

**West of England Combined Authority
WECA Audit Committee**

Wednesday, 31 July 2019, 10.30 am - 12.20 pm
The Library, Bristol City Council Offices
3 Rivergate, Bristol BS1 6ER

Present:

Cllr Geoff Gollop, Bristol City Council
Cllr Andy Wait, Bath and North East Somerset Council
Cllr Tom Davies, Bath and North East Somerset Council
Cllr Tim Kent, Bristol City Council
Cllr Mark Bradshaw, Bristol City Council

Cllr Cleo Lake, Bristol City Council
Cllr Brenda Massey, Bristol City Council
Cllr Donald Alexander, Bristol City Council
Cllr Brian Allinson, South Gloucestershire Council
Cllr John Ashe, South Gloucestershire Council

Officers In Attendance:

Malcolm Coe, Director of Investment and Corporate Services
Selonge Russell, Head of Finance

Jeff Wring, Audit West (Internal Audit)
Mark Wheeler, Audit West (Internal Audit)
Barrie Morris, Grant Thornton (External Audit)

Apologies:

Cllr John O'Neill, South Gloucestershire Council
(Cllr James Arrowsmith attended as substitute)

Minutes

As this was the first meeting of the WECA Audit Committee for the 2019/20 Municipal Year, the clerk opened the meeting and presided over all items up to and including the Election of Chair (item 3)

1	Evacuation Procedure The evacuation procedure was set out.
2	Membership of Committee - To Note The membership of the Committee for municipal year 2019/20 was noted.
3	Election of Chair It was moved by Cllr John Ashe, seconded by Cllr Andy Wait, and Resolved: That Cllr Geoff Gollop be elected as Chair for the WECA Audit Committee for 2019/20. (Councillor Gollop was in the Chair for all subsequent items)
4	Election of Vice-Chair It was moved by Cllr Kent, seconded by Cllr Cleo Lake, and Resolved: That Cllr Tom Davies be elected as Vice-Chair for the WECA Audit Committee for 2019/20.
5	Apologies for absence An apology for absence had been received from Cllr John O'Neill (Cllr James Arrowsmith attended as substitute)
6	Declarations of Interest under the Localism Act 2011 There were no declarations of interest declared under the Localism Act 2011.
7	Committee Terms of Reference - To Note

	The Terms of Reference for the WECA Audit Committee were noted.
8	<p>Minutes of previous meeting - to confirm as a correct record</p> <p>The minutes of the meeting held on 21 February 2019 were agreed as a correct record and signed by the Chair.</p>
9	<p>Items from the Public</p> <p>There were no items from the public.</p>
10	<p>Petitions</p> <p>There were no petitions received.</p>
11	<p>Statutory Accounts 2018/19</p> <p>Malcolm Coe, Director of Investment and Corporate Services, presented a report on the 2018/2019 Statutory Accounts. He explained that the WECA Audit Committee would not be able to formally agree the 2018/2019 accounts due to a delay in the auditing. He confirmed that the draft accounts had been published on the Authority's website by the statutory deadline of 31 May 2019. It would therefore be necessary to hold an additional meeting of the Audit Committee in September 2019 for final sign-off of the accounts.</p> <p>Barrie Morris, Grant Thornton, the Authority's External Auditors, tabled the Audit Findings updated as at 12noon the day prior to the meeting and summarised the main points. The following points were raised:</p> <ul style="list-style-type: none"> • The audit work had not identified any issues in respect of pension fund net liability and consideration of the McCloud judgement had been taken into account; • The Authority had been recommended to formalise a Medium Term Financial Plan. However, as the Authority's activities were evolving the Plan would be formulated when projects had been timetabled and funding confirmed. It would be a 'living' and 'evolving' document that would be constantly updated. Any such plan would be agreed and scrutinised in the usual ways. The Chair asked whether an action plan could be brought to the next meeting. Malcolm Coe stated that an intended direction of travel could be reported; • The Chair asked that accounts be published through Mod.Gov; • The Chair queried the provision for the NNDR (National Non-Domestic Rates) appeals, e.g. whether the provision was adequate. It was confirmed that the amount had been agreed with the three billing authorities; • The Chair also asked for an explanation on how LEP accounts were audited. It was confirmed that WECA acted as LEP's banker and this is reflected in WECA's accounts. All transactions had been correctly disclosed. Clarification was requested in the final version of the accounts; • It was stated that the Authority's imminent move to a new IT system was crucial to ensuring the robustness of the financial systems and making regular updates; • The Authority was waiting for legal sign-off for the memorandum of understanding for the allocation of risk to the IBB function; <p>Agreed:</p> <p>(1) That the latest Audit Findings be noted;</p> <p>(2) That an Action Plan/intended direction of travel be brought to a future meeting of the Audit Committee;</p> <p>(3) That an additional meeting be arranged for September 2019 for sign-off of the final accounts.</p>
12	<p>Treasury Management Outturn Report 2018/19</p> <p>The Director of Investment and Corporate Services introduced a report providing a review of performance to 31 March 2019.</p>

