 2017.

[The meeting ended at 3.05pm]

**Chair**

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