

A meeting of the  
**WECA Audit Committee**

will be held on

**Date: Thursday, 25 February 2021**

**Time: 10.30 am**

**Place: Zoom virtual meeting, to be broadcast on the WECA YouTube channel**

Please note that the 25 February 2021 WECA Audit Committee will be broadcast via this link:  
<https://youtu.be/OyBOxRuXvr4>

Cllr Geoff Gollop, Bristol City Council (Chair)  
Cllr Gary Hopkins, Bristol City Council  
Mark Hatcliffe, Independent Member of WECA Audit Committee  
Cllr Andy Wait, Bath and North East Somerset Council  
Cllr Tom Davies, Bath and North East Somerset 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 John Ashe, South Gloucestershire Council  
Cllr John O'Neill, South Gloucestershire Council  
Cllr Brenda Langley, South Gloucestershire Council

**Enquiries to:**

West of England Combined Authority Office  
Rivergate 3  
Temple Way  
Bristol, BS1 6ER  
Email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)  
Tel: 0117 456 6982

**Members of the public may:**

- 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 clear working days before the date of the meeting.
- Inspect agendas, reports and minutes of 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 of up to four years from the date of the meeting.
- Have access to a list setting out the decision making powers the WECA has delegated to their officers and the title of those officers.
- For further information about this agenda or how the Council works please contact Democratic Services, telephone 0117 42 86210 or e-mail: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

## **1. WELCOME AND INTRODUCTIONS**

## **2. APOLOGIES FOR ABSENCE**

*To receive 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 item number 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 THE MEETING HELD 10 DECEMBER 2020**

5 - 8

*To consider and approve the minutes from the 10 December 2020 meeting of the West of England Combined Authority Audit Committee.*

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

*Note: WECA virtual public committee meetings are currently being arranged as 'Zoom' video conferencing meetings, broadcast on the WECA YouTube channel.*

*Please note: the 25 February 2021 West of England Combined Authority Audit Committee will be broadcast via this link:*

<https://youtu.be/OyBOxRuXvr4>

### **WRITTEN PUBLIC QUESTIONS**

*1. Any member of the public can submit a maximum of two written questions to this meeting.*

*2. The deadline for the submission of questions is 5.00 pm, at least 3 clear working days ahead of a meeting. For this meeting, the deadline for questions is 5.00 pm on Friday 19 February 2021.*

*3. Questions should be addressed to the Chair of the meeting and e-mailed to [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)*

*4. Under the direction of the Chair, wherever possible, written replies to questions will be sent to questioners by the end of the working day prior to the meeting.*

*5. Please note - under WECA committee procedures, there is no opportunity for oral supplementary questions to be asked at committee meetings.*

*6. Questions and replies will be circulated to committee members in advance of the meeting and published on the WECA website.*

### **PUBLIC STATEMENTS**

*1. Any member of the public may submit a written statement (or petition) to this meeting.*

*2. Please note that one statement per individual is permitted.*

*3. Statements must be submitted in writing and received by the deadline of 12 noon on the working day before the meeting. For this meeting, the deadline for statements is 12 noon on Wednesday 24 February 2021. Statements should be emailed to*

[democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

4. Statements will be listed for the meeting in the order of receipt. All statements will be sent to committee members in advance of the meeting and published on the WECA website.

5. Please note – if any member of the public wishes to ‘attend’ the virtual meeting to orally present their statement, they are asked please to notify the WECA Democratic Services team of this by 12 noon on the working day before the meeting at latest.

6. In presenting a statement at the meeting, members of the public are generally permitted to speak for up to 3 minutes each if they so wish. The total time available for the public session at this meeting is 30 minutes. Within the time available, every effort will be made to enable individuals to verbally present their statements; at the discretion of the Chair, speaking time may sometimes be reduced depending on how many public items are received.

## **6. CHAIR'S BUSINESS / ANNOUNCEMENTS**

### **7. AUDIT PLAN CONSULTATION**

9 - 12

*This report updates the Audit Committee on the methodology used to create the Internal Audit Plan and asks for comments on areas or themes they would like to be considered within the plan for 2021/22.*

### **8. RISK MANAGEMENT FRAMEWORK**

13 - 26

*To provide an annual update to Audit Committee on WECA's approach to managing risk.*

### **9. MONITORING & EVALUATION FRAMEWORK**

27 - 38

*To report on the annual review and update of the WECA Monitoring & Evaluation Framework*

### **10. AUDIT PROGRESS REPORT AND SECTOR UPDATE**

39 - 60

*This paper provides the WECA Audit Committee with a report on progress in delivering Grant Thornton's responsibilities as our external auditors.*

## **11. FUTURE MEETING DATES**

*Proposed meeting dates for 2021/22:*

*(All Meetings to commence at 10:30am, timings will be adjusted if necessary depending on level of business, etc. ). All dates subject to change.*

*Thursday 27 May 2021 [this is a provisional date. The date of this meeting will be confirmed in due course]*

*Wednesday 22 September 2021*

*Thursday 9 December 2021*

*Wednesday 23 February 2022*

**Next meeting: 27 May 2021 [to be confirmed]**

# Agenda Item 4

## West of England Combined Authority WECA Audit Committee

Thursday, 10 December 2020, 1:30pm

Meeting held virtually via Zoom and broadcast on the WECA YouTube channel

### Present:

Cllr Geoff Gollop, Bristol City Council (Chair)  
Cllr Andy Wait, Bath and North East Somerset  
Council  
Cllr Tom Davies, Bath and North East Somerset  
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 John O'Neill, South Gloucestershire Council  
Cllr Brenda Langlely, South Gloucestershire  
Council  
Cllr Gary Hopkins, Bristol City Council

### Officers In Attendance:

Malcolm Coe, Director of Investment and  
Corporate Services  
Selonge Russell, Head of Finance  
Steve Finnegan, Financial Accountant  
Tim Milgate, Democratic Services

Jeff Wring, Internal Audit (Audit West)  
Pete Charles, Internal Audit (Audit West)  
Barrie Morris, Grant Thornton (External Audit)  
Sophie Morgan-Bower, Grant Thornton (External  
Audit)

### Apologies:

Cllr John Ashe, South Gloucestershire Council

## Minutes

1	<b>WELCOME AND INTRODUCTIONS</b>  The Chair welcomed everybody to the meeting which was being held virtually via zoom and broadcast via the Authority's youtube channel.
2	<b>APOLOGIES FOR ABSENCE</b>  An apology for absence was received from Cllr John Ashe.
3	<b>DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011</b>  No declarations of interest were declared.
4	<b>MINUTES OF THE MEETING HELD 16 OCTOBER 2020</b>  The minutes of the meeting held on 16 October 2020 were agreed as a correct record.
5	<b>ITEMS FROM THE PUBLIC (QUESTIONS; PETITIONS; STATEMENTS)</b>  One statement and two questions had been received from members of the public. The responses to the questions had been circulated prior to the meeting.  Mr Dave Redgewell attended the meeting and addressed the Committee on the topic of his statement in accordance with the Authority's procedural rules and Malcolm Coe, Director of Investment and Corporate Services clarified a couple of the points in reply.
6	<b>CHAIR'S BUSINESS / ANNOUNCEMENTS</b>

