

A meeting of the  
**WECA Audit Committee**

will be held on

**Date: Thursday, 8 November 2018**

**Time: 10.30 am**

**Place: Board Room, 3 Rivergate, Temple Quay, Bristol BS1 6ER**

Notice of this meeting is given to members of the West of England Audit Committee as follows

Cllr Geoff Gollop, Bristol City Council  
Cllr Will Sandry, Bath & North-East Somerset Council  
Cllr Brian Simmons, Bath & North-East Somerset Council  
Cllr Brenda Massey, Bristol City Council  
Cllr Claire Hiscott, Bristol City Council  
Cllr Donald Alexander, Bristol City Council  
Cllr Harriet Bradley, Bristol City Council  
Cllr Charlie Bolton, Bristol City Council  
Cllr John Ashe, South Gloucestershire Council  
Cllr John O'Neill, South Gloucestershire Council  
Cllr Roger Avenin, South Gloucestershire Council

**Enquiries to:**

West of England Combined Authority Office  
3 Rivergate  
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# West of England Combined Authority Committee Agenda

## YOU HAVE THE RIGHT TO:-

- Attend all WECA, Committee and Sub-Committee meetings unless the business to be dealt with would disclose 'confidential' or 'exempt' information.
- Inspect agendas and public reports five days before the date of the meeting
- Inspect agendas, reports and minutes of the WECA and all WECA Committees and Sub-Committees for up to six years following a meeting.
- Inspect background papers used to prepare public reports for a period public reports for a period of up to four years from the date of the meeting. (A list of background papers to a report is given at the end of each report.) A background paper is a document on which the officer has relied in writing the report.
- Have access to the public register of names, addresses and wards of all Councillors sitting on WECA, Committees and Sub-Committees with details of the membership of all Committees and Sub-Committees.
- Have a reasonable number of copies of agendas and reports (relating to items to be considered in public) made available to the public attending meetings of WECA, Committees and Sub-Committees
- Have access to a list setting out the decisions making powers the WECA has delegated to their officers and the title of those officers.
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Please phone 0117 42 86210

## Guidance for press and public attending this meeting

The Openness of Local Government Bodies Regulations 2014 mean that any member of the public or press attending this meeting may take photographs, film or audio record proceedings and may report on the meeting including by use of social media (oral commentary is not permitted during the meeting as it would be disruptive). This will apply to the whole of the meeting except where there are confidential or exempt items, which may need to be considered in the absence of the press or public.

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Where recorded, an archived recording of the proceedings will also be available for viewing after the meeting. The Combined Authority may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

To comply with the Data Protection Act 2018, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator.

## 1. EVACUATION PROCEDURE

In the event of a fire, please await direction from the West of England Combined Authority staff who will help assist with the evacuation. Please do not return to the building until instructed to do so by the fire warden(s).

## 2. APOLOGIES FOR ABSENCE

To receive any apologies for absence from Members.

## 3. DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011

Members who consider that they have an interest to declare are asked to: a) state the agenda item in which they have an interest; b) the nature of the interest; c) whether the interest is a disclosable pecuniary interest, non-disclosable pecuniary interest or non-pecuniary interest. Any Member who is unsure about the above should seek advice from the Monitoring Officer prior to the meeting in order to expedite matters at the meeting itself.

## 4. MINUTES OF PREVIOUS MEETING

5 - 8

To approve the minutes of the meeting of the West of England Combined Authority Audit Committee held on 12 July 2018.

## 5. SUBMISSIONS FROM THE PUBLIC (PETITIONS; STATEMENTS; QUESTIONS)

If you wish to present a petition or make a statement, you are required to submit this by 12 noon on the working day before the meeting by e-mail to [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk). For this meeting, this means that your submission must be received in this office by **12 noon on Wednesday 7 November 2018**.

If you wish to ask a question at the meeting, you are required to submit the question in writing to [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk) no later than 3 working days before the meeting. For this meeting, this means that your question(s) must be received in this office by the end of **Friday 2 November 2018**.

In presenting any statements at the meeting, members of the public can speak for up to 3 minutes each. The total time for this session is 30 minutes so speaking time will be reduced if more than 10 people wish to speak. All statements will be circulated in advance of the meeting to the committee members.

## 6. INTERNAL AUDIT UPDATE

9 - 24

To update the committee on Internal Audit work.

## 7. EXTERNAL AUDIT - ANNUAL AUDIT LETTER FOR YEAR ENDING 31 MARCH 2018

25 - 38

To consider the External Auditor's Annual Audit Letter for the year ending 31 March 2018.

## 8. EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE 2018-19

39 - 52

To consider the External Auditor's progress report and sector update.

## 9. WECA RISK MANAGEMENT FRAMEWORK

53 - 64

To provide a draft risk management framework for the West of England Combined Authority and to seek comments from members prior to finalisation of the framework.

## **10. WECA MONITORING AND EVALUATION FRAMEWORK**

65 - 78

To provide an updated Monitoring and Evaluation Framework for the West of England Combined Authority and to seek members' comments.

**Next meeting: Thursday, 24 January 2019**

## **MINUTES**

### **WEST OF ENGLAND COMBINED AUTHORITY:**

### **AUDIT COMMITTEE**

**12<sup>th</sup> July 2018**

#### **Committee Members:**

Cllr Will Sandry, Bath & North-East Somerset Council (Vice Chair)

Cllr Brian Simmons, Bath & North-East Somerset Council

Cllr Donald Alexander, Bristol City Council

Cllr Harriet Bradley, Bristol City Council

Cllr Brenda Massey, Bristol City Council

Cllr Liz Radford, Bristol City Council

Cllr Charlie Bolton, Bristol City Council

Cllr John O'Neill, South Gloucestershire Council

Cllr John Ashe, South Gloucestershire Council

#### **Officers:**

Patricia Greer, Chief Executive

Mark Angus, Financial Services Manager

Tim Richens, Director of Corporate Services

Barrie Morris, Auditor from Grant Thornton

	<p><b>WELCOME AND EVACUATION PROCEDURE</b> The Chair welcomed everyone to the meeting and advice was given on the fire evacuation procedure.</p>
1	<p><b>APOLOGIES FOR ABSENCE</b> Apologies were noted from Cllrs Roger Avenin, Claire Hiscott, Geoffrey Gollop and Jerome Thomas.</p> <p>Cllr Charlie Bolton attended as a substitute for Cllr Jerome Thomas and this will now be permanent. Cllr Liz Radford attended as a substitute for Cllr Claire Hiscott.</p>
2	<p><b>DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011</b> There were no declarations of interest.</p>
3	<p><b>MINUTES</b> The Committee considered the minutes from the meeting of 26 June 2018. <b>The Minutes were accepted as an accurate record of the meeting.</b></p>
4	<p><b>CHAIR'S ANNOUNCEMENTS</b> There were no announcements.</p>
5	<p><b>ITEMS FROM THE PUBLIC</b> No public questions or statements had been received.</p>
6	<p><b>PETITIONS</b> There were no petitions.</p>
7	<p><b>UPDATE FROM THE WEST OF ENGLAND COMBINED AUTHORITY CHIEF EXECUTIVE</b> Patricia Greer (PG) presented on the governance of the West of England Combined Authority.</p> <p>PG described how the LEP board feeds into, advises and informs decisions on West of England Combined Authority boards. WECA has a Single Pot Assurance Framework which covers governance and decision making, value for money, transparency and accountability. Funding comes in a number of forms including business rate retention £10m, Future Bright £4m, 5G project £5m, Housing &amp; Infrastructure £250m etc. PG pointed out that WECA needs to be increasingly flexible to be able to bid when projects arise.</p> <p>The committee members raised the following questions which were addressed by officers as follows:</p> <ul style="list-style-type: none"> <li>• Cllr Harriet Bradley queried what the process was for funds. PG responded that CEO and Tim Richens are accountable for requests/bids that come in to or made by West of England Combined Authority. WECA work closely with the local authorities and the relevant WECA programme manager has oversight. Cllr Harriet Bradley then asked where funds go? PG replied that it is based project by project. WECA meet at director level to discuss and decide where the funds would be best placed.</li> <li>• Cllr Donald Alexander queried how WECA communicate to the public on what is going on? PG responded that WECA makes use of its website to update and publicise, press</li> </ul>

releases, and social media. Cllr Harriet Bradley queried the vocabulary WECA use to communicate with the public. PG responded that we need to be clear enough (devolution jargon) for the 'person on the street' to understand..

- Cllr Charlie Bolton asked if there are measures for clean and inclusive growth? PG responded that the basis of infrastructure for WECA is clean and inclusive. It needs to underpin everything we do.
- Cllr Harriet Bradley queried words in the governance statement; the terms consultation and stakeholders. Who are the stakeholders? PG replied that consultations are meaningful discussions and meetings. Stakeholders are everyone in the region, however the effects are wider reaching.
- Cllr Will Sandry asked about the pressure on local government with constant cuts. PG responded that we have different pots of money, agility and resource. WECA have bid managers and bid writers. We have a small core team flexing up and down. Staffing is tight and we are ensuring we are using them in the right way. This is under constant review. Senior management team meet weekly and attend performance management meetings.

**Action: Update was noted with thanks to PG**

8

#### **STATUTORY ACCOUNTS**

Tim Richens (TR) thanked MA, Price Waterhouse Cooper and external auditors Grant Thornton. This was WECA's first time working with PWC to produce the Statutory Accounts. TR gave a brief overview of the accounts and then opened up for questions, queries and addendums.

- Cllr Charlie Bolton enquired if WECA must produce an Annual Governance Statement? TR responded yes, we do, as it is a statutory requirement and is included in the Statutory Accounts. On 27<sup>th</sup> July it will also go to WECA Committee for information.
- Cllr Harriet Bradley queried the narrative of the report saying that it is too technical and the balances were lower than expected. TR responded that WECA was set up with no balances. WECA is underwritten by constituent councils and the level of balances required under constant review. It doesn't need large reserves. We will need to consider what further work can be done on the accounts and associated reports to help them be clearer.
- Cllr Harriet Bradley questioned the pension situation and pension fund. TR replied the pension is through Avon Pension Fund and all staff have their pensions guaranteed through this. MA said on staff transfer date 01/05/2017 actuary analysed and calculated £0 deficit. Actuaries are limited in the way that they can calculate deficits. The accounts used a valuation method based on corporate investment bond yields which have a £1.7 million valuation difference from last year.

**Action: Accounts unanimously accepted.**

<p>9</p>	<p><b>REPORT FROM EXTERNAL AUDITOR</b></p> <p>Barrie Morris (BM) from Grant Thornton presented the External Auditor report. This report takes a stance based on the evolution of the organisation. It also recognises whether we are where we should expect to be, whether funding is value for money and whether it covers the areas that we would expect.</p> <p>The committee were advised that if they wished to go into more depth the electronic copies of the documents are contained in further links. BM presented the two audit reports.</p> <p>BM reported that both reports give a true and fair audit opinion view. Nothing unexpected came out of the audit and the organisation is giving value for money. The authority did the best it could during the first part of its life. Some audit adjustments were required due to misclassified income and expenditure. The Audit opinion is Unqualified which is good. The birth of a new organisation is unusual and going forwards there will be a need to establish if the organisation is evolving too fast or slow. Risk management – medium.</p> <p>Cllr Harriet Bradley – Asked about the process for the identified action and what is the timeframe?</p> <p>BM replied that management had accepted the recommended actions and provided a full management response in the report.</p> <p>Cllr Charlie Bolton asked if there would be an action plan or progress reports? TR agreed this would be given and have been included in actions.</p> <p><b>Action: Appendix 3 &amp; 4; Grant Thornton letters agreed and will be ratified and signed. The Committee agreed for 6 monthly updates to be given on the Management Actions.</b></p>
<p>10</p>	<p><b>OUTTURN TREASURY MANAGEMENT REPORTING</b></p> <p>TR presented the report and appendices. The approach is more familiar as we received training and become more familiar with the presentation and how Treasury reporting is dealt with. The appendices show how the treasury funds are broken down and held. TR then opened up for questions, but there were none.</p>
<p>11</p>	<p><b>ANY OTHER BUSINESS</b></p> <p>The next Audit Committee Meeting is currently planned to be held on 4<sup>th</sup> October 2018. <b>(Subsequently to be rearranged so that the new Director of Investment and Corporate Services can attend).</b></p> <p>TR announced that he will be leaving WECA within the next few months to return to his work in Bath.</p> <p>Cllr Will Sandry thanked TR for his efforts regarding the Audit Committee.</p>



## ITEM: 6

### REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY AUDIT COMMITTEE

DATE: 8<sup>th</sup> NOVEMBER 2018

REPORT TITLE: INTERNAL AUDIT UPDATE

AUTHOR: JEFF WRING – AUDIT WEST (INTERNAL AUDIT)

#### Purpose of Report

1. To update the Committee on Internal Audit work in 2018/19.

#### Issues for Consideration

2. To note the areas under review and progress against the plan. These are in the context of WECA being a relatively new organisation and the assurances it requires from its audit function on its core systems and governance framework.
3. To ensure that the Audit Committee can rely on the independent assurance given by its Internal Auditor's.