	<p>The report stated that the CIPFA Treasury Management guidelines required the Authority to approve a Treasury Management Strategy before the start of each financial year, review performance during the year and approve an annual report after the end of each financial year. The report provided a review of performance to March 2019.</p> <p>The average rate of investment return for 2018/19 was 0.97% which was 0.41% above the benchmark rate. The Authority's Prudential Indicators for 2018/19 were agreed by the Authority at its meeting on 2 February 2018 (Minute 11 refers) and performance against those key indicators was set out in Appendix 1. All indicators were within target levels.</p> <p>The Authority did not have any external borrowing. Gross interest earned on all investments for the period April 2018 to March 2019 was £1,852k.</p> <p>The following points were raised during the debate:</p> <ul style="list-style-type: none"> • The Authority had to be cautious and had constraints on possible investments but could push for better rates of returns with some medium-term options such as property investments which could offer better value for money; • The Committee were keen to see the detail of a Medium Term Financial Plan when available although were conscious that the demands and timetable of the capital schemes were not yet known in the medium term; • Checks were made on all potential investors; the Authority mainly invested with other Local Authorities, again appropriate checks were made, but it was felt that the investments were relatively low risk, although all investments did have an element of risk; <p>Agreed:</p> <ol style="list-style-type: none"> 1. That the Treasury Management Report to 31 March 2019, prepared in accordance with the CIPFA Treasury Code of Practice, be noted; 2. That the Treasury Management Indicators to 31 March 2019, as detailed in the report, be noted.
13	<p>External Audit Progress Report</p> <p>The Committee received a report from Grant Thornton, the Authority's external auditors, setting out the progress on delivery, key findings and recommendations and scale of fees. The following had been appended:</p> <p>Appendix 1 – progress report and sector update; Appendix 2 – fees letter 2019/20; Appendix 3 – IAS 240 letter and Audit Chair response.</p> <p>A fuller briefing was given at the meeting.</p> <p>The following points were raised during the debate:</p> <ul style="list-style-type: none"> • A query was raised in respect in response to Q20 regarding possible litigation or claims that may affect the financial statements, specifically 20 NHS foundation trusts' claiming charitable relief from 49 local authorities, including B&NES. The LGA were confident that the chances of the claim being successful were low. No financial provision had been included in the accounts. An outcome was expected before the end of the year. It was expected that the Government would have to intervene were the claims successful.

	Agreed: That the updates from the external auditor be noted.
14	<p>Internal Audit Annual Report 18/19</p> <p>The Committee received a report from Jeff Wring, Internal Audit (Audit West) setting out the annual report of the Internal Audit Function, detailing progress against the Plan, a summary of audit performance and key issues, as well as the formal opinion on the Internal control framework.</p> <p>The report stated that the performance dashboard showed that 100% of the plan had been 'substantially completed'. This included work that was either finalised or at reporting stage. Appendix 1 recorded the estimated status of each audit review within the 2018/19 Audit Plan at the end of the year. This stated that six formal audit reviews had been finalised along with seven follow-up audits and eleven further pieces of targeted audit work.</p> <p>The percentage of audits completed within the initial allocated days was recorded at 100%. The number of allotted days was reported at the meeting as 80, although it was noted that this may need to increase as the number of functions carried out by the Authority increased.</p> <p>The Chair stated that he felt that the Committee's role was to challenge and guide the Authority in these areas, including highlighting areas where the Committee believe there to be a potential risk. There may be some overlap therefore with the WECA Overview and Scrutiny Committee.</p> <p>Agreed: That the Internal Audit Annual Report 2018/19 and the formal opinion on the internal control framework be noted.</p>
15	<p>Internal Audit Plan 19/20</p> <p>Jeff Wring, Internal Audit (Audit West) introduced a report presenting the Internal Audit Plan for 2019/20 for approval. The Committee was asked to consider the areas included within the Audit Plan and the core assurances it required from its audit function on its core systems and governance framework. The Committee was further asked to ensure it could rely on the independent assurance given by its Internal Auditor's as laid out within the Audit Charter. The Internal Audit Plan for 2019/20 was attached at Appendix 1.</p> <p>Agreed: That the report be noted and the Internal Audit Plan, as attached at Appendix 1, be approved.</p>
16	<p>Counter Fraud Strategy</p> <p>The WECA Audit Committee, following a recommendation by Internal Audit, received a report requesting endorsement of the adoption of a Counter Fraud Strategy as detailed in Appendix 1 to the report.</p> <p>In response to a question raised it was noted that any whistle blowing incidents would be reported through internal audit, who ensured the policies were closely aligned, and include in their reports in the usual way. Internal Audit would also ensure the actions in the Counter Fraud Strategy were being followed.</p> <p>The Chair stated that it was more difficult for staff to 'whistle blow' in a small organisation with a small number of employees and asked that the policy be brought to the Committee during in 2019/20.</p> <p>Agreed: That WECA's Counter Fraud Strategy, as attached at Appendix 1, be endorsed.</p>
17	<p>Dates of Future Meetings</p> <p>Further to Minute 11 it was noted that an additional WECA Audit Committee would need to be arranged for mid-to-late September 2019 to sign-off the final accounts. If possible, this meeting would also contain a training session and pre-meeting prior to the public meeting.</p>

	Further meetings to be arranged for November 2019 and February 2020.
	Date Not Specified, Time Not Specified,