	<p>The Chair stated that this was the last meeting of the WECA Audit Committee prior to Christmas and wished everybody a safe festive period.</p>
7	<p><b>GRANT THORNTON ANNUAL AUDIT LETTER 2019/20</b></p> <p>Malcolm Coe, Director of Investment and Corporate Services introduced a report setting out the Grant Thornton Annual Audit Letter summaries of the key findings arising from the work that they had carried out at the West of England Combined Authority for the year ending 31 March 2020. The Letter provided a commentary on the results of Grant Thornton's work to the Authority and external stakeholders, and highlighted issues that they wished to draw to the attention of the public. The report also covered the 2019/20 'Audit Findings Report' which highlighted updated information received since the draft report was presented to the Audit Committee on 16 October 2020.</p> <p>Barrie Morris and Sophie Morgan-Bower, Grant Thornton, External Audit took the Committee through the main points. Changes within the previous Audit Findings report since the previous WECA Audit Committee meeting had been highlighted and brought to the Committee's attention.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> <li>• The assessment of the fees had been concluded and a small additional fee had been charged due to extra work caused by the Covid outbreak, as set out on page 57;</li> <li>• The finance team were thanked for their assistance in concluding the Audit;</li> <li>• Barrie Morris informed the Committee that both himself and Sophie would not be involved in the Authority's Audit for the next financial year.</li> </ul> <p><b>Resolved:</b></p> <p>(a) that the content of the (Grant Thornton) Annual Audit Letter (as detailed in Appendix 1) be noted;</p> <p>(b) that the (Grant Thornton) Audit Findings Report in relation to WECA's 2019-20 Statement of Accounts (as detailed in Appendix 2) be noted.</p>
8	<p><b>TREASURY MANAGEMENT STRATEGY 2021/22 AND TREASURY MANAGEMENT 2020/21 MONITORING UPDATE</b></p> <p>Steve Finnegan, Financial Accountant, introduced a report informing the Committee that the Chartered Institute of Public Finance and Accountancy's, (CIPFA), Treasury Management in the Public Services Code of Practice, requires the authority to approve a Treasury Management Strategy before the start of each financial year. The 2021/22 Strategy would be submitted to the January 2021 WECA Committee for approval alongside the 2021/22 budget papers.</p> <p>The Committee were also requested to note and comment on the 2020/21 Treasury Management monitoring update as detailed in Appendix 1.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> <li>• With interest rates low the Authority might investigate better returns in the next financial year in consultation with their treasury management advisors;</li> <li>• Income from investments was projected to return around £700k above budget in 2019/20. Most of the authority's cashflow was invested with public bodies;</li> </ul>

	<ul style="list-style-type: none"> <li>• A question was raised on how investments in local authorities were chosen as no authorities local to WECA were on the investment list. It was noted that the local authorities in question had been identified with short term loans through brokers/Treasury Management advisors helping with the deals, with Authorities needing to borrow differing amounts depending on their situations. WECA had instigated a loan scheme for the West of England Authorities although there had been no take up currently;</li> <li>• Should the Authority be looking for a more substantive return due to its cash richness? In response it was noted that due to the need to spend funds by a certain date it was not always possible to invest in long term schemes although some investments were in property and multi asset funds. This was always under review in consultation with the Authority's Treasury management advisors;</li> <li>• In terms of the yields table – it was asked whether one lump sum should be invested or whether a number of smaller investments should be made. In response it was noted that a spread of investments was the case and other longer term investments were being planned. However this needed to be balanced against the risk of borrowing if cash was not available which would be at a higher rate. It was confirmed that the Authority could borrow if necessary but this had not been needed to date;</li> <li>• What was the likely investment? This was based on cashflow forecasting and whether further investments may be coming into the area.</li> </ul> <p><b>Resolved:</b></p> <ul style="list-style-type: none"> <li>(a) that the Treasury Management Strategy for 2021/22 be noted and any amendments recommended by the Committee be taken into account prior to it being submitted to the January 2021 WECA Committee for approval;</li> <li>(b) That the 2020/21 Treasury Management monitoring update as detailed at the end of Appendix 1 be noted;</li> </ul>
9	<p><b>INTERNAL AUDIT UPDATE</b></p> <p>Jeff Wring introduced Pete Charles as the new Audit Manager for WECA and he updated the Committee on the Internal Audit work in 2020/21 including the Audit plans for the rest of the financial year.</p> <p>No specific work on the impact of Covid had been undertaken but the impact on specific pieces of work had been looked at. The impact on auditing work was noted as reviews and investigations were being undertaken remotely.</p> <p>A number of audits were being planned for quarters 3 and 4 and these were on track. The next formal update of the plan was due in April 2021.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> <li>• A question was raised whether Internal Audit were reviewing the functions where the risks had increased as a result of working at home for long periods. In response it was noted that this was now being considered in relation to individual reviews already in the plan but no new reviews were being recommended and the views of the Committee were sought for consideration by the S151 Officer and Internal Audit;</li> <li>• It was asked whether an increase in home working had led to a greater risk of cyber crime. It was stated that professional bodies were providing regular advice and alerts on these types of frauds and internal audit were mindful of providing advice to WECA on any potential weaknesses. A briefing on this topic was recommended for a future informal session of the Committee.</li> </ul>

	<b>Resolved:</b>  That the report be noted.
	The next meeting was planned for Thursday, 25 February 2021, 10.00 am, Zoom virtual meeting, to be broadcast on the WECA YouTube channel

The meeting commenced at 1:30pm and closed at 2:23pm.





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

**DATE: 25 FEBRUARY 2021**

**REPORT TITLE: AUDIT PLAN CONSULTATION**

**AUTHOR: JEFF WRING – AUDIT WEST (INTERNAL AUDIT)**

### **Purpose of Report**

- 1 This report updates the Audit Committee on the methodology used to create the Internal Audit Plan and asks for comments on areas or themes they would like to be considered within the plan for 2021/22.

### **Impact of Covid-19 pandemic**

- 2.1 The Combined Authority continues to actively review its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on or are addressed through this report are as follows:
  - A flexible approach will continue to be applied for the 2021/22 Internal Audit Plan to take account of any changing risks caused by COVID-19 pandemic. The plan will therefore be kept under review and adjusted as necessary throughout the year with a formal update six months into the year.

### **Recommendations**

- The Audit Committee is asked to comment on any areas or themes that they would like to be considered for the Internal Audit Plan 2021/22.

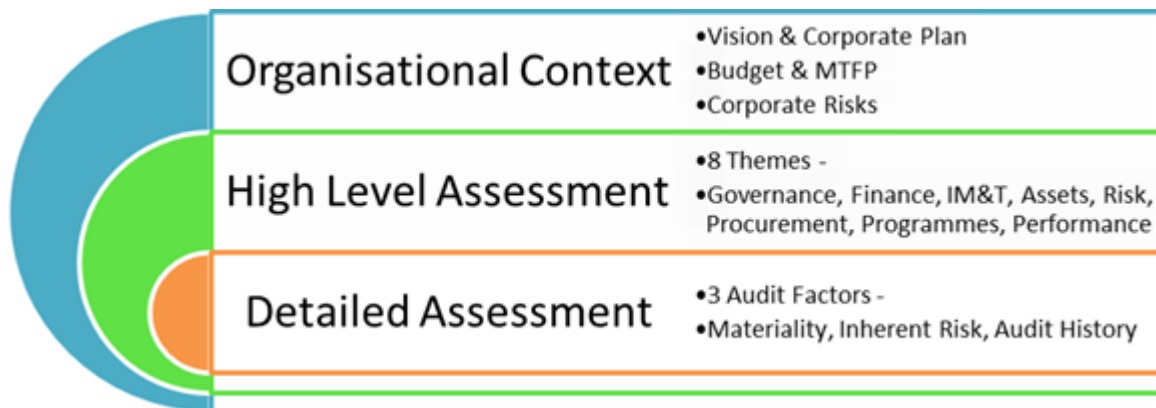
### **Background / Issues for Consideration**

3. The work of the Internal Audit Service is to provide independent assurance to the Combined Authority's senior officers and members that governance, risk management and controls are sufficient in ensuring delivery of the Combined Authority's objectives.

## 4. Report Narrative / Main Context

### 4.1 Background - Reasonable Assurance Model

- 4.1.1 The planning process is based on the fundamental requirement that the Audit Plan proposed will deliver sufficient work to enable the Chief Internal Auditor to independently assess the internal control framework of the Combined Authority and provide a 'reasonable assurance' opinion at the end of each year. The model we use – the Reasonable Assurance Model - has previously been reported to the Committee.
- 4.1.2 It was created and adopted in conjunction with a number of other councils in the South West and the Model approach won a Public Finance award in 2017.
- 4.1.3 The model is outlined in the following diagram with the key element being the high-level assessment of 8 'good governance' themes.