#### Report Narrative / Main Content

- 4.1 The Committee was presented with the proposed Audit Plan at its meeting in April 2018 (Appendix 1). This approach involved a mixture of formal audit work along with an assessment of the internal control framework to inform the plan for future years using our reasonable assurance model.
- 4.2 The table in section 4.5 summarises the status of work as either complete, planned or work in progress and currently there are no areas or issues of concern to raise with the Committee.
- 4.3 As this is the second year of the organisation and there are still limited transactions to examine it is important that there is flexibility in our approach so work will involve a mixture of risk based audit reviews, key controls testing and compliance reviews.
- 4.4 At the next Committee in we will update the Committee as we did last year on the work undertaken on the eight themes in our 'Reasonable Assurance Model' an outline of which you can see in our Audit Plan document (Appendix 1).

4.5 **Summary of Audit Work & Status – 2018/19**

<b>Area Under Review</b>	<b>Status</b>
Adult Education	Planned Q4
Future Bright	Draft Report Stage
Risk Management	WIP - Scoping
Control A/C Reconciliation	WIP – Scoping
Bank A/C Reconciliation	WIP – Scoping
Counter Fraud Arrangements	Planned Q4
WOE/LEP Local Growth Fund	Draft Report Stage
Annual Governance Review	Planned Q4
Follow-Up – Treasury Management	Planned Q4
Follow-Up – IBB Procurement	WIP
Follow-Up – Local Growth Fund	Complete – 100% Implementation
Follow-Up – Accounts Payable	WIP
Follow-Up – Accounts Receivable	WIP
Follow-Up – Payroll	WIP
Reasonable Assurance Model – Corporate Governance	WIP – Assessment Underway
Reasonable Assurance Model – Financial Management	WIP – Assessment Underway
Reasonable Assurance Model – Risk Management	WIP – Assessment Underway
Reasonable Assurance Model – Performance Management	WIP – Assessment Underway
Reasonable Assurance Model – Procurement	WIP – Assessment Underway
Reasonable Assurance Model – Programme & Project Management	WIP – Assessment Underway
Reasonable Assurance Model – Information Management	WIP – Assessment Underway
Reasonable Assurance Model – Asset Management	WIP – Assessment Underway

- 4.7 The Plan will continue to remain fluid to the end of the year to enable the service to respond to WECA's changing risk environment and the Committee will continue to receive updates through its normal meeting cycle.

**Consultation:**

5. Report and work undertaken is consulted with the Interim Director of Corporate Services.

**Public Sector Equality Duties:**

6. No direct implications

**Economic Impact Assessment:**

7. No direct implications.

**Finance Implications:**

8. No direct implications, cost of service within existing budgets

**Legal Implications:**

- 9 No direct implications

**Land/Property Implications;**

- 10 No direct implications.

**Human Resources Implications:**

- 11 No direct implications

**Recommendation:**

- 12 To note the report.

**Report Author:**

**West of England Combined Authority Contact: Malcolm Coe – Director of Investment & Corporate Services**

**West of England Combined Authority Contact:**

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

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# Appendix 1 – Internal Audit Plan 2018/19

Delivering Independent Assurance to the Public Sector

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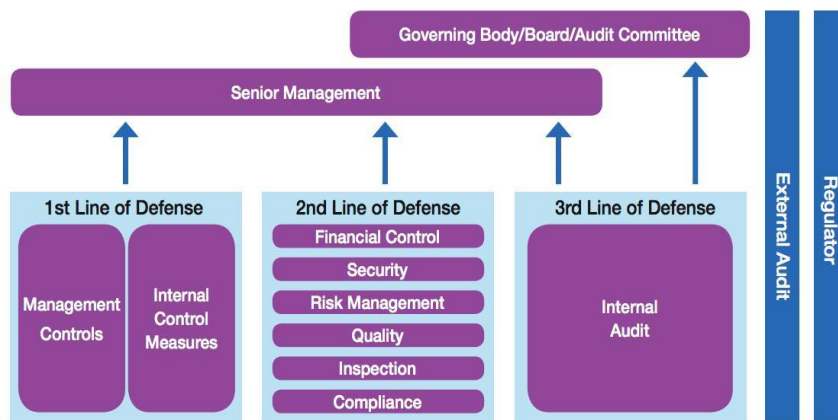
# 1. Our Role

## Introduction

The West of England Combined Authority is striving to be a beacon of growth and innovation where everyone has an opportunity to reach their potential and where prosperity delivers for everybody. The Authority has also recognised through its first year the importance of excellence in resource management and sound governance as fundamental to achieving its priorities and is putting those key building blocks in place.

Audit West fully recognizes its need to be flexible and agile in the face of the significant changes affecting the whole of the public sector and meet the needs of its stakeholders. Independent assurance which is strong but supportive can provide a helpful and positive role not just to services but to elected Members and the Community at large by demonstrating that the Authority is operating effectively and protecting its assets and resources for the benefit of all its stakeholders.

## Three Lines of Defence Model



By being independent of management Audit West maintain the third line of defence and we continue to do this effectively by working with all our stakeholders - especially the Audit Committee, Statutory Officers and Senior Management – to improve the service we offer but also to provide an independent voice in supporting service change and transformation.

We also aim to offer continued value to all our clients based on the following key priorities –

- **Use of our Reasonable Assurance Model**
- **Maximising Use of Technology**
- **Investment in Skills**
- **Offering complimentary assurance services**
- **Providing Value for Money**

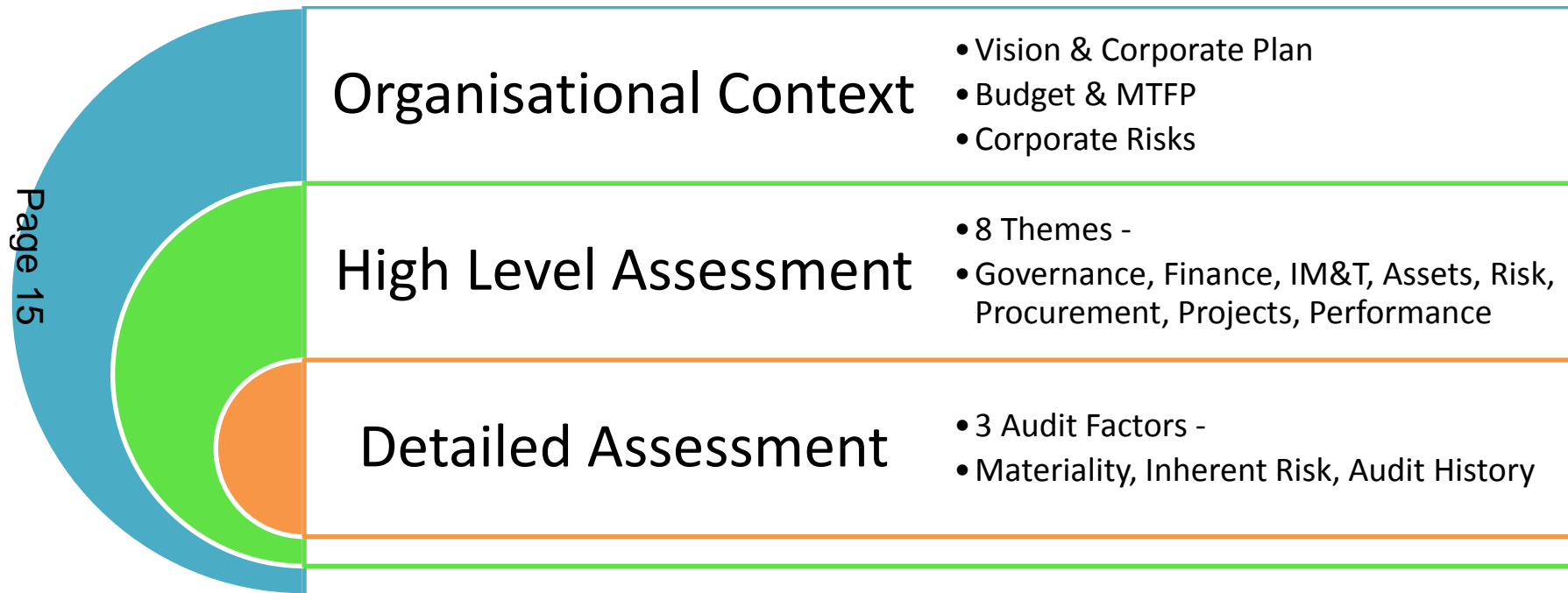
The remainder of this document outlines our approach and also the indicative areas for our audit and assurance plan for 2018/19.



## 2. Reasonable Assurance Model – Producing the Audit Plan

The model is based on the fundamental requirement that the audit plan proposed will deliver sufficient work to enable the Head of Audit to independently assess the internal control framework and give a reasonable assurance opinion at the end of each year.

This involves considering current context of the Authority, what a 'healthy organisation' requires to operate effectively and then assessing independently against this in a staged process as follows –

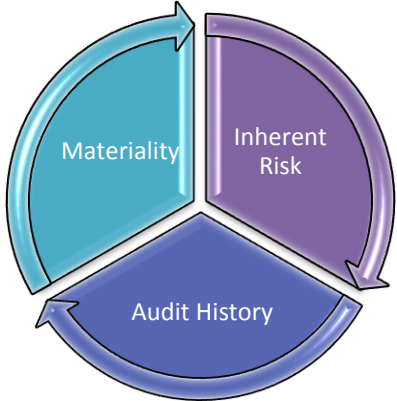


**HIGH LEVEL ASSESSMENT AREAS – REASONABLE ASSURANCE**

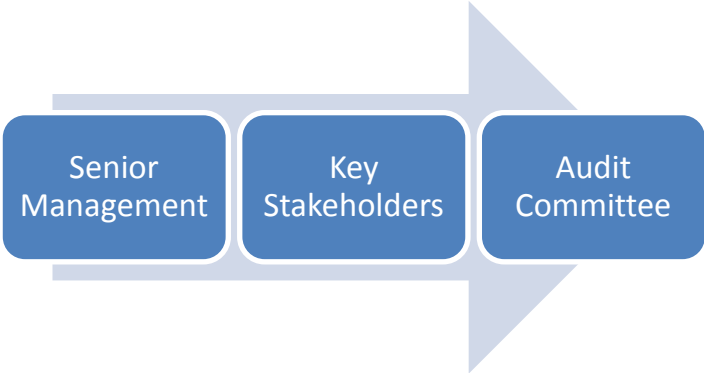


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**DETAILED CRITERIA – AUDIT PLAN LISTING**



**CONSULTATION & APPROVAL**





Results of our Reasonable Assurance Model Risk Assessment –

<b>LEVEL OF RISK</b>	HIGH					
		CORPORATE GOVERNANCE	FINANCIAL MANAGEMENT			
		PROGRAMME & PROJECT MANAGEMENT		PERFORMANCE MANAGEMENT	RISK MANAGEMENT	
			INFORMATION MANAGEMENT	PROCUREMENT		
	LOW				ASSET MANAGEMENT	
		HIGH	<b>LEVEL OF ASSURANCE</b>			LOW

### 3 Areas for Review – 2018/19

Internal Audit Areas	Reasonable Assurance Theme
<b>Core Systems</b>	
Accounting Ledger – Control A/C Reconciliation	Financial Management
Bank Account Reconciliation	Financial Management
<b>Financial Management</b>	
Risk Management	Risk Management
Counter Fraud Arrangements	Risk Management
<b>Corporate Governance</b>	
Annual Governance Review (AGS)	Corporate Governance
Reasonable Assurance Model – Corporate Governance	Corporate Governance
Reasonable Assurance Model – Financial Management	Financial Management
Reasonable Assurance Model – Performance Management	Performance Management
Reasonable Assurance Model – Risk Management	Risk Management
Reasonable Assurance Model – Programme & Project Management	Programme & Project Management
Reasonable Assurance Model – Procurement	Procurement
Reasonable Assurance Model – Information Management	Information Management & Technology
Reasonable Assurance Model – Asset Management	Asset Management
<b>Accountable Body Functions</b>	
Adult Education	Risk & Performance Management
Future Bright	Risk & Performance Management
<b>WOE Office (Accountable Body Status)</b>	
Grant Funding (i.e. Local Growth Fund)	Financial Management
<b>Follow-Up Reviews</b>	Corporate Governance

## 4 Methodology, Approach & Standards

### Introduction:

Internal Audit is an assurance function that provides an independent and objective opinion to the Authority on its control environment. Scope of Internal Audit activity is not limited to the Authority's financial systems and records, but extends to all its functions.

Internal Audit is required to compile each year a Plan of its intended activity for approval by the Audit Committee and to be compliant with the Public Sector Internal Audit Standards and designs its methodologies to ensure it meets these standards.

### Independence:

A critical element of the performance of Internal Audit is independence from the activities audited. This enables the function to form impartial and effective judgment for the opinions and recommendations made.

To help ensure independence, Internal Audit is delivered through a contractual arrangement with Bath & North East Somerset Council and so is not fettered by any management reporting line restrictions. It also has unrestricted access to Senior Management & Members, particularly, the Mayor, Chair of the Audit Committee, the Chief Executive, Directors, the Council's s151 Officer and Monitoring Officer. Additionally, the Head of Audit West reports in his own name and acts as Chief Audit Executive for the Combined Authority.

### Relationship with the Authority's External Auditor:

As part of their audit of the financial statements, the external auditor has a dedicated plan from which they carry out specific reviews of the Authority's activities. The External Auditors carry out their own risk assessment methodology to assist in agreeing their work plan.

The working relationship between Internal Audit and the External Auditors carrying out their respective functions is important and must take account of their differing roles. The External Auditor has a statutory responsibility to express an opinion on the financial statements, whilst the Internal Audit function is responsible for assessing the adequacy and effectiveness of the internal controls and advising Management accordingly.

The External Auditors whilst not formally required to seek reliance on the work of Internal Audit take into account the outcomes of all audit activity and consider their approach and plans to maximise their effectiveness and there is therefore regular contact between them.

### Performance Management

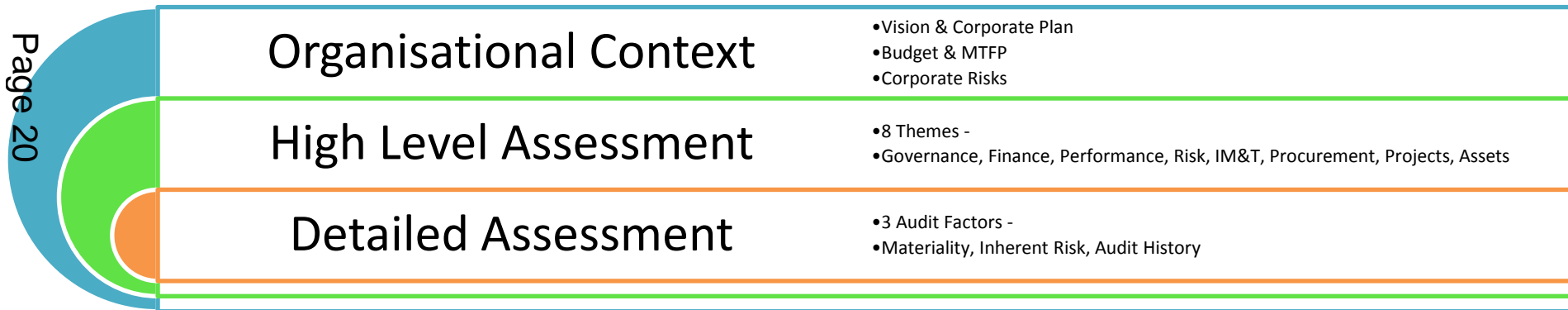
The function recognises the importance of regular and effective performance management to ensure an effective service is being operated. A performance dashboard is produced and reported as necessary to each of the key stakeholders.

Performance Indicators and Measures are set in the following areas –

Completion of the Plan  
Audit Recommendations Implemented  
Assurance Levels Provided  
Productivity  
Customer Satisfaction  
Numbers of Investigations  
Unplanned Work

### Preparation of the Annual Plan: Reasonable Assurance Model

Internal Audit has adopted a risk based approach in determining its Annual Plan using the reasonable assurance model.



### Unplanned Work

The plan also allows for a contingency for any unplanned work. Unplanned work consists of the investigation of irregularities and prioritised ‘consultancy’ work. If this contingency number of days is fully utilised and further unplanned work is required it is the intention that planned audit reviews, with the lowest risk rating, will be replaced by the unplanned work activity.

In view of the ever changing environment in which Local Government exists the Plan will be reconsidered at regular intervals to confirm that the remaining work planned is still appropriate. This process will be carried out in consultation with Senior Management and in particular the S151 Officer who acts as the principal client for the function.

## **Methodology:**

### **Individual Audit Reviews:**

At the commencement of each Audit Review, an Audit Brief (**Annex A**) will be prepared and issued to the relevant Head of Service/Director and responsible Manager. This Brief will identify the objectives of the review and areas to be covered.

At the conclusion of each review, an end of review meeting will be held with the Client to discuss the matters arising. Following the conclusion of the audit review work a 'draft' audit report will be issued to Management. The report will provide a graded 'Assurance Level' (see ANNEX B); a summary of identified strengths & weaknesses; and a detailed action plan recording weaknesses & recommendations.

The nominated responsible Manager is required to respond to the audit findings and recommendations and prepare an action implementation plan recording responsible officers and timescale for implementation. The management comments and implementation plan are compiled into a 'final' version of the report. The relevant Director, Chief Executive and the Audit Committee will be informed of the outcome of any work which receives a level 1 rating.

### **Audit Review 'Follow-Ups':**

Internal Audit recommendations are subject to "follow-up" to ensure actions are implemented within the agreed timescales. The process is dependent on the risk classification and for all 'High' risk recommendations Internal Audit will carry out testing to confirm implementation and report its back to the Client. Where an area has a level 1 rating this may be reported to the Audit Committee.

### **Investigation of Fraud & Corruption:**

Senior Management have the primary responsibility for the prevention and detection of fraud and other financial irregularities. Internal Audit will however ensure it provides a lead in supporting management in this area, including design of appropriate strategies, policies and levels of control and will be alert in all their work to the possibility of theft, fraud, corruption and bribery.

### **Professional Standards**

All Internal Audit functions are required to comply the professional standards set out by the Chartered Institute of Internal Auditors and endorsed by CIPFA. Evidence of this compliance is through a formal external assessment every 5 years and annual self-assessments.

Audit West received a formal external self-assessment in March 2018 and it was confirmed that it was confirming with the standards. Updates will be provided to the Audit Committee of areas for improvement on an annual basis.

AUDIT BRIEF

<ul style="list-style-type: none"> <li>• <b>Title</b></li> </ul>	<p>{Title}</p>	
<ul style="list-style-type: none"> <li>• <b>Purpose of Review</b></li> </ul>	<p>To review the risks and internal controls related to the scope of the audit (detailed below) and provide management with an opinion on the adequacy of the framework of internal control.</p>	
<ul style="list-style-type: none"> <li>• <b>Scope of Review</b></li> </ul>	<p>The audit will review the following key risks/control objectives:</p> <ul style="list-style-type: none"> <li>• Ensure.....</li> <li>• Ensure.....</li> <li>• Ensure.....</li> </ul>	
<ul style="list-style-type: none"> <li>• <b>Key Stages of Review Process</b></li> </ul> <p>Page 22</p>	<pre> graph TD     A((Agree Brief with Client)) --&gt; B((Compile &amp; Issue Draft Report))     B --&gt; C((Agree Opinion &amp; Final Report with Client))     C --&gt; D((Implement &amp; Follow-up))     D --&gt; E((Discuss Summary Findings with Client))     E --&gt; F((Testing &amp; Field Work))     F --&gt; A     </pre>	
<ul style="list-style-type: none"> <li>• <b>Timeframe</b></li> </ul>	<p><b>Fieldwork Starts:</b> {Date}</p>	<p><b>Draft Report:</b> {Date}</p>
<ul style="list-style-type: none"> <li>• <b>Key Contacts</b></li> </ul>	<p><b>Lead Auditor:</b> {Name}</p>	<p><b>Lead Client:</b> {Name}</p>
<ul style="list-style-type: none"> <li>• <b>Service Charter &amp; Professional Standards</b></li> </ul>	<p>Our customer service charter outlines what you can expect from us and what in turn we need from you to complete this audit.</p> <p>All audit work is reported to and monitored by the Audit Committee. All audit work complies with Public Sector Internal Audit Standards.</p>	

## AUDIT OPINIONS

### ***Assurance Level 5 (Excellent)***

The systems of internal control are excellent with a number of strengths and reasonable assurance can be provided over all the areas detailed in the Assurance Summary.

### • ***Assurance Level 4 (Good)***

The systems of internal control are good and reasonable assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary.

### • ***Assurance Level 3 – (Satisfactory)***

The systems of internal control are satisfactory and reasonable assurance can be provided. However, there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan.

### • ***Assurance Level 2 – (Weak)***

The systems of internal control are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce risk exposure.

### • ***Assurance Level 1 – (Poor)***

The systems of internal control are poor and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee.

## CONTACT DETAILS

<b>Engagement Lead –</b>	Jeff Wring 01225 477323 <a href="mailto:jeff_wring@bathnes.gov.uk">jeff_wring@bathnes.gov.uk</a>
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## ITEM: 7

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY AUDIT COMMITTEE**

**DATE: 8 November 2018**

**REPORT TITLE: EXTERNAL AUDIT ANNUAL AUDIT LETTER YEAR ENDING 31 MARCH 2018**

**AUTHOR: MALCOLM COE – DIRECTOR OF INVESTMENT AND CORPORATE SERVICES (S151 OFFICER)**

### **Purpose of Report**

- 1 To consider the External Auditor's Annual Audit Letter for the year ending 31 March 2018 attached to this cover report.

### **Issues for Consideration**

- 2 The External Auditor provided the detailed findings from their audit work carried out at the West of England Combined Authority for the year ended 31 March 2018 in their Audit Findings Report, presented to the Audit Committee on 12 July 2018.
  - 2.1 The Annual Audit Letter at Appendix 1 summarises the key findings arising from this work and is intended to provide a commentary on the results of their work to the Authority and external stakeholders and to highlight issues they wish to draw to the attention of the public.
  - 2.2 The Annual Audit Letter was published on the Authority's website in August 2018 and contains the key findings from the Audit Opinion on the Financial Statements for the year ending 31 March 2018 and the Value for Money conclusion. The External Auditor can provide a fuller verbal briefing at the meeting.

### **Consultation:**

- 3 Consultation has been carried out with the appointed internal audit provider (Audit West).

### **Public Sector Equality Duties:**

- 4 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
  - Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
  - Advance equality of opportunity between people who share a protected characteristic and those who do not.

- Foster good relations between people who share a protected characteristic and those who do not.

- 4.1 The Act explains that having due regard for advancing equality involves:
- Removing or minimizing disadvantages suffered by people due to their protected characteristics.
  - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
  - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 4.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
- 4.3 There are no direct implications arising from this report.

**Finance Implications:**

- 5 The External Audit Plan supports the statutory audit requirements for the Annual Accounts and the fee for this work is agreed by Public Sector Auditor Appointments Ltd. The financial implications of the Audit Fee are already contained within existing corporate budgets.

**Legal Implications:**

- 6 The work that the External Auditors carry out on the 2018/19 accounts is completed based on the requirements set out in the Local Audit and Accountability Act 2014 and under the Code of Audit Practice published by the National Audit Office.

Advice given by: Shahzia Daya – Director of Legal Services

**Human Resources Implications:**

- 7 There are no direct implications arising from this report.

Advice given by: Alex Holly – Head of Human Resources

**Recommendation:**

- 8 The Audit Committee is asked to note the Annual Audit Letter and updates provided by the External Auditor.**

**Report Author: Malcom Coe – Director of Investment and Corporate Services**

**West of England Combined Authority Contact:**

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

# Annual Audit Letter

*Year ending 31 March 2018*

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West of England Combined Authority

7 August 2018

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# Contents



Your key Grant Thornton  
team members are:

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## Section

1. Executive Summary
2. Audit of the Accounts
3. Value for Money conclusion

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## Appendices

- A Reports issued and fees

# Executive Summary

### Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at West of England Combined Authority (the Authority) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the Authority and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Authority's Audit Committee as those charged with governance in our Audit Findings Report on 12 July 2018.

### Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Authority's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Authority's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

### Our work

<b>Materiality</b>	We determined materiality for the audit of the Authority's financial statements to be £429,000 which is 1% of the Authority's gross revenue expenditure.
<b>Financial Statements opinion</b>	We gave an unqualified opinion on the Authority's financial statements on 13 July 2018.
<b>Whole of Government Accounts (WGA)</b>	We completed work on the Council's consolidation return following guidance issued by the NAO.
<b>Use of statutory powers</b>	We did not identify any matters which required us to exercise our additional statutory powers.
<b>Value for Money arrangements</b>	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 13 July 2018.
<b>Certificate</b>	We certify that we have completed the audit of the accounts of West of England Combined Authority in accordance with the requirements of the Code of Audit Practice.

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# Executive Summary

## **Working with the Council**

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered an efficient audit with you in July, delivering the accounts 18 days before the deadline, releasing your finance team for other work.
- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

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**Grant Thornton UK LLP**  
**August 2018**

# Audit of the Accounts

## Our audit approach

### Materiality

In our audit of the Authority's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Authority's accounts to be £429,000, which is 1% of the Authority's gross revenue expenditure. We used this benchmark as, in our view, users of the Authority's financial statements are most interested in where the Authority has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration. Due to public sensitivity we chose a level of £10,000 which is the equivalent of two bands within the remuneration note.

We set a lower threshold of £21,450, above which we reported errors to the Audit Committee in our Audit Findings Report.

### The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check they are consistent with our understanding of the Authority and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the Accounts

## Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of pension fund net liability</b> Following the transfer of staff to the Authority on the 1 May 2018 on a 'fully funded basis' the draft accounts included a larger than expected net pension liability of £1.7m.</p> <p>The Combined Authority's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risks of material misstatement.</li> <li>reviewed the competence, expertise and objectivity of the actuary who carried out the Combined Authority's pension fund valuation.</li> <li>gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.</li> <li>Obtained assurance from the auditor of Avon Pension Fund on the controls in place over the accuracy of information provided to the actuary.</li> </ul>	<p>The accounting entry for the effect of the 'business combination' (transfer of staff) was not disclosed correctly within 'other comprehensive income and expenditure or within the movement in reserves statement. This was corrected in the final version of the financial statements.</p> <p>The financial statement were amended to include employer pension contributions in relation to LEP and Invest in Bath and Bristol employees within the comprehensive income and expenditure account matched by grant funding.</p>
<p><b>Management override of internal controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Combined Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We identified management override of controls as a risk requiring special audit consideration.</p>	<p>As part of our audit work we;</p> <ul style="list-style-type: none"> <li>reviewed accounting estimates, judgements applied and decisions made by management and considered their reasonableness</li> <li>obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness</li> <li>reviewed unusual significant transactions.</li> </ul>	<p>Our audit work has not identified any issues in respect of management override of controls. In particular the findings of our review of journal controls and testing of journals entries has not identified any significant issues.</p>



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# Audit of the Accounts

## **Audit opinion**

We gave an unqualified opinion on the Authority's financial statements on 13 July 2018, in advance of the national deadline.

## **Preparation of the accounts**

The Authority presented us with draft accounts in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

## **Issues arising from the audit of the accounts**

We reported the key issues from our audit to the Authority's Audit Committee on 12 July 2018. We identified one adjustment to the financial statements that resulted in no net change in your Statement of Comprehensive Income and Expenditure and a number of disclosure and misclassification amendments.

## **Annual Governance Statement and Narrative Report**

We are required to review the Authority's Annual Governance Statement and Narrative Report. It published them on its website in the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Authority and with our knowledge of the Authority.

## **Other statutory powers**

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts. We have not exercised any of our additional statutory powers or duties.

## **Certificate of closure of the audit**

We are also required to certify that we have completed the audit of the accounts of West of England Combined Authority in accordance with the requirements of the Code of Audit Practice.

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# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

## Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Council in July 2018, we agreed recommendations to address our findings:

- A more detailed medium term financial plan should be developed based on current knowledge and existing funding streams – with potential future scheme and funding separately identified once funding streams and responsibilities are agreed.
- The risk management framework should become embedded across the Authority.
- The performance management framework should ensure that all objectives have measurable metrics, either based on inputs, outputs or outcomes, against which the Authority can measure its impact and effectiveness and be accountable to stakeholders and tax payers.

## Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

# Value for Money conclusion

## Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Medium Term Financial Plan (MTFP)</b>            A MTFP for the period 2018/19 –2020/21 is currently being developed by officers. There is a risk that it may not be based on robust assumptions and will therefore not support the delivery of strategic priorities or may not be sufficiently clear to be able to inform decision makers or facilitate effective monitoring.</p>	<p>As part of our work we have:            Reviewed the MTFP to assess the clarity of information provided and the factors used to inform the assumptions that underpin the strategy.</p>	<p>We recognise that the WECA is a new and evolving organisation meaning there are a number of emerging factors which will have an impact on it's financial sustainability and medium term financial plan. Because of this a narrative MTFP was presented to the West of England Combined Authority Committee in February which details the key assumptions and any known increases in income and expenditure.</p> <p>The budget and MTFP narrative are based on robust assumptions including nationally agreed pay awards, inflation, prior period data and demographic considerations. The narrative recognises that a new funding system will be introduced from 2020/21 signalling the end of the current 100% Business Rate Retention Pilot.</p> <p>It will be important to ensure that any new funding responsibilities are aligned to sustainable funding streams and that a more detailed MTFP, supported by appropriate financial information, is developed once funding streams are confirmed. This will need to remain a flexible Plan as new opportunities for projects and funding are identified.</p> <p><b>Appropriate arrangements are in place to plan finances effectively to support the delivery of strategic objectives and inform decision makers.</b></p>

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# Value for Money conclusion

## Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Measuring and Monitoring Performance</b> The Combined Authority are developing a strategy to ensure the future of the West of England is 'more productive and better connected'. This will include initiatives and measures to help 'grow the economy in a sustainable way, tackling barrier to growth'</p> <p>The strategy will incorporate key metrics and targets against which its progress will be monitored by the Government and wider stakeholders. There is a risk that the Combined Authority may set measures that are hard to substantiate through robust evidence or that inappropriate measures and targets are developed. There is a further risk that a robust process for monitoring actual delivery against targets is not developed.</p>	<p>As part of our work we have: Reviewed progress made in developing plans and performance metrics to measure and monitor the performance of the Combined Authority.</p>	<p>The Authority has developed an operating framework which sets out the key priorities for clean and inclusive economic growth for 2018/19. A Business Plan has also been developed setting out the key objectives and activities the Authority will deliver during 2018/19 including plans to bring further investment into transport, homes and skills to ensure the West of England is at the forefront of growth and innovation. The plan also includes some reference to activity committed to in future years.</p> <p>This plan includes some high level aspirations for each of the three priority areas. underpinned by a number of detailed actions. Individual service plans for each of the priority areas are currently being developed and work is ongoing to develop a performance management framework so that officers, constituent councils and committees of the authority will be able to assess the performance of the Combined Authority.</p> <p>Some of the objectives are supported by clear measurable metrics against which progress can be monitored. Other objectives are less specific and consequently it is not as easy to determine how success will be measured. Further detailed metrics are being developed as part of the project development.</p> <p>The Authority has been developing a medium term strategy that sits above the annual business plan and translates the 30 year vision which formed the basis for the establishment of WECA and reconciles to the five yearly gateway reviews. However, this has been superceded by recent discussions with the Department for Business, Energy and Industrial Strategy (BEIS) on the development of a Local Industrial Strategy for the West Of England. If agreed, this Local Industrial Strategy may require the business plan to be updated.</p> <p>Recognising 2017/18 was the first full year of operation, good progress has been made to develop priorities, objectives and tasks from which the performance of the Combined Authority can be measured in future years. The Authority will now need to ensure that it monitors its performance through the performance management framework currently being developed.</p> <p><b>Appropriate arrangements are developing to understand and use appropriate performance information to support informed decision making and performance management.</b></p>

# A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and confirm **there were no fees for the provision of non audit services.**

## Reports issued

Report	Date issued
Audit Plan	30 January 2018
Audit Findings Report	6 July 2018
Annual Audit Letter	9 August 2018

## Fees for non-audit services

Service	Fees £
<b>Audit related services</b>	Nil
- None	
<b>Non-Audit related services</b>	Nil
- None	

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Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory Authority audit	24,200	24,200	n/a
<b>Total fees</b>	<b>24,200</b>	<b>24,200</b>	<b>n/a</b>

## Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No non-audit services were identified.

The planned fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)



## ITEM: 8

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY AUDIT COMMITTEE**

**DATE: 8 November 2018**

**REPORT TITLE: EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE 2018/19**

**AUTHOR: MALCOLM COE – DIRECTOR OF INVESTMENT AND CORPORATE SERVICES (S151 OFFICER)**

### **Purpose of Report**

- 1 To consider the External Audit Progress Report and Sector Update attached to this cover report.

### **Issues for Consideration**

- 2 The External Auditor will provide a general update to the Committee on their work.
- 2.1 Appendix 1 provides an update on the External Auditors work for the West of England Combined Authority, along with references to a number of national initiatives, announcements and publications of potential interest to the Committee. The External Auditor will provide a fuller verbal briefing on these areas at the meeting.

### **Consultation:**

- 3 Consultation has been carried out with the appointed internal audit provider (Audit West).

### **Public Sector Equality Duties:**

- 4 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
  - Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
  - Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - Foster good relations between people who share a protected characteristic and those who do not.
- 4.1 The Act explains that having due regard for advancing equality involves:
  - Removing or minimizing disadvantages suffered by people due to their protected characteristics.

- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

4.2 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.

4.3 There are no direct implications arising from this report.

**Finance Implications:**

5 The External Audit Plan supports the statutory audit requirements for the Annual Accounts and the fee for this work is agreed by Public Sector Auditor Appointments Ltd. The financial implications of the Audit Fee are already contained within existing corporate budgets.

**Legal Implications:**

6 The work that the External Auditors carry out on the 2018/19 accounts is completed based on the requirements set out in the Local Audit and Accountability Act 2014 and under the Code of Audit Practice published by the National Audit Office.

Advice given by: Shahzia Daya – Director of Legal Services

**Human Resources Implications:**

7 There are no direct implications arising from this report.

Advice given by: Alex Holly – Head of Human Resources

**Recommendation:**

**8 The Audit Committee is asked to note the Progress Report and Sector Update.**

**Report Author: Malcom Coe – Director of Investment and Corporate Services**

**West of England Combined Authority Contact:**

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)



# Audit Progress Report and Sector Update

West of England Combined Authority  
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16 October 2018



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# Introduction



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**Michelle Burge**

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a combined authority.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at 16 October 2018

## 2017/18 Audit

We have completed our audit of the Authority's 2017/18 financial statements. Our audit opinion, including our value for money conclusion and certificate of audit closure was issued on the 13 July 2018.

We issued:

- An unqualified opinion on the Authority's financial statements; and
- An unqualified value for money conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources.

We have issued all our deliverables for 2017/18 and have concluded our work on the 2017/18 financial year. Our Annual Audit Letter, summarising the outcomes of our audit is included as a separate agenda item.

## 2018/19 Audit

We have begun our planning processes for the 2018/19 financial year audit.

Our detailed work and audit visits will begin later in the year and we will discuss the timing of these visits with management. In the meantime we will:

- continue to hold regular discussions with management to inform our risk assessment for the 2018/19 financial statements and value for money audits;
- review minutes and papers from key meetings; and
- continue to review relevant sector updates to ensure that we capture any emerging issues and consider these as part of audit plans.

## Other areas

### Meetings

We met with both the Interim and newly appointed Director of Investment and Corporate Services in October as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in July to discuss the Authority's strategic priorities and plans.

### Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your Interim Director of Investment and Corporate Services attended our local government commercialisation seminar on the 2 October in Dorchester. This event showcased insights from our [Commercial Health check report](#), which examines how local authorities are changing their approach to commercial opportunities, including place-based market offerings, collaborating on social value projects, and cross-boundary franchising.

Our annual accounts workshop is to take place in February 2019 and we will be inviting key members of your finance team to this.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

# Audit Deliverables

2018/19 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2018/19	April 2018	Complete
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2018/19 financial statements.	January 2019	Not yet due
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	April 2019	Not yet due
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	August 2019	Not yet due

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# Sector Update

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Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Reports of interest](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

# MHCLG – Social Housing Green Paper

The Ministry of Housing, Communities and Local Government (MHCLG) published the Social Housing Green Paper, which seeks views on government's new vision for social housing providing safe, secure homes that help people get on with their lives.

With 4 million households living in social housing and projections for this to rise annually, it is crucial that MHCLG tackle the issues facing both residents and landlords in social housing.

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The Green Paper aims to rebalance the relationship between residents and landlords, tackle stigma and ensure that social housing can be both a stable base that supports people when they need it and also support social mobility. The paper proposes fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need it.

To shape this Green Paper, residents across the country were asked for their views on social housing. Almost 1,000 tenants shared their views with ministers at 14 events across the country, and over 7,000 people contributed their opinions, issues and concerns online; sharing their thoughts and ideas about social housing,

The Green Paper outlines five principles which will underpin a new, fairer deal for social housing residents:

- Tackling stigma and celebrating thriving communities
- Expanding supply and supporting home ownership
- Effective resolution of complaints
- Empowering residents and strengthening the regulator
- Ensuring homes are safe and decent

Consultation on the Green Paper is now underway, which seeks to provide everyone with an opportunity to submit views on proposals for the future of social housing and will run until 6 November 2018.

The Green Paper presents the opportunity to look afresh at the regulatory framework (which was last reviewed nearly eight years ago). Alongside this, MHCLG have published a Call for Evidence which seeks views on how the current regulatory framework is operating and will inform what regulatory changes are required to deliver regulation that is fit for purpose.

The Green Paper acknowledges that to deliver the social homes required, local authorities will need support to build by:

- allowing them to borrow
- exploring new flexibilities over how to spend Right to Buy receipts
- not requiring them to make a payment in respect of their vacant higher value council homes

As a result of concerns raised by residents, MHCLG has decided not to implement at this time the provisions in the Housing and Planning Act to make fixed term tenancies mandatory for local authority tenants.

The Green Paper is available on the MHCLG's website at:

<https://www.gov.uk/government/consultations/a-new-deal-for-social-housing>



# MHCLG – Business rate pilots

The Secretary of State has invited more councils to apply for powers to retain the growth in their business rates under the new pilots. The pilots will see councils rewarded for supporting local firms and local jobs and ensure they benefit directly from the proceeds of economic growth.

From April 2019, selected pilot areas will be able to retain 75% of the growth in income raised through business rates, incentivising councils to encourage growth in business and on the high street in their areas. This will allow money to stay in communities and be spent on local priorities - including more funding to support frontline services.

This follows the success of previous waves of business rates retention pilots, launched in a wide range of areas across country in 2017 and 2018.

The current 50% business rates retention scheme is yielding strong results and in 2018 to 2019 it is estimated that local authorities will keep around £2.4 billion in business rates growth.

Findings from the new round of pilots will help the government understand how local authorities can smoothly transition into the proposed system in 2020.

Proposals will need to show how local authorities would 'pool' their business rates and work collaboratively to promote financial sustainability, growth or a combination of these.

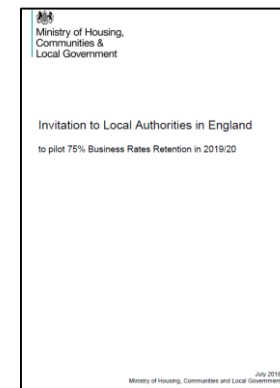
Alongside the pilots, the government will continue to work with local authorities, the Local Government Association, and others on reform options that give local authorities more control over the money they raise and are sustainable in the long term.

The invitation is addressed to all authorities in England, excluding those with ongoing business rates retention pilots in devolution areas and London. Due to affordability constraints, it may be necessary to assess applications against selection criteria, which will include:

- Proposed pooling arrangements operate across a functional economic area
- Proposal demonstrates how pooled income from growth will be used across the pilot area to either boost further growth, promote financial sustainability or a combination of these
- Proposal sets out robust governance arrangements for strategic decision-making around management of risk and reward and outlines how these support the participating authorities' proposed pooling arrangements

Any proposals will need to show that all participating authorities have agreed to become part of the suggested pool and share additional growth as outlined in the bid. The Section 151 officer of each authority will need to sign off the proposal before submission.

Proposals for new pilots had to be received to MHCLG by Tuesday 25<sup>th</sup> September 2018.





# The Vibrant Economy Index

## a new way to measure success

Our Vibrant Economy Index uses data to provide a robust, independent framework to help everyone understand the challenges and opportunities in their local areas. We want to start a debate about what type of economy we want to build in the UK and spark collaboration between citizens, businesses and place-shapers to make their places thrive.

Places are complex and have an intrinsic impact on the people and businesses within them. Economic growth doesn't influence all of the elements that are important to people's lives – so we shouldn't use GDP to measure success. We set out to create another measure for understanding what makes a place successful.

In total, we look at 324 English local authority areas, taking into account not only economic prosperity but health and happiness, inclusion and equality, environmental resilience, community and dynamism and opportunity. Highlights of the index include:

- Traditional measures of success – gross value added (GVA), average workplace earning and employment do not correlate in any significant way with the other baskets. This is particularly apparent in cities, which despite significant economic strengths are often characterised by substantial deprivation and low aspiration, high numbers of long-term unemployment and high numbers of benefit claimants
- The importance of the relationships between different places and the subsequent role of infrastructure in connecting places and facilitating choice. The reality is that patterns of travel for work, study and leisure don't reflect administrative boundaries. Patterns emerge where prosperous and dynamic areas are surrounded by more inclusive and healthy and happy places, as people choose where they live and travel to work in prosperous areas.
- The challenges facing leaders across the public, private and third sector in how to support those places that perform less well. No one organisation can address this on their own. Collaboration is key.

Visit our website ([www.granthornton.co.uk](http://www.granthornton.co.uk)) to explore the interactive map, read case studies and opinion pieces, and download our report **Vibrant Economy Index: Building a better economy**.

### Vibrant Economy app

To support local collaboration, we have also developed a Vibrant Economy app. It's been designed to help broaden understanding of the elements of a vibrant economy and encourage the sharing of new ideas for – and existing stories of – local vibrancy.

We've developed the app to help people and organisations:

- see how their place performs against the index and the views of others through an interactive quiz
- post ideas and share examples of local activities that make places more vibrant
- access insights from Grant Thornton on a vibrant economy.

We're inviting councils to share it with their employees and the wider community to download. We can provide supporting collateral for internal communications on launch and anonymised reporting of your employees' views to contribute to your thinking and response.

To download the app visit your app store and search 'Vibrant Economy'

- Fill in your details to sign up, and wait for the verification email (check your spam folder if you don't see it)
- Explore the app and take the quiz
- Go to the Vibrant Ideas section to share your picture and story or idea



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# Links

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## Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

## Ministry of Housing, Communities and Local Government links

<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/728722/BRR\\_Pilots\\_19-20\\_Prospectus.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf)



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## ITEM: 9

**REPORT TO: WECA AUDIT COMMITTEE**

**DATE: 8<sup>th</sup> November 2018**

**REPORT TITLE: WECA RISK MANAGEMENT FRAMEWORK**

**AUTHOR: LYNDA BIRD, HEAD OF PERFORMANCE, PLANNING & PROJECTS**

**Appendix 1 – WECA Risk Management Framework**

**Appendix 2 - Draft Corporate Risk Register**

### 1.0 PURPOSE OF REPORT

- 1.1 This report provides a draft Risk Management Framework for the West of England Combined Authority
- 1.2 Comment is sought from Members prior to finalisation of the framework.

### 2.0 ISSUES FOR CONSIDERATION

- 2.1 The West of England Combined Authority is committed to deliver its strategic objectives whilst having a clear focus on the potential risks and opportunities associated with these activities.
- 2.2 The external audit carried out at the end of financial year 2017/18 identified Risk Management as an area for development
- 2.3 The West of England Combined Authority Risk Management Framework has been developed in discussion with Audit West and is included as Appendix 1 to this report.
- 2.4 The framework sets out the overall process and activities that WECA will use to identify and manage risk, together with roles and responsibilities for employees.
- 2.5 Risk scoring criteria have been drafted for the Committee's consideration.

2.6 A draft corporate risk register is provided as Appendix 2.

### 3.0 FINANCIAL IMPLICATIONS

3.1 Core financial risks to be Combined Authority will be considered, and incorporated, within the risk register where appropriate

Advice given by: Malcolm Coe, Director of Investment and Corporate Services

### 4.0 LEGAL IMPLICATIONS

4.1 Risk management of the Combined Authority is an essential part of the governance framework for the Authority.

Advice given by Shahzia Daya, Director, Legal, WECA

### 5.0 HUMAN RESOURCES IMPLICATIONS

5.1 There are no Human Resource implications arising directly from this paper.

5.2 If specific workforce risks are identified through this process, they will be managed in line with policy and best practice in consultation with the Human Resources team.

Advice given by Alex Holly, Head of HR

### 6.0 ENVIRONMENTAL IMPLICATIONS

6.1 None arising directly from this paper

### 7.0 EQUALITY IMPACT IMPLICATIONS

7.1 None arising directly from this paper

### 8.0 RISK MITIGATIONS & OPPORTUNITIES

8.1 Without a formal risk management framework WECA will not be able to anticipate and take preventative action to avoid risk and will instead incur time and cost in managing the consequences of unplanned events.

### 9.0 RECOMMENDATIONS

**The WECA Audit Committee is invited to comment on the framework and to bring forward any recommendations for officers to consider.**

#### WECA Contact:

Lynda Bird, Head of Performance, Planning & Projects, WECA  
Email [lynda.bird@westofengland-ca.gov.uk](mailto:lynda.bird@westofengland-ca.gov.uk) Telephone 0117 428 6210

**WEST OF ENGLAND COMBINED AUTHORITY (WECA)  
CORPORATE RISK FRAMEWORK**

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## **Introduction**

This document sets out WECA's approach to risk management. It sets out the process and activities WECA will adopt for identifying and managing risk, and sets out the roles and responsibilities for employees.

The West of England Combined Authority (WECA) is committed to deliver its strategic objectives whilst having a clear focus on the potential risks and opportunities that face our business activities on an ongoing basis.

The key purpose of the corporate risk framework is to ensure that key risks to WECA's delivery are identified, managed and monitored.

Risk can be defined as the 'effect of uncertainty on objectives'. This effect can either be a positive or negative deviation from what is expected (ISO 31000).

The focus of good risk management is the identification, evaluation, control and review of risks and opportunities to enable the delivery of key objectives. This is a responsibility of all employees at WECA.

There is significant value in the effective management of risk, including:

- Informing business decisions
- Enabling effective use of resources
- Enhancing strategic and business planning
- Overcoming threats impacting on delivery
- Providing confidence in our ability to achieve our objectives
- Making informed investment decisions
- Strengthening contingency planning

## **Policy Statement**

WECA will demonstrate a proactive approach to risk management based on the following key principles:

- Risk management activity will be aligned to corporate and business plan aims, objectives and priorities. It will encompass all strategic and operational areas that may prevent the Combined Authority from fulfilling its strategic aims
- It will anticipate and take preventative action to avoid risk rather than managing the consequences
- It will seek to realise opportunities that arise from the monitoring of risk
- A consistent approach for the identification, assessment and management of risk will be embedded throughout the organisation
- Risk control and mitigation will be effective, appropriate, proportionate and affordable
- All employees are required to take responsibility for the effective management of risk throughout the organisation
- WECA SMT and Heads of Services are responsible for implementing this policy and for the escalation of risks to the Corporate Risk Register as required



## Risk Management Structure and Approach

Risk management is an integral part of WECA’s Performance reporting process as set out in figure one.

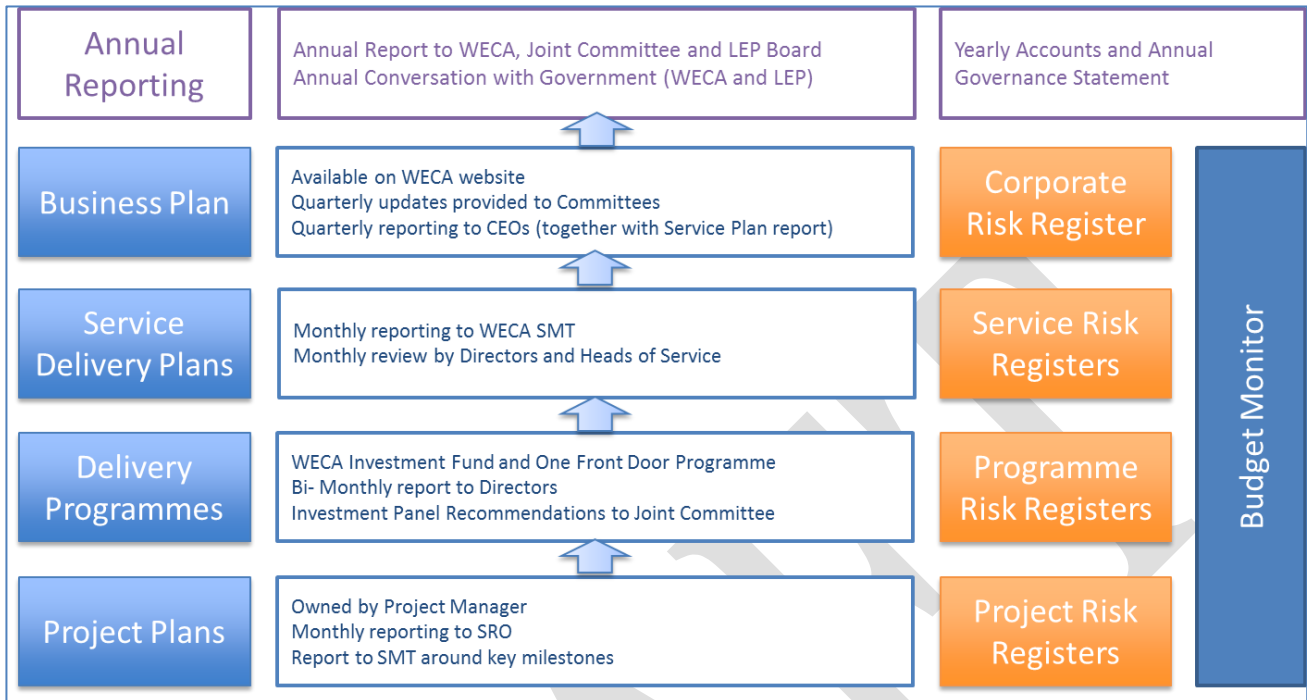


Figure one: WECA performance reporting process

Risk management is a cyclic process and activity to identify and manage risks, which is achieved through regular monitoring of progress against the objectives in the business plan and following the process illustrated in figure two.

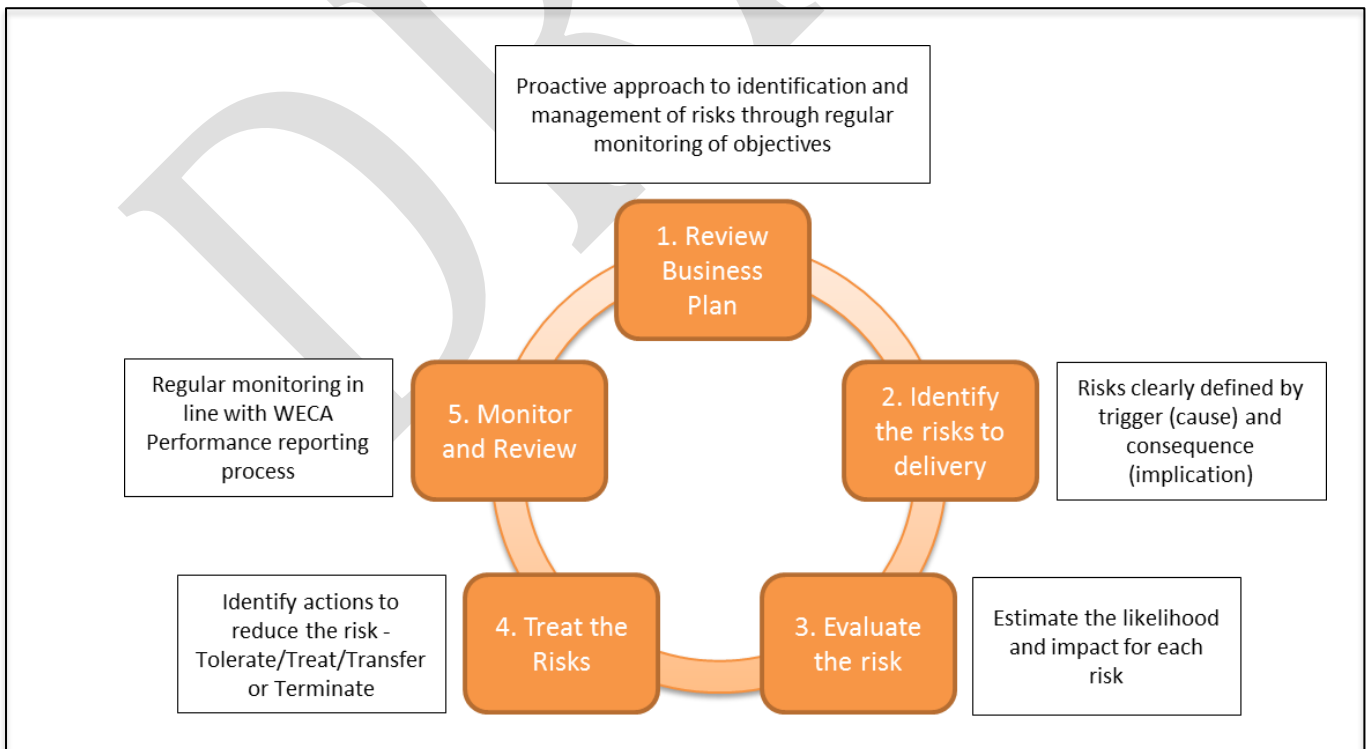


Figure two: WECA risk management process

## Evaluation Criteria and Risk Appetite

Each risk is clearly defined by stating the cause and consequence of each risk. Five key risk categories have been identified that have the potential to create a significant impact onto delivery if not managed effectively. These are: Finance, Reputation, Delivery, Legal & Governance and Health & Safety.

The impact of each risk is evaluated on a five-point scale, with one representing a minimal risk and five a critical risk. Detailed criteria for each of the risk impact categories are provided in Appendix 1.

The likelihood of each risk occurring is also evaluated on a five-point scale with one indicating very low to five which indicates a very high likelihood of occurrence.

## Management of Risk

Once assessed risks will be mapped using a scoring matrix to ensure WECA has a clear view of its overall risk profile. An overall 'risk score' is generated (multiplying the impact and likelihood scores) to help identify the key risks requiring immediate intervention. Risks will be recorded on a risk register which will capture the scoring for risks before and after proposed intervention (inherent and residual risks). The scoring matrix is set out in figure three and a template risk register is provided in Appendix 2.

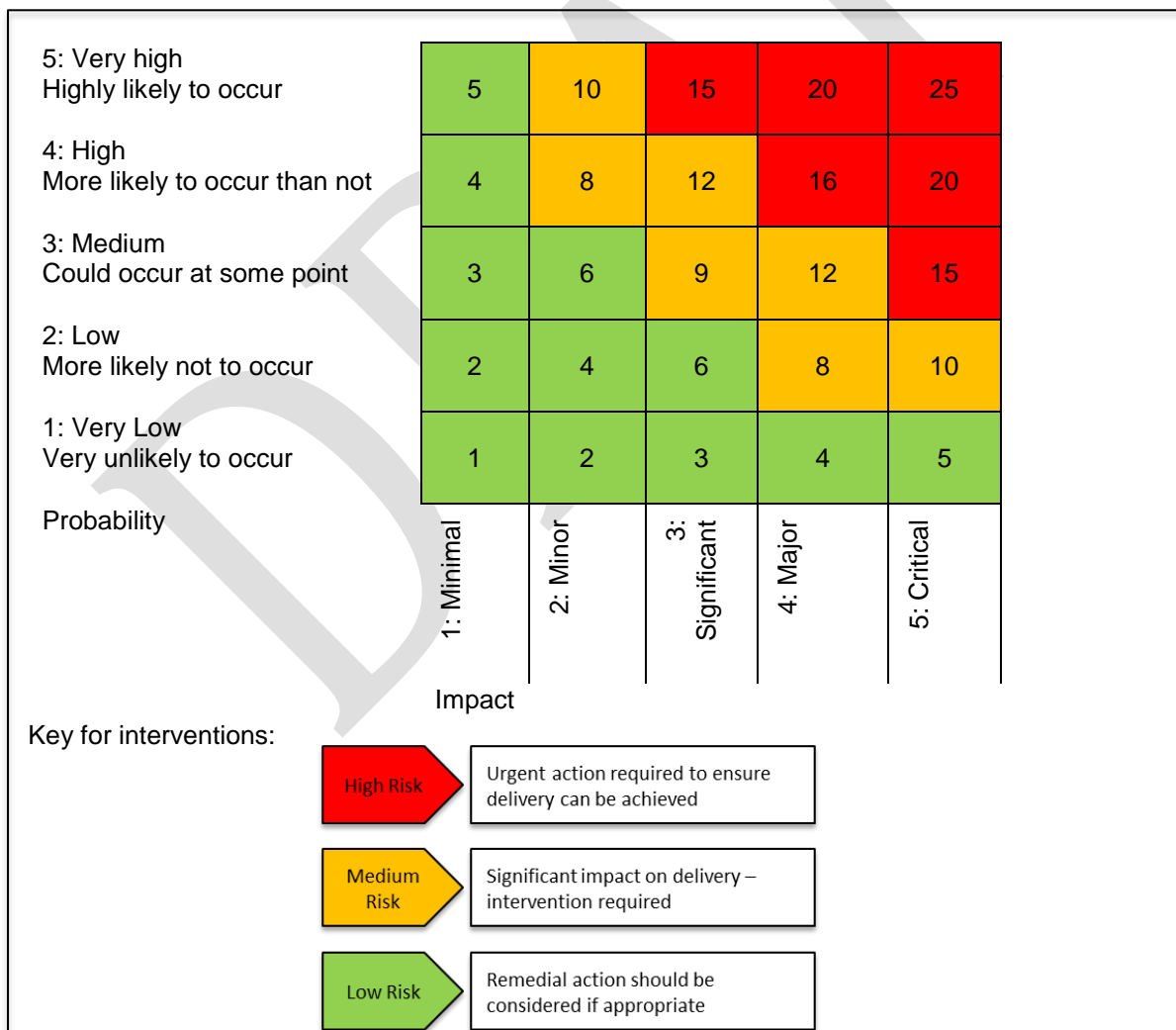


Figure three: WECA risk scoring matrix

Once assessed and ranked, four strategic options are available to manage risks and these should be considered along with the cost/benefit of the proposed intervention:

- Treat                      Take direct action to reduce the level of risk to an acceptable level. Actions must be SMART (specific, measurable, agreed, realistic, timed) and allocated to individuals.
- Tolerate                  No additional actions taken.
- Transfer                  Transfer the risk to another organisation or partner to resolve.
- Terminate                The risk may be so serious that withdrawal from the activity should be considered.

### Roles and Responsibilities

The management of risk is captured within all areas of WECA activity as set out below:

Role	Responsibility for Risk Management
WECA and Joint Committee	Oversee effective delivery of WECA's objectives and management of risk
WECA Audit Committee	Provide independent assurance of the risk management framework
WECA Scrutiny Committee	Provide scrutiny on progress to deliver the business plan
WECA Chief Executives	Review progress towards delivery of the business plan
WECA Directors Group	Advise on specific delivery risks
WECA SMT	Accountability for delivery of the business plan and management of the risks affecting its delivery. Ownership of Corporate Risk Register and departmental risk registers
Heads of Service	Ensure the risk management process is promoted, managed and implemented effectively in the organization. Manage departmental risks
Programme and Project Boards	Own programme and project risk registers, escalating risks to the WECA Head of Service/Director as appropriate
Employees	Identify and manage risk effectively in their jobs, liaising with their managers to identify new or changing risks
Internal Audit	Review the risk management process and provide assurance to officers and members on the effectiveness of controls

### Risk Register

A template is provided as Appendix 2.

## Appendix 1: Risk Impact Scoring Criteria

Consequence	1: Minimal	2: Minor	3: Significant	4: Major	5: Critical
<b>Financial</b>	Costs could increase by <b>up to 1%</b> above budget.	Costs could increase between <b>1% and 5%</b> above budget.	Costs could increase between <b>6% to 15%</b> above budget.	Costs could increase between <b>16% to 25%</b> above budget.	Costs could exceed budget by <b>greater than 25%</b> .
<b>Legal &amp; Governance</b>	All constitutional and legislative requirements have been met and WECA is acting within its statutory powers.	There is <b>potential for legal action</b> but measures to mitigate against any action can be demonstrated and no legislation has been breached. Litigation, claims or fines up to £10K	<b>Discretionary opinion on the interpretation of legislation or contractual terms</b> is applied to confirm WECA's ability to proceed with activities. Litigation, claims or fines up to £25K	<b>Discretionary opinion is not followed</b> and action taken contrary to advice of legal colleagues. Litigation, claims or fines up to £50k.	<b>Failure to comply with legislation</b> and contractual obligations leading to the <b>possibility</b> of a litigation, arbitration or adjudication <b>claim being brought</b> . Litigation, claims or fines up to £100K.
<b>Delivery</b>	Threat could have a minimal impact on the quality of, or delivery delays of <b>up to 3 months</b> .	Threat could have a minor impact on the quality of, or delivery delays of between <b>3 and 6 months</b> .	Threat could have a significant impact on the quality of, or delivery delays of between <b>6 and 9 months</b> .	Threat could have a significant impact on the quality of, or delivery delays of between <b>9 and 12 months</b> .	Threat could have a critical impact on the quality of, non- delivery, or delivery delays of <b>greater than 12 months</b> .
<b>Health &amp; safety</b>	Known H&S threats effectively managed through appropriate control measures.	Potential for <b>minor injury</b> to occur that can be satisfactorily managed through Safety Management Systems.	Potential for <b>moderate injury</b> or dangerous occurrence to be sustained, possible reporting to the Regulatory body.	Potential for a breach in H&S rules resulting in likely intervention by the Regulatory body.	<b>Severe injury or fatality</b> likely to occur. Regulatory body intervention probable with threat of statutory enforcement or prosecution.
<b>Reputation</b>	Minimal reputational impact.	<b>Minor poor media coverage</b> or negative stakeholder relations <b>contained locally</b> over a short period of time including social media.	<b>Poor media coverage</b> or negative stakeholder relations <b>contained locally but</b> over a <b>prolonged period</b> .	<b>Inability to maintain relations</b> with stakeholders. Potential for national media coverage impacting on stakeholder confidence of WECA.	<b>Inability to deliver political policies</b> . Serious negative media coverage over a sustained period of time leading to political and/or <b>public loss of confidence in WECA</b> . Breakdown in relations with key stakeholders.

## Appendix Two: Risk Register Template

WECA Risk Register															
ID	Category	Date entered on register	Risk Description	Risk Impact	Inherent Risk Score			Mitigation	Residual Risk Score			Risk Owner	Action Owner	Status	Date of last update
					L	I	Score		L	I	Score				
Unique reference - allocated centrally	Financial / Reputation / Delivery / Health & Safety / Legal & Governance		Description of the risk	Description of the impact should the risk occur	Likelihood (Score 1-5)	Impact (Score 1-5)	Overall Score (Impact x Likelihood)	Proposed mitigations - including timeframes	Likelihood after mitigation (Score 1-5)	Impact after mitigation (Score 1-5)	Overall Score after mitigation (Impact x Likelihood)	Typically Director level	Officer responsible for mitigating actions	Open or Closed	

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## WECA Corporate Risk Register - DRAFT

ID	Risk Description	Risk Impact	Mitigation	Risk Owner	Notes
CS-R001	There is a risk that WECA may not have completed recruitment to enable delivery of all the activities in the business plan	This could potentially impact delivery timescales, quality of deliverables and budget	Complete recruitment to key posts in the organisation, meanwhile drawing on available capacity in the constituent authorities, with interim and consultancy support engaged where appropriate	Head of HR and Organisational Development	Recruitment to key posts completed.
WECA-R002	There is a risk that national priorities may change over the course of the year.	This could potentially require significant alterations and additions to the business plan and impacting onto current delivery plans	Regular discussions at both official and political level. Delivery of business plan monitored by WECA SMT and reported to WECA Chief Executives quarterly	Chief Executive	Ongoing activity
WECA-R003	There is a risk that Committee members may be unable to reach agreement on key proposals.	WECA would be unable to realise the opportunities and benefits of the activities set out in the business plan	Strong partnership working arrangements are in place to ensure that proposals are developed to support and complement the priorities and objectives of the constituent councils	Chief Executive	Ongoing activity
WECA-R004	There is a risk that the activities identified in the business plan may not achieve the desired balance of economic growth and inclusive growth.	The West of England is unable to realise the full benefits and opportunities of devolution	Equalities impact assessments will be carried out for each specific activity to identify potential issues and clear mitigations and these will form part of the organisation's performance management framework	Senior Management Team	Equalities framework to be developed. Monitoring & Evaluation Framework to be discussed at Audit Committee November 2018
INF-R001	There is a risk that there are dependencies on the Joint Spatial Plan, the outcome of which is in an independent examination process and therefore not yet known.	This could potentially require significant alterations and additions to the business plan and impacting onto current delivery plans	The process to prepare a statutory development plan document has been followed and robust governance and technical working arrangements are in place to deliver the project	Director of Infrastructure	Inspection date to be confirmed
CS-R002	Any changes to the way Government funds Combined Authorities could impact on future funding of WECA.	WECA will not be able to balance its budget and deliver its priorities	Discussions ongoing with HMRC and Treasury. The medium term financial plan will be updated and more detail included, as far as practicable, and forming part of the 2019/20 Budget Process.	Section 151 officer	Also reflected in Audit Committee report 12 July

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## ITEM: 10

**REPORT TO: WECA AUDIT COMMITTEE**

**DATE: 8<sup>th</sup> November 2018**

**REPORT TITLE: WECA MONITORING & EVALUATION FRAMEWORK**

**AUTHOR: LYNDA BIRD, HEAD OF PERFORMANCE, PLANNING & PROJECTS**

**Appendix 1 – WECA Monitoring & Evaluation Framework**

**Appendix 2 - WECA Monitoring & Evaluation Framework Appendices (to follow)**

### **1.0 PURPOSE OF REPORT**

- 1.1 This report provides an updated Monitoring & Evaluation Framework for the West of England Combined Authority for the Committee's comments

### **2.0 ISSUES FOR CONSIDERATION**

- 2.1 WECA's overall approach to Monitoring and Evaluation is underpinned by the following key principles:

- Reporting requirements are locally defined and support delivery of local strategies
- Evaluation is meaningful and proportionate
- Data is collected once and used many times
- Baseline information is consistent across key initiatives
- Monitoring and evaluation is a core part of all activities
- Lessons learned are used to inform future policy development

- 2.2 The West of England Combined Authority's updated Monitoring and Evaluation Framework is provided at Appendix 1. This sets out WECA's overall approach to monitoring and evaluation.
- 2.3 An first draft of this document was provided to DCLG in September 2016, prior to the formation of the Combined Authority. This draft was focused on delivery of the West of England Devolution Deal.
- 2.4 This is treated as a living document and officers from WECA are working closely with BEIS officials to develop further iterations.
- 2.5 This updated Monitoring & Evaluation framework aims to bring together all of WECA's reporting requirements into one place and to provide a clear structure for reporting which is focused on three levels:
- Delivery of Annual Business Plan. This includes in-year activities that support WECA, the LEP, implementation of the devolution deal and elements of longer term project and programme delivery delivered through the Investment Fund and One Front Door Programme.
  - Project and Programme delivery, which focuses on schemes funded through the WECA Investment Fund and West of England One Front Door Programme.
  - Longer Term Organisational Impact. Measured through five-year gateway reviews. WECA's first Gateway Review is due in December 2020.
- 2.6 The detailed appendices to the Monitoring and Evaluation Framework are being updated following a meeting with BEIS on 24<sup>th</sup> October and discussions with the Local Authorities and these will be circulated to the Committee before the meeting.

### **3.0 FINANCIAL IMPLICATIONS**

- 3.1 The monitoring and evaluation framework provides assurance that limited resources will be utilised to their best effect. A streamlined framework has been adopted which reflects the level of capacity and funding available to the authority.

Advice given by Malcolm Coe, Director of Investment and Corporate Services

### **4.0 LEGAL IMPLICATIONS**

- 4.1 Monitoring and evaluation of the Combined Authority is an essential part of the governance framework for the Authority. This report sets out clearly how this will be evidenced in the future

Advice given by Shahzia Daya, Director, Legal, WECA

## 5.0 HUMAN RESOURCES IMPLICATIONS

5.1 There are no Human Resource implications arising directly from this paper.

Advice given by: Alex Holly, Head of HR

## 6.0 ENVIRONMENTAL IMPLICATIONS

6.1 None arising directly from this paper

## 7.0 EQUALITY IMPACT IMPLICATIONS

7.1 None arising directly from this paper

## 8.0 RISK MITIGATIONS & OPPORTUNITIES

8.1 WECA's Monitoring & Evaluation Framework provides a mechanism to monitor our progress and demonstrate delivery.

## 9.0 RECOMMENDATIONS

**The WECA Audit Committee is asked to provide feedback on the Monitoring & Evaluation framework.**

### **WECA Contact:**

Lynda Bird, Head of Performance, Planning & Projects, WECA

Email [lynda.bird@westofengland-ca.gov.uk](mailto:lynda.bird@westofengland-ca.gov.uk) Telephone 0117 428 6210

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**APPENDIX 1**

**WEST OF ENGLAND COMBINED AUTHORITY  
MONITORING & EVALUATION FRAMEWORK**

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## 1 Introduction

This document sets out the West of England Combined Authority's approach to Monitoring and Evaluation.

## 2 Background

The West of England Combined Authority (WECA) and Local Enterprise Partnership (LEP) have a shared aim to be a driving force for clean and inclusive economic growth.

A single organisation was established in 2017 to deliver these aims, supporting the governance of the West of England Combined Authority, the Local Enterprise Partnership and West of England Joint Committee.

WECA is formed of three Councils, Bath & North-East Somerset, Bristol and South Gloucestershire. It is responsible for management of a devolution investment fund of £30M per year. Funding decisions relating to the WECA investment fund, and other WECA activities, are made by the West of England Combined Authority.

WECA also supports the West of England LEP, which includes North Somerset Council. Funding decisions relating to the Local Growth Fund, One Front Door Programme and LEP activities are made by the West of England Joint Committee.

These governance arrangements are illustrated below.

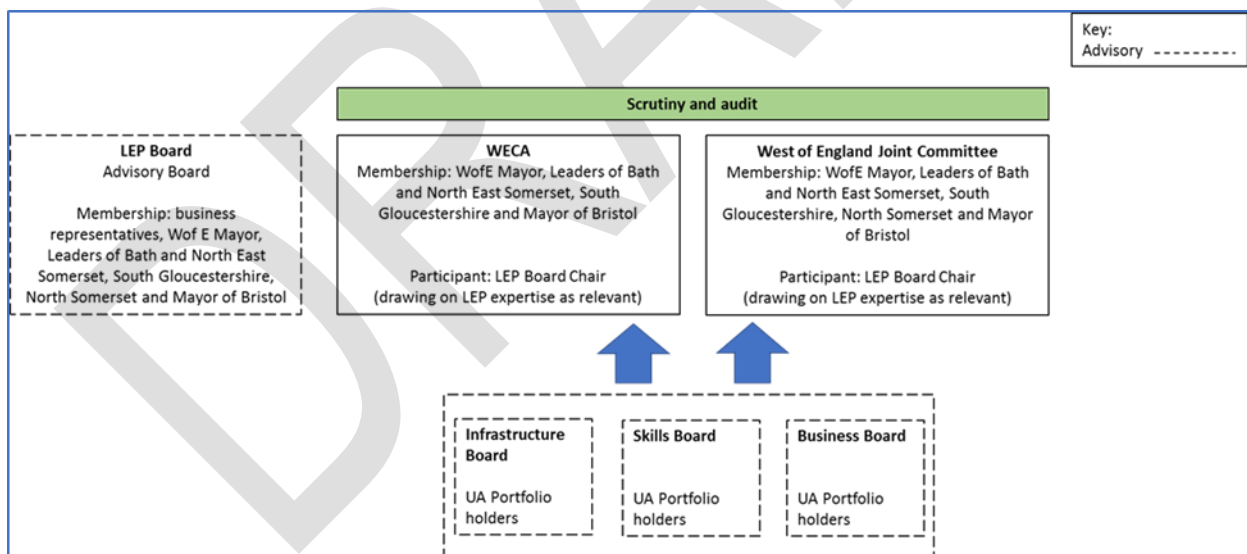


Diagram One: Governance Arrangements

The detailed processes for managing the WECA Investment Fund and West of England One Front Door Programme are set out in published Assurance frameworks which detail the agreed prioritisation, appraisal, monitoring and evaluation requirements for each scheme.

[WECA Investment Fund Assurance Framework](#)

[One Front Door Programme Assurance Framework](#)

### 3 Approach to Monitoring & Evaluation

WECA's [operating framework](#) sets out our overarching goal, to be a driving force for clean and inclusive economic growth. It identifies key priorities for infrastructure, skills and business.

WECA's overall approach to Monitoring and Evaluation is underpinned by the following key principles:

- Reporting requirements are locally defined and support delivery of local strategies
- Evaluation is meaningful and proportionate
- Data is collected once and used many times
- Baseline information is consistent across key initiatives
- Monitoring and evaluation is a core part of all activities
- Lessons learned are used to inform future policy development

Our approach is structured around three levels which are illustrated in the diagram below, with details of each level set out in the following sections.

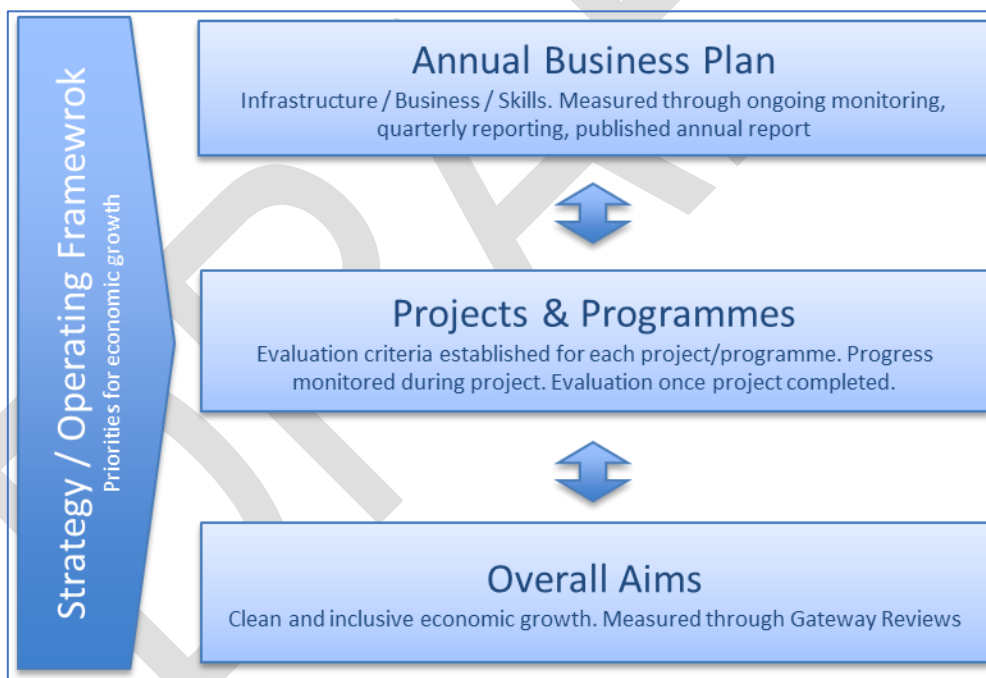


Diagram Two: Overall approach to Monitoring & Evaluation

### 4 Annual Business Plan

WECA's [business plan](#) sets out the key activities that WECA will deliver each year. Whilst essentially a one-year plan, the business plan will include reference to activity that WECA is committed to in the coming years, including updates on longer-term project and programme delivery as well as activity to implement the West of England Devolution Deal.



The business plan is structured around the three strategic aims identified in the operating framework and will be updated annually as the Local Industrial Strategy is developed and in line with WECA’s medium term financial plan.

Quarterly reports are prepared on the business plan, and overall progress against this will form the basis of the annual report and annual conversations with Government for the Combined Authority, Joint Committee and the Local Enterprise Partnership.

The cycle of reporting against the business plan is illustrated below.

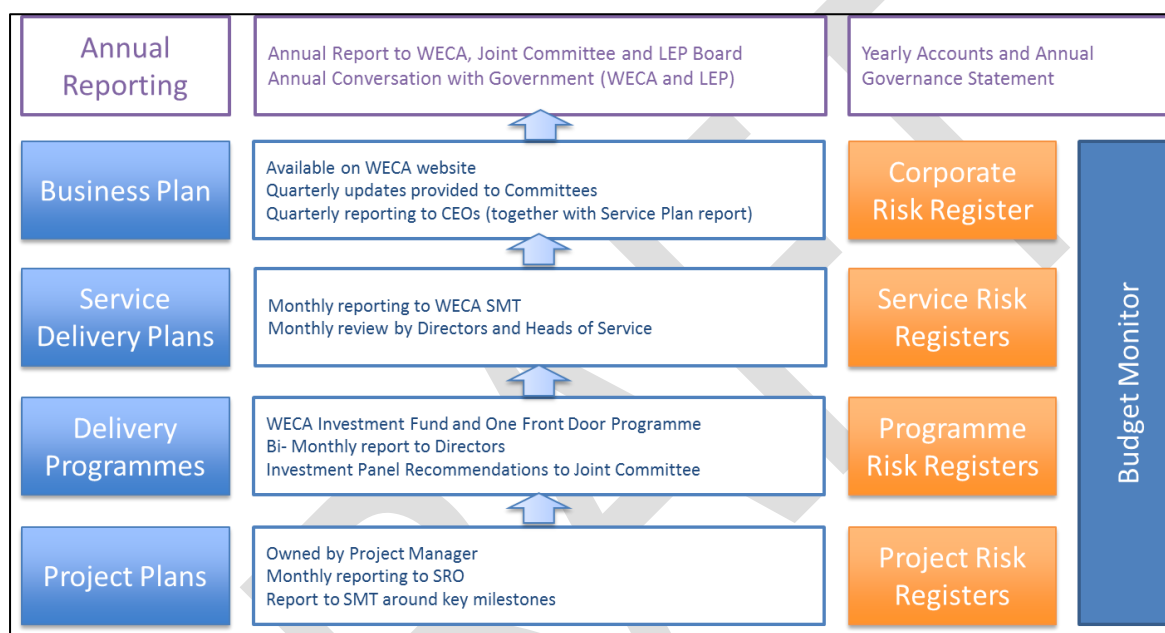


Diagram Three – Business plan reporting cycle

#### 4.1 Risk Management

WECA is committed to deliver its strategic objectives whilst having a clear focus on the potential risks and opportunities that face our business activities on an ongoing basis.

Risk management is an integral part of WECA’s reporting against delivery of the business plan, as shown in diagram three. WECA’s Risk Management framework will be presented to Audit Committee in Autumn 2018. Once completed it will be appended to this document.

#### 4.2 Equalities

Work has commenced to develop an Equality and Diversity Framework for WECA that is focused on achieving inclusive economic growth across the Region.

The Framework will identify the equality and diversity related themes that emerge from the objectives set out in the operating framework and define how these can be included in Equality Analyses to provide a cumulative view of the overall equalities impact.

All schemes supported through the Investment Fund and LEP funding streams are required to produce an equalities analysis and plan as part of their full business case.

An annual Equality and Diversity Report will be presented with the annual business plan report.

## **5 Project and Programme Evaluation**

Monitoring and Evaluation (M&E) of WECA policies, investments and interventions enables the authority to:

- Demonstrate local accountability. Show how funding is being spent and benefits achieved against local strategies and action plans, demonstrating the value and effectiveness of local decision making and shaping future priorities
- Comply with external scrutiny. Together with the Assurance Framework demonstrate progress and delivery to the constituent council members, senior government officials and Ministers
- Understanding what works. Provide a feedback loop and enables the lessons learnt to be fed back into policy making and communicated to stakeholders, as well as supporting the case for further devolution and investment in the area.
- Developing an evidence base. Provide a mechanism for collecting, collating and analysing data which can be used across the organisation and by others, following the principle of collecting data once and using many times.
- Ensure quality assurance. For interventions funded through WECA investment fund and One Front Door Programmes a Monitoring & Evaluation plans form part of business case submissions and these are independently reviewed and published to support business case approval decisions by the WECA or Joint Committee

The following sections set out our approach and timeframes for the monitoring and evaluation of projects and programmes in our priority areas of infrastructure, business and skills. Full details are provided in the appendices to this document.

### **5.1 Transport**

As set out in the WECA business plan, overall activity is focused on:

- Better links to reduce congestion and connect people
- Improve national and international connections

All transport schemes regardless of how they are funded will follow the guidance as set out by DfT and the approach taken to monitoring and evaluation will be proportionate to the scale of the intervention.

Smaller Transport Schemes <£5m	Align with M&E arrangements already in place for the Investment Fund and LEP funding streams as set out in the Assurance Frameworks  Process Evaluation
Major Transport Schemes >£5m	Will follow DfT standard and enhanced monitoring process to include: <ul style="list-style-type: none"> <li>• Scheme build</li> <li>• Delivered scheme</li> <li>• Costs</li> <li>• Scheme objectives</li> <li>• Travel demand</li> <li>• Travel times and their reliability</li> <li>• Impacts on the economy</li> <li>• Carbon impacts</li> <li>• Noise</li> <li>• Air quality</li> <li>• Accidents</li> </ul> Process Evaluation Impact Evaluation

We are working towards the following evaluation timetable:

Transport Activity	Funding Stream	Evaluation Timetable
Single Transport Pot	WECA – Devolution Deal	Ongoing – reporting via business plan
ITA Function: Real Time Information	WECA – Devolution Deal	Ongoing – reporting via business plan
ITA Function: Socially Necessary Bus Services	WECA – Devolution Deal	Ongoing – reporting via business plan
ITA Function: Concessionary Fares	WECA – Devolution Deal	Ongoing – reporting via business plan
Establish Key Route Network	WECA – Devolution Deal	2018/19 -reporting via business plan
Develop Bus Strategy	WECA – Devolution Deal	2018/19 – reporting via business plan
Joint Local Transport Plan	West of England	2018/19 reporting via business plan
Business Cases for transport interventions being developed.	WECA – Devolution Deal	Tba, pending approval of business cases and

		agreement of scheme timetables
Local Growth Fund Transport Interventions	West of England	Bi-monthly report to Joint Committee

(Details are provided in appendix A - B)

## 5.2 Planning & Housing

As set out in the WECA business plan, overall activity is focused on:

- More affordable homes with a range of housing types
- Employment spaces to meet the needs of all businesses

We are working towards the following evaluation timetable:

Housing & Planning Activity	Funding Stream	Evaluation Timetable
Joint Spatial Plan	West of England	5-year review following adoption – timeframe to be advised
Mayoral Spatial Strategy	WECA – Devolution Deal	Work to commence following outcome of JSP examination in public
Green Infrastructure Plan	West of England	Tba pending outcome of JSP examination in public
Joint Working to Support Housing Delivery	WECA – Devolution Deal	Project specific

(Details are provided in appendix C)

## 5.3 Digital Infrastructure

As set out in the WECA business plan, overall activity is focused on:

- World leading digital connections across the region

We are working towards the following evaluation timetable:

Digital Activity	Funding Stream	Evaluation Timetable
Digital Strategy Development	West of England	2018/19 – reporting via business plan
5G Testbed and trial – Smart Tourism Project	WECA	Forecast to be finalised in summer 2019.

## 5.4 Skills

As set out in the WECA business plan, overall activity is focused on:

- Improving skills and knowledge supply to meet existing and future demands

- A joined-up education, employment and skills system that meets the region's business needs
- Provide residents with support, information, advice and guidance to unlock their career potential

We are working towards the following evaluation timetable:

<b>Skills Activity</b>	<b>Funding Stream</b>	<b>Evaluation Timetable</b>
Future Bright	WECA – Devolution Deal	Quarterly monitoring report. Final Evaluation report 2019/20
Adult Education Budget Devolution	WECA – Devolution Deal	2019/20 – reporting via business plan
Post-16 Skills Strategy	West of England	TBA reporting via business plan
Skills Innovation Fund activities	WECA	Pending committee agreement, reporting via business plan
Careers Enterprise Hub	West of England	Pending committee agreement, reporting via business plan
Apprenticeship Grants for Employers	WECA – Devolution Deal	Completed.
Local Growth Fund / One Front Door Skills Interventions	West of England	Bi-monthly report to Joint Committee

(Details are provided in appendix D)

## 5.5 Business

As set out in the WECA business plan, overall activity is focused on:

- Helping businesses to start up, grow and flourish
- Supporting businesses to make the most of export opportunities
- Supporting an innovative economy
- Protecting and promoting our region's culture

We are working towards the following evaluation timetable:

<b>Business Activity</b>	<b>Funding Stream</b>	<b>Evaluation Timetable</b>
Growth Hub	West of England	Through business plan
Cultural Strategy	WECA/ACE	To be confirmed following agreement of strategy
Energy Strategy	West of England	To be confirmed following agreement of strategy
Invest in Bristol and Bath	West of England	Ongoing - reporting via business plan

Talent Institutes	WECA	Pending committee agreement, reporting via business plan
Local Growth Fund / One Front Door Business Interventions	West of England	Bi-monthly report to Joint Committee

## 5.6 Corporate Services

The key objective for Corporate Services is to support the organisation to deliver its business plan.

We are working towards the following evaluation timetable for specific activities:

Business Activity	Funding Stream	Evaluation Timetable
Local Industrial Strategy	West of England	Sign off spring 2019

## 6 Organisational Impact

WECA's overall aim of achieving clean economic growth will require longer term measurement which takes into account the impact of key schemes that are yet to be delivered.

WECA has commissioned an Economic Model which will provide a counterfactual (baseline) against which to evaluate longer term progress and which can be used to evaluate the economic impact of potential schemes.

At the first 5-year gateway review in December 2020 WECA will be able to demonstrate that it has robust processes in place to ensure that the right business cases are being taken forwards to achieve this longer-term goal, with detailed scheme evaluation being presented for the second gateway review.