### 4.2 Consultation & Input – Audit Committee

- 4.2.1 The Audit Committee is a key stakeholder and have responsibility for approving the Audit Plan. The purpose of this report is to obtain views and feedback on areas for review which can then be considered as part of the planning process.
- 4.2.2 Members will have an awareness of specific impacts of the pandemic and also the interventions put in place which the Authority have facilitated and supported.
- 4.2.3 Currently the Plan has resources of 100 days per year which we have currently allocated as follows which leave approximately 30 days for consideration of input from key stakeholders.

LEP – 10 Days

Corporate Governance – 15 Days

Core (Financial) Systems – 15 Days

Core Grant Audit Certification – 10 Days

IT Audit – 5 Days

Counter Fraud & Corruption – 5 Days

Risk Management – 5 Days

Follow-Up Audits – 5 Days

4.2.4 Professional bodies such as The Chartered Institute of Internal Auditors have provided advice on key areas for organisations to consider when compiling audit plans. These are detailed below for Committee Members consideration:

- Information security (Covid-19 work environment)
- Regulatory requirements and the return to normal
- Delivery of Strategic Priorities (following Covid-19)
- Financial Resilience
- Managing talent, staff wellbeing and diversity challenges post pandemic
- Disaster and crisis preparedness: lessons from the pandemic
- Unprecedented economic volatility at National and Regional levels
- Supply chain disruption and third-party solvency for critical suppliers
- Fraud and the exploitation of operational and economic disruption
- Climate change and delivery post pandemic

4.2.5 It should be noted that within the commitments made above Internal Audit will continue to:

- Provide support to the corporate governance framework within the Authority;
- Provide support to assess the Authority's risk management framework;
- Provide advice on systems of internal control including policies and procedures. This is particularly important when systems and processes are being developed or changed;
- Provide support to Services on carrying out investigations in relation to financial irregularities. This may require Audit staff to take on the Investigating Officer role in compliance with the disciplinary procedures.

4.2.6 Views of the Committee are therefore sought to finalise the Audit Plan before its next meeting.

### **Consultation**

5 To develop and deliver the Annual Audit Plan the Internal Audit Service has consulted widely with officers and members and with the external auditors. Ongoing consultation will continue with the Audit Committee throughout the year.

### **Other Options Considered**

6 Not applicable.

### **Risk Management/Assessment**

- 7 The Audit Plan is drawn up on a risk-based approach, in line with Public Sector Internal Audit Standards.

### **Public Sector Equality Duties**

- 8 Embedded within the audit process is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

### **Finance Implications, including economic impact assessment where appropriate:**

- 9 The number of planned audit days remains the same level as in 2019/20.

### **Legal Implications:**

- 10 No direct implications.

### **Climate Change Implications**

- 11 Particular focus has been given to the risks and opportunities associated with Climate Change throughout the 2020-21 Internal Audit Plan discussions with senior management.

### **Land/property Implications**

- 10 No direct implications.

### **Human Resources Implications:**

- 11 No direct implications.

### **Appendices:**

None

Report Author: Jeff Wring – Audit West (Internal Audit)

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

Background Papers

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)



**REPORT TO: AUDIT COMMITTEE**

**DATE: 25 FEBRUARY 2021**

**REPORT TITLE: RISK MANAGEMENT FRAMEWORK**

**DIRECTOR: MALCOLM COE, DIRECTOR OF FINANCE**

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

## **Purpose of Report**

- 1 To provide an annual update to Audit Committee on WECA's approach to managing risk.

## **Impact of Covid-19 pandemic**

The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on or are addressed through this report are as follows:

- The Covid-19 pandemic has put into focus the need to ensure that key risks to delivery, and their mitigations, are clearly articulated
- WECA had a robust business continuity plan in place which was activated in March 2020 as we moved to working from home
- A full review of priorities was carried out in April 2020 to ensure focus on responding to the pandemic. This in turn was reviewed in July/August 2020 as part of our annual PDR process
- The quarterly reporting cycle covering the business plan and risk register was paused until September 2020 whilst we focused on developing our regional recovery plan.
- The WECA business plan, setting out our proposed activities for 2021-22, was approved by Committees in January 2021. This is a strategic plan and has been designed to ensure there is flexibility to respond to the emerging situation as we move through and out of the pandemic

## **Recommendation**

- Members are asked to endorse the updated risk management framework

## **Background / Issues for Consideration**

- 2 The West of England Combined Authority is committed to deliver its strategic objectives of clean and inclusive economic growth whilst retaining a clear focus on the potential risks and opportunities associated with the activities set out in the annual business plan.
- 2.1 The risk management framework sets out our approach to identifying and managing the risks associated with delivery of the WECA business plan.
- 2.2 The framework has evolved over the past three years and forms an integral part of WECA's performance reporting process.
- 2.3 The framework has been reviewed by WECA SMT. No substantive changes have been recommended this year.
- 2.4 A draft of the updated risk management framework is attached as appendix one of this report.
- 2.5 The current corporate risk register is attached as appendix one of this report.

### **Consultation**

- 3 The risk management framework for 2021 has been reviewed and endorsed by WECA SMT.
- 3.1 Risk management was discussed with Internal Audit on 19 January 2021 as part of their review of the Reasonable Assurance Model. No specific actions were requested following this meeting.
- 3.2 An update on the corporate risk register is included as part of reporting on the WECA business plan to Committee meetings.

### **Other Options Considered**

- 4 None

### **Risk Management/Assessment**

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

### **Public Sector Equality Duties**

- 6 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.

6.1 The Act explains that having due regard for advancing equality involves:

- Removing or minimising 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.

6.2 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.

6.3 There are no equality implications arising directly from this paper. Equalities implications are considered as part of the planning and implementation of specific activities.

#### **Finance Implications, including economic impact assessment where appropriate:**

7 Core financial risks to the Combined Authority, together with mitigating actions, are highlighted in the Corporate Risk Register.

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

#### **Legal Implications:**

8 The Accounts and Audit (England) Regulations 2015 state that “A relevant authority (the Council) must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk”. This framework meets this requirement and is an essential part of good governance for the Combined Authority.

Advice given by: Shahzia Daya, Director of Legal

#### **Climate Change Implications**

9 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region’s residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- \* The emission of climate changing gases?
- \* The region’s resilience to the effects of climate change?
- \* Consumption of non-renewable resources?
- \* Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 9.1 *Taking the above specifically into account, please comment on any climate change implications arising as a result of this report, and include details of any mitigation:*
- 9.2 There are no specific climate change implications arising as a result of this report. Risks arising from the declaration of the Climate Change Emergency, in relation to the delivery of WECA's business plan, are highlighted in the corporate risk register.

### **Land/property Implications**

10 n/a

### **Human Resources Implications:**

- 11 There are no Human Resource implications arising directly from this report.
- 11.1 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 People and Assets

### **Appendices:**

*List any appendices to the report:*

Appendix 1 – WECA Risk Management Framework 2021

Appendix 2 – WECA Corporate Risk Register

### **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 Quay, Bristol BS1 6EW; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)



**WEST OF ENGLAND COMBINED AUTHORITY  
CORPORATE RISK FRAMEWORK 2021**

## Introduction

1. 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.
2. 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.
3. The key purpose of the corporate risk framework is to ensure that key risks to WECA's delivery are identified, managed and monitored.
4. 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).
5. 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.
6. 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

7. 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

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

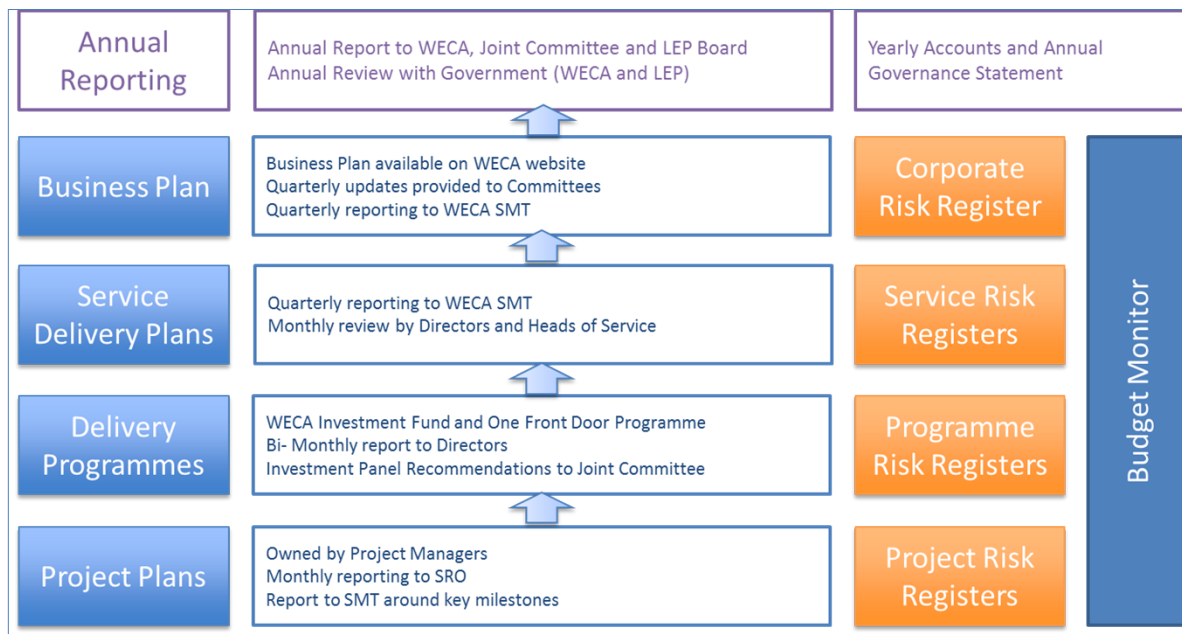


Figure one: WECA performance reporting process

9. 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.

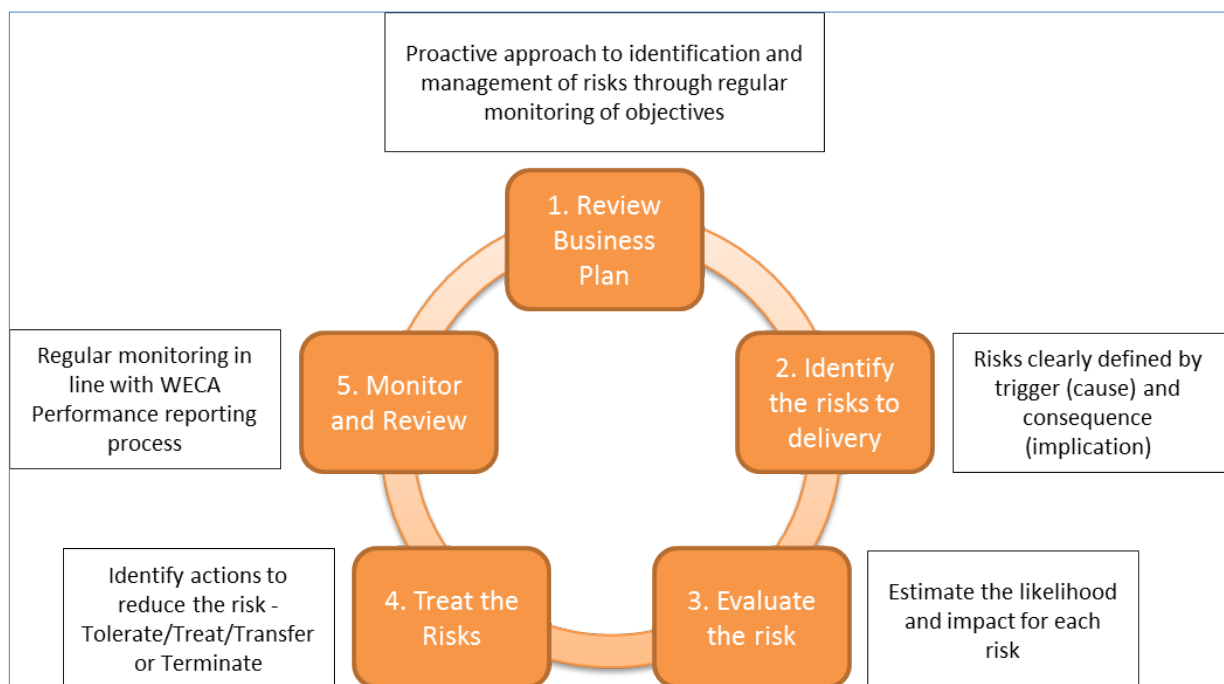


Figure two: WECA risk management process

## Evaluation Criteria and Risk Appetite

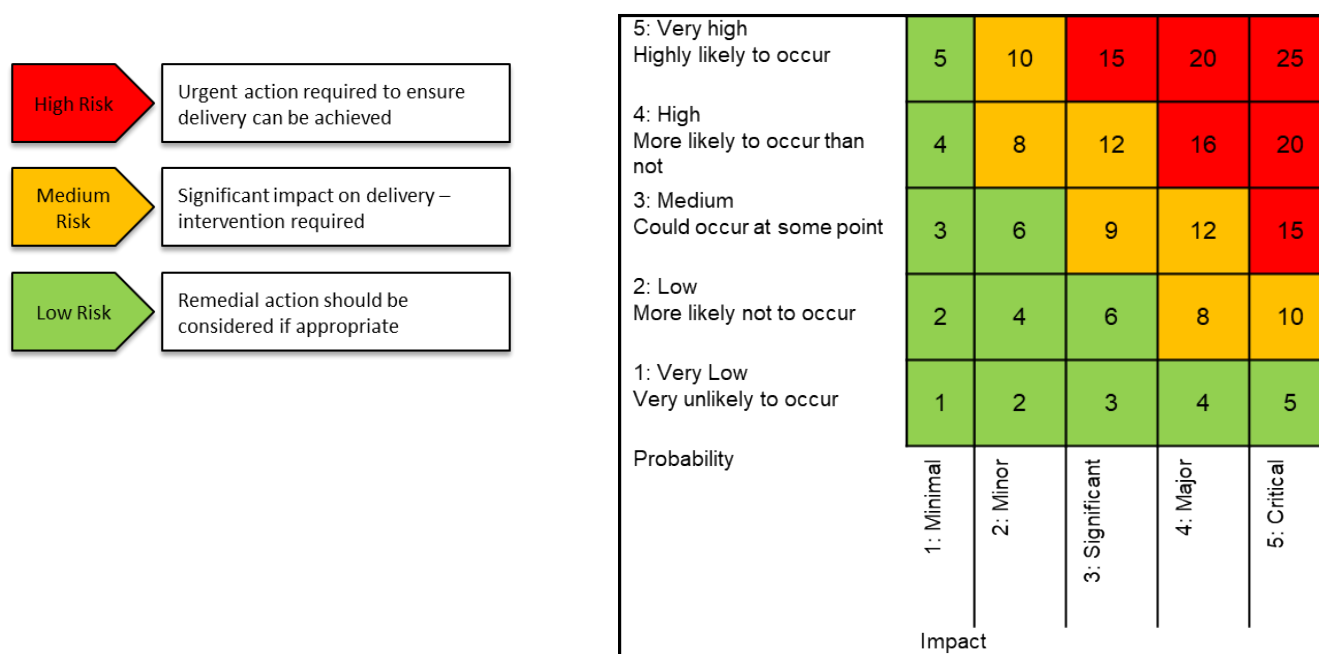
10. Each risk is clearly defined by stating the cause and consequence of each risk. Six key risk categories have been identified that have the potential to create a significant impact onto delivery if not managed effectively. These are: Cost, Benefits, Reputation, Delivery, Legal & Governance and Health & Safety.
11. 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.
12. 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.
13. 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.
14. 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.

## Management of Risk

15. The Corporate Risk Register is reviewed each month by WECA Management Team (SMT plus Heads of Service) alongside the Directorate Risk Registers.
16. A quarterly update on the Corporate Risk Register is provided to WECA SMT as part of our wider reporting processes and a summary of key risks is provided in our quarterly progress reviews to WECA and Joint Committee.

Figure three: WECA risk scoring matrix



## Roles and Responsibilities

17. 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 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

## Appendix 1: Risk Impact Scoring Criteria

Consequence	1: Minimal	2: Minor	3: Significant	4: Major	5: Critical
<b>Costs</b>	Costs could increase by <b>up to 1% or £10k and under whichever is lower.</b>	Costs could increase between <b>1% and 5% or overspent between £10k to £50k whichever is lower.</b>	Costs could increase between <b>6% to 15% or overspent between £50k and £250k whichever is lower.</b>	Costs could increase between <b>16% to 25% above budget or between £250k and £500k whichever is lower.</b>	Costs could exceed budget by <b>greater than 25% or overspent of £500k or greater.</b>
<b>Benefits</b>	Benefits could decrease by <b>up to 1% or £10k and under whichever is lower.</b>	Benefits could decrease between <b>1% and 5% or overspent between £10k to £50k whichever is lower.</b>	Benefits could decrease between <b>6% to 15% or overspent between £50k and £250k whichever is lower.</b>	Benefits could decrease between <b>16% to 25% above budget or between £250k and £500k whichever is lower.</b>	Benefits could decrease exceed budget by a reduction of <b>greater than 25% or decrease by £500k or greater.</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</b> on the interpretation of <b>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 over a 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 Risk Register		LAST UPDATED 15/02/2021		Inherent Risk Score				Residual Risk Score				Status	Date of last update		
ID	Category	Date entered	Risk Description	Risk Impact	L	I	Score	Mitigation	Timeframe	L	I	Score	Risk Owner	Status	Date of last update
CS-R002	Financial	19/07/2018	There is a risk that the way that Government funds Combined Authorities will result in less funding to support delivery of projects.	WECA capacity is currently resourced through short term funding streams - Mayoral Capacity Fund and Business Rates Retention pilot. Without confirmed funding WECA would not be able to retain high calibre staff, balance its budget or deliver against its priorities	4	5	20	Discussions ongoing with HMRC and Treasury both directly and with other Combined Authorities who are also impacted. A medium term financial plan is in place.	Ongoing	3	5	15	Director of Investment and Corporate Services	Open	17/11/20
WECA-R003	Financial	19/07/2018	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 and this would impact onto the integrity of the assurance framework	4	5	20	Our Assurance Framework is agreed annually and sets out how funding decisions are made. Our Investment Programme is agreed. 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.	Ongoing	2	4	8	Chief Executive	Open	17/11/2020
WECA-R010	Health & Safety	17/11/2020	There are ongoing risks to maintaining a safe working environment during the pandemic, both for staff coming into the office and those working from home for extended periods of time.	This could result in increased sickness absence, with associated delayed timescales and cost overruns	4	5	20	Ensure managed use of the office is available, where legal and safe to do so, for those staff who really need it and that government and public health guidelines are followed. Wellbeing strategy developed and promoted. Support available through Employee Assistance Programme. Mental Health First Aiders available.	Ongoing	3	5	15	SMT	Open	
WECA-R015	Delivery	04/02/2021	There is risk of disruption to home working arrangements should there be unforeseen IT outages	There would be disruption and delay to activity, if over an extended period of time this could result in missed deadlines	4	5	20	We have contingencies in place through our IT supplier and a robust business continuity plan to ensure that areas for priority support are clearly identified	Ongoing	3	5	15	Director of Investment & Corporate Services	Open	
WECA-R008	Delivery	15/08/2019	Most of the mitigating activities required to address the Climate Change Emergency are outside of WECA's responsibilities and control.	We may not have all the levers to ensure a regional economy and infrastructure that is fit for a low carbon future and resilient to climate change.	4	4	16	Climate Emergency Action Plan Published October 2020 and approved by WECA committee. We already have allocated £250K to develop business cases to respond to the Climate Emergency and green recovery is a key principle of our recovery plan. There is a need to balance potential conflicts between climate emergency considerations and actions to support economic recovery and deliver extant projects.	Ongoing	3	4	12	Senior Management Team	Open	09/11/2020
WECA-R006	Delivery	19/11/2018	There is a risk that the unpredictable impact of Brexit on Business across the region could lead to uncertainty and lack of confidence.	Businesses may be reluctant to make decisions regarding investment in the region.	4	4	16	WECA has convened a working group and has engaged with LEP Board and Business West to identify early issues and discuss approaches. Advice and signposting is available via Growth Hub website.	Ongoing	3	3	9	Head of Strategy & Policy	Open	04/11/2019
WECA-R011	Reputational	17/11/2020	There is a risk that due to continued uncertainty over future restrictions, published regional recovery plans will need to change to reflect emerging and unexpected circumstances	Activities may need to be reviewed and refocused at short notice, leading to frustration from businesses and residents	4	4	16	Accept risk and monitor through Taskforce and LEP Board. Recovery campaign to help promote support available with clear messaging and signposting	Ongoing	3	3	9	SMT	Open	
WECA-R017	Delivery	11/02/2021	There is a risk that take up of public transport in future is lower than currently planned.	This will lead to an increased reliance on subsidies from WECA or Government	4	4	16	Ongoing monitoring of situation and discussions with Government. Anticipate further announcements regarding funding in Autumn.	Ongoing	4	4	16	Director of Infrastructure	NEW	
WECA-R012	Delivery	17/11/2020	There is a risk that delivery of key infrastructure projects will be delayed by the covid-19 pandemic, due to delays to construction	This would result in delayed timescales and cost overruns	3	4	12	Initial work prioritisation carried out in April/May 20 to ensure resources available to support delivery of corporate priorities		3	4	12	Director of Infrastructure	Open	
WECA-R007	Legal & Governance	29/03/2019	As with any public sector body that administers grant funding, there is a risk of fraud, bribery or corruption.	Financial loss, reputational damage.	3	4	12	Controls & prevention measures incorporated in key operational processes. Annual review of arrangements.	Ongoing	2	4	8	Director of Investment & Corporate Services	Open	04/03/2019
WECA-R013	Legal & Governance	17/11/2020	There are risks that delivery of the 2021 election for regional mayor will be disrupted due to the pandemic	Election could be delayed or disrupted	3	4	12	Work with the electoral commission to agree mitigations		2	4	8	Director of Legal	Open	
WECA-R016	Delivery	04/02/2021	There is a risk that extreme weather events could disrupt delivery of infrastructure projects	There would result in delayed timescales and cost overruns	3	4	12	Risk is monitored through programme delivery framework. We have contingency and risk financial allocations within individual project budgets.	Ongoing	2	4	8	Director of Infrastructure	Open	
WECA-R009	Financial	15/08/2019	There is a risk that, as a newly established organisation, WECA may not have enough evidence to meet the requirements of the 5-year Government Gateway Review because capital schemes are at an early stage of delivery.	We would be unable to maximise investment into the region to deliver our priorities as set out in our Local Industrial Strategy	2	4	8	We have developed tangible metrics which are included in our Business Plan which set out anticipated progress to be made by 2023. We have an approved £350m programme allocated against strategic priorities up to 2023. Reports submitted in advance of final review in January 2021	Ongoing	3	4	12	Director of Investment & Corporate Services and Head of Performance, Planning & Projects	Open	17/11/2020

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

**DATE: 25 FEBRUARY 2021**

**REPORT TITLE: MONITORING & EVALUATION FRAMEWORK**

**DIRECTOR: JESSICA LEE, HEAD OF STRATEGY & POLICY**

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

## **Purpose of Report**

- 1 To report on the annual review and update of the WECA Monitoring & Evaluation Framework

## **Impact of Covid-19 pandemic**

The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on or are addressed through this report are as follows:

- Our monitoring and evaluation framework sets out our overall approach to the Monitoring & Evaluation of activities across WECA and the Local Enterprise Partnership. It sits alongside our annual business plan which is refreshed each year.
- Our annual business plan has been reviewed and updated to reflect the impact of the Covid-19 pandemic and to bring together the activities in our Regional Recovery Plan, Climate Emergency Action Plan and Local Industrial Strategy. The business plan was approved by WECA and Joint Committee on 29 January 2021.
- We fully recognise that in these uncertain times we need to ensure we remain flexible to ensure that we can continue to support our residents and businesses. We will be monitoring delivery of our business plan as we move through the pandemic and will be providing quarterly progress reports to WECA and Joint Committee.

## **Recommendation**

- Audit Committee are asked to endorse the Monitoring & Evaluation Framework for 2021.

## **Background / Issues for Consideration**

- 2 Our approach to monitoring and evaluation is based on the following 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
- 2.1 The monitoring and evaluation framework brings together WECA's reporting requirements into one single document, with a reporting structure focused on the following:
- Delivery of the annual business plan which includes in-year activity to support WECA and the Local Enterprise Partnership.
  - Project and Programme delivery, focused on schemes funded through the WECA Investment Fund, Transforming Cities Fund, West of England One Front Door Programme and through other grant funds (e.g. Department for Digital, Culture, Media and Sport).
  - Longer term organisational impact, measured through the five-year gateway reviews.
- 2.2 We have reviewed our monitoring and evaluation framework and a draft for 2021 is included as an annex to this report. The basis of the framework remains unchanged, but for this year we have made some changes to remove duplication and strengthen the link between projects and strategic outcomes. These changes are detailed below.
- Signposting to published project list and monitoring and evaluation plans. We have previously included an appendix reproducing the logic models applied to different types of project. This somewhat academic approach was taken initially to support the set-up of the new combined authority. We can now signpost to a full list of published monitoring and evaluation plans on our website.
  - We have included the Strategic Outcomes that are now included in our business plan into our monitoring & evaluation plan, and demonstrate how these align into our core logic model.

## **Consultation**

- 3 The monitoring and evaluation framework is updated annually and is shared with Government. Due to the pandemic the date for submission of a draft was postponed and we plan to share our draft following feedback and discussion with Audit Committee Members.

## **Other Options Considered**

- 4 None. A monitoring and evaluation framework is a requirement from Government and is also good practice in ensuring consistency and efficiency of approach.

## **Risk Management/Assessment**

- 5 Without a rigorous and consistent approach to monitoring and evaluation we will be unable to meet our statutory reporting requirements.

## **Public Sector Equality Duties**

- 6 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.
- 6.1 The Act explains that having due regard for advancing equality involves:
- Removing or minimising 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.
- 6.2 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.
- 6.3 There are no equality implications arising directly from this report. All projects are required to complete an equality impact assessment.

## **Finance Implications, including economic impact assessment where appropriate:**

- 7 The monitoring and evaluation framework provides assurance that limited resources will be utilised to their best effect to ensure activity is appropriate and proportionate.

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

## **Legal Implications:**

- 8 Monitoring and evaluation is an essential part of the Combined Authority's governance. This report sets out the approach to be taken to evaluate the outcomes of our interventions.

Advice given by: Shahzia Daya, Director of Legal and Democratic Services

## Climate Change Implications

- 9 On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- \* The emission of climate changing gases?
- \* The region's resilience to the effects of climate change?
- \* Consumption of non-renewable resources?
- \* Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 9.1 WECA has published a Climate Emergency Action Plan and we are now working with our Local Authority partners on an implementation approach, which will include a monitoring & evaluation plan.

## Land/property Implications

- 10 *n/a*

## Human Resources Implications:

- 11 None arising from this report. Monitoring and evaluation activity should be included in project resource and budget plans.

Advice given by: Alex Holly, Head of People and Assets

## Appendices:

Appendix 1 – WECA Monitoring & Evaluation Plan 2021

**Background papers:** *n/a*

## 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 Quay, Bristol BS1 6EW; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

## **MONITORING & EVALUATION FRAMEWORK 2021**

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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) was established in 2017 as part of a Devolution Deal with Government. Its overarching aim is to deliver clean and inclusive economic growth.

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, together with the £103m Transforming Cities fund 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, Getting Building Fund, One Front Door Programme and LEP activities are made by the West of England Joint Committee.

These governance arrangements are illustrated below.

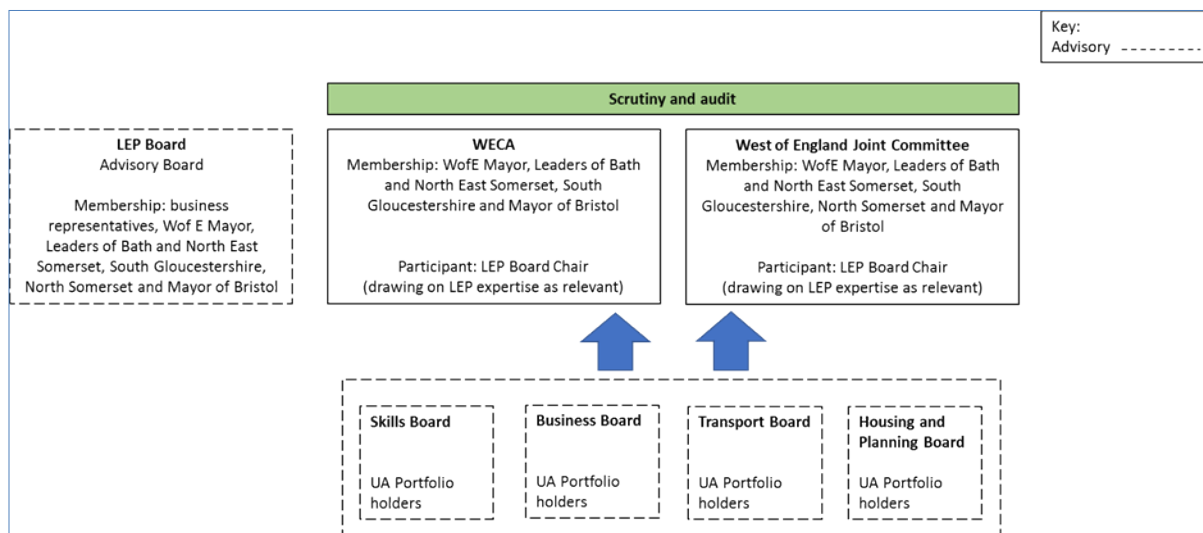


Diagram One: Governance Arrangements

The detailed processes for managing the WECA Investment Fund and West of England One Front Door Programme are set out in the [Local Growth Assurance Framework](#) which details the agreed prioritisation, appraisal, monitoring and evaluation requirements for each scheme. <sup>1</sup>

In June 2019 the WECA Committee agreed an overall funding envelope of £350m for the period up to March 2023, reflecting the strong ambitions to drive forward projects which would bring very significant, positive improvements and impacts for residents right across the region.

<sup>1</sup> A single, aligned, Local Growth Assurance Framework was agreed through the WECA and Joint Committees in April 2019. This brings together and replaced the WECA Single Pot Assurance Framework and LEP Assurance Framework.



### 3. Approach to Monitoring & Evaluation

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. Operating Framework and Annual Business Plan

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 and aligns with the themes of the [West of England Local Industrial Strategy](#).

WECA's annual business plan sets out the key activities that WECA will deliver each year. The business plan for 2021/22 aligns the activity to deliver our Local Industrial Strategy alongside our priorities for [Regional Recovery](#) and [Climate Emergency](#). It also includes details of our Local Enterprise Partnership delivery plan which we are required to report separately to BEIS.

The operating framework and business plan are published on the WECA website [here](#) and the diagram below illustrates how our key strategies are aligned.

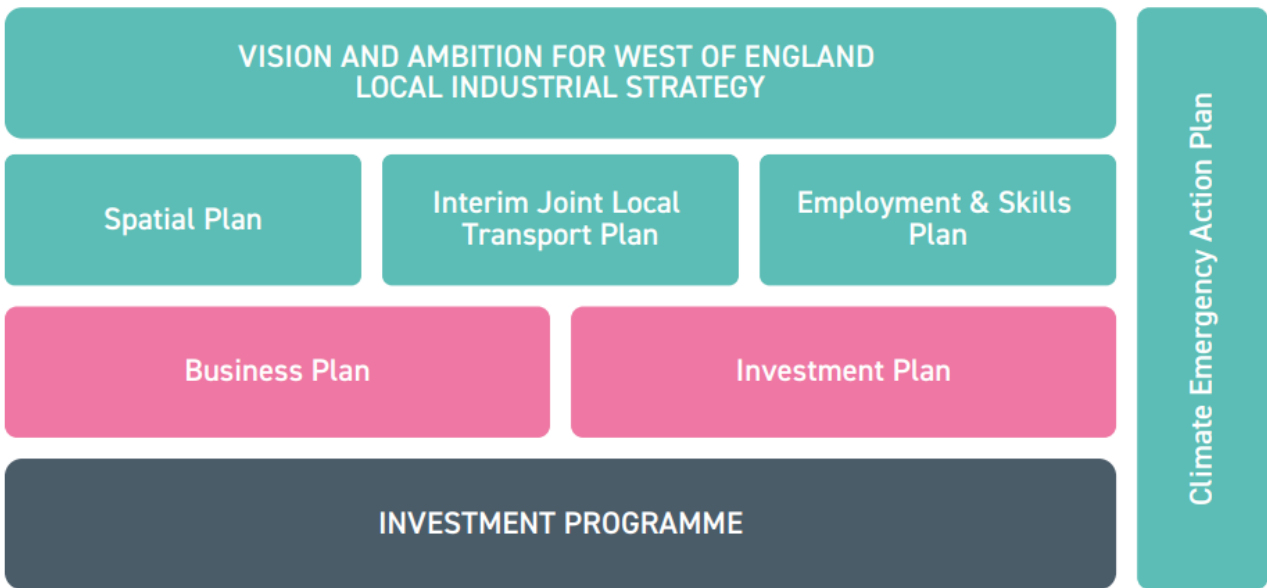


Diagram Three – Strategic alignment

Quarterly reports on progress in delivering the business plan are taken to WECA and Joint Committee. Overall progress is presented in an annual progress report which is published each summer.

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

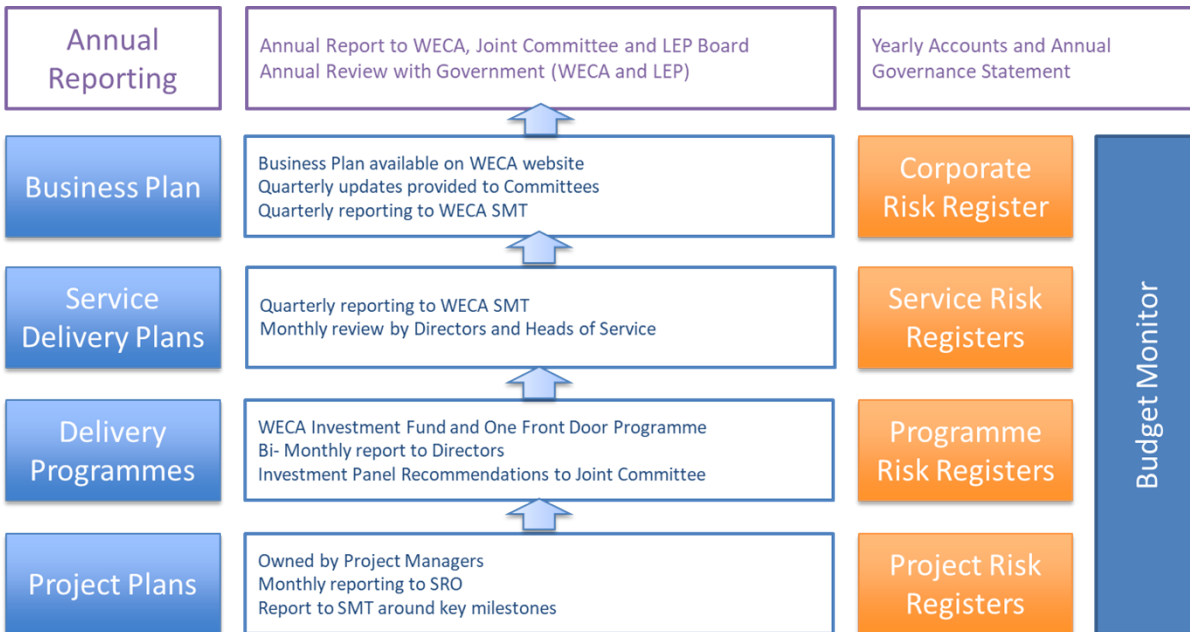


Diagram Four – Business plan reporting cycle

## 5. Strategic Outcomes

Our strategic outcomes provide a framework for understanding the collective impact of all of our projects and the benefits they deliver. In addition to the direct benefit of jobs and economic output, WECA's programme will contribute to our objectives of clean and inclusive growth, and addressing the climate emergency through:

- enabling residents to take public transport
- increasing rates of walking and cycling
- supporting the development of affordable housing and employment space
- helping people across the region to gain skills and access jobs
- improving the innovation and productivity of businesses across the region
- supporting digital transformation

Our Investment Programme identifies projects across all of WECA's funding streams, for delivery up to 2023, and realising the following outcomes against our strategic themes:

### Economic growth

- £1.7bn of economic output (gross value added)
- Over 14,000 new jobs

### People and Skills

- Over 45,000 learners gaining new qualifications or skills
- 1,870 people supported to gain increased earnings, and many more moving into work
- 470 small businesses benefiting from skills and training support

### Business

- Approximately 7,000 business receiving enterprise support
- 195 businesses supported to bring inward investment to the region, and hundreds of new businesses started

### Innovation

- 90 new products or services brought to market through WECA support
- 110 new research and development projects carried out
- Engage 1,000 small businesses in innovation and provide intensive support to 470, including registering intellectual property rights

### Infrastructure

- 73,700m<sup>2</sup> of commercial floorspace enabled
- 500,000 new bus journeys per year, and significant improvements locally
- 1,380,000 new rail journeys per year
- Six new railway stations opened
- Delivery of 13km of improved cycle and walking paths
- Delivery of flood defences to protect and enable
- 19,400 jobs and £3.8bn of GVA

WECA also tracks a small number of [regional indicators](#) across the region, across the priorities of our Operating Framework. These indicators summarise the state of the region for each priority area, and we expect the activities set out in business plan to contribute to positive change. We do not have total control over these measures because many other factors play a role, but it is important we understand the current position.

## 6. Equalities

WECA is committed to achieving inclusive economic growth across the Region. 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.

## 7. 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 is reviewed annually and will be brought to the February 2021 Audit Committee for approval.

## 8. 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

In line with the Local Growth Assurance Framework it is a requirement for all projects funded by streams in scope of the framework to undertake monitoring and evaluation in line with the activities set out in the Monitoring and Evaluation Plan approved as part of the business case. The Framework states:

All projects funded through the investment programme, regardless of the size, will have an effective monitoring and evaluation plan in place which will form a key part of the business case. This will enable assessment of the effectiveness and impact of investing public funds, and the identification of best practice and lessons learnt that can inform decisions about future delivery. The monitoring plan will guide the collection of data from individual projects and will be designed to ensure that it captures information required by WECA and government.

Individual monitoring and evaluation plans will be proportionate, correspond with procedures for appraisal, and be in line with the latest government department guidance where relevant. These plans will identify the resources required to deliver the proposed monitoring and evaluation activities.

Unless there are reasons otherwise as set out in the business case to vary the timing, guidance requires that a standalone scheme Evaluation Report should be produced at intervals of one and three years post-delivery.

## 9. List of Schemes and links to Monitoring & Evaluation Plans

A [full list of all projects in delivery](#) is available on our website with funding streams are indicated for all activities. Funds devolved to WECA as part of the West of England Devolution Deal are referred to as 'Investment Fund'. The Investment Fund also incorporates the £103m funding awarded through the Transforming Cities Fund in one integrated programme. Funds managed through the Local Enterprise Partnership are identified as 'West of England' or by fund name.

Where available links are included to individual scheme Monitoring & Evaluation plans with details of logic models and specific project measures that may be required to meet funding agreements. Our overall logic model that underpins the WECA Investment Fund is produced below. Data requirements are determined for each project in line with national requirements where appropriate.

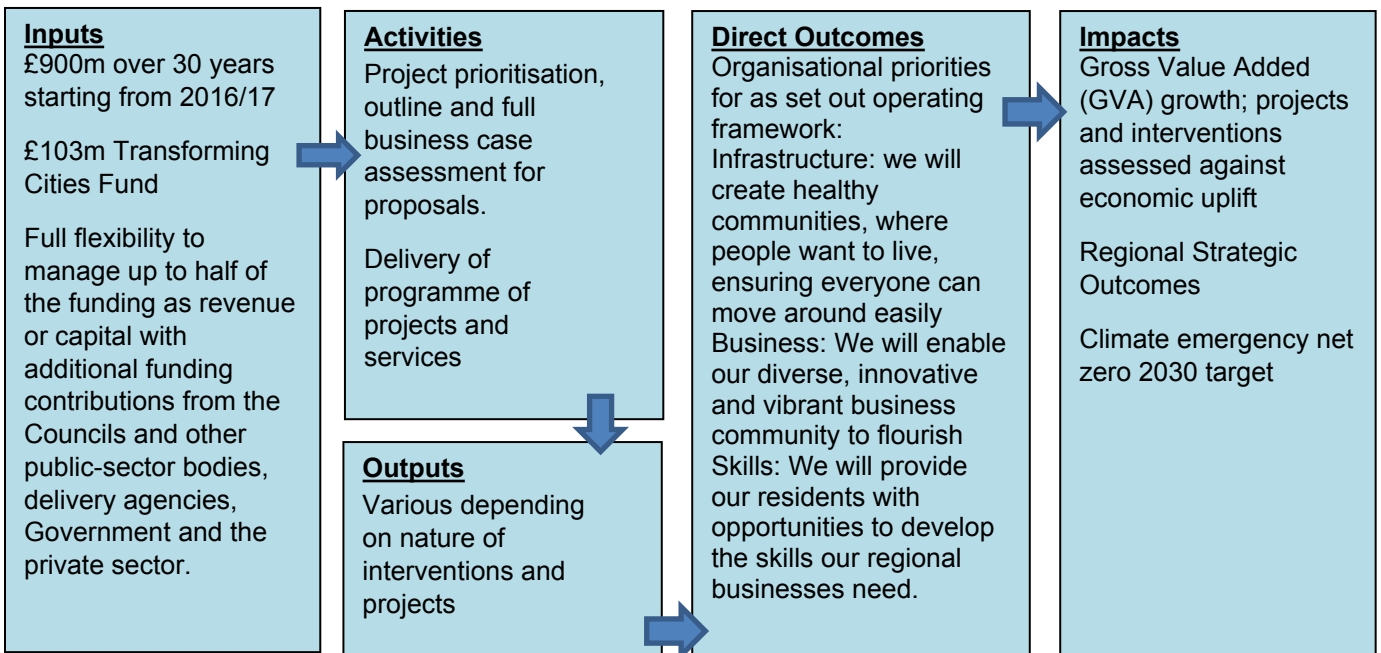


Diagram Five - Overall Logic Model

## 10. Organisational Impact

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

We are working closely with the national suppliers who are leading the Gateway review work across the Combined Authorities on the evaluation of the West of England Investment Fund. The Final Report from the independent evaluation of the Investment Fund was submitted to Government in November, and it is expected that the outcome will be known in February/March 2021. In parallel WECA submitted a [Complementary Report](#) which sets out the wider context surrounding the use of the Investment Fund.

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## **WECA AUDIT COMMITTEE**

**25 FEBRUARY 2021**

### **REPORT SUMMARY SHEET**

### **AUDIT PROGRESS REPORT AND SECTOR UPDATE**

#### **Purpose**

This paper provides the WECA Audit Committee with a report on progress in delivering Grant Thornton's responsibilities as our external auditors.

#### **Summary**

This report includes the following key information:

- Progress Update on the Financial audits for 2019/20 and the new financial year 2020/21;
- Value for Money;
- Audit Fees;
- Audit Deliverables;
- Covid-19 Updates;
- Sector Update including a summary of emerging national issues and developments.

#### **Impact of Covid-19 pandemic**

The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic.

The Grant Thornton report includes the following as a result of COVID-19:

- In-depth insight into the impact of Covid-19 on financial reporting in the local government sector for 2019-20 and ongoing impact into 2020-21;
- Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 – National Audit Office.

#### **Recommendations**

WECA Audit Committee are asked to note the report.

**Contact officer:** Malcolm Coe

**Position:** Director of Investment and Corporate Services

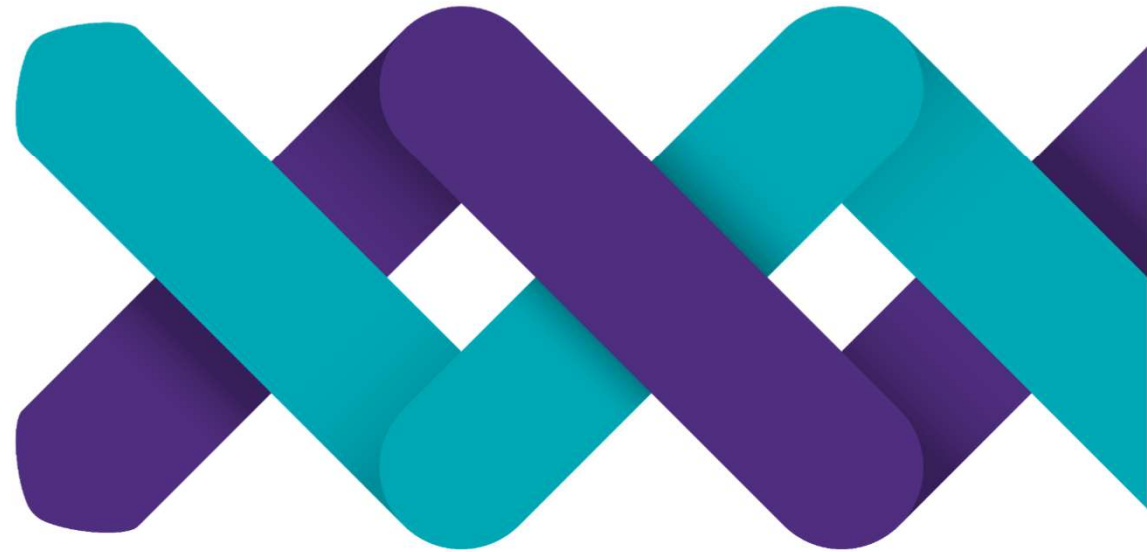
**Email:** Malcolm.Coe@westofengland-ca.gov.uk

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# Audit Progress Report and Sector Update

West of England Combined Authority  
Year ending 31 March 2021  
Page 41  
February 2021



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# Introduction

## Introduction to your 2020-21 team



**Jon Roberts**

**Engagement Lead**

T 0117 305 7699

E Jon.Roberts@uk.gt.com



**David Bray**

**Engagement Senior Manager**

T 0117 305 7889

E David.Bray@uk.gt.com

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 local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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 [www.grantthornton.co.uk](http://www.grantthornton.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.

We are pleased to introduce your 2020-21 engagement team, led by Jon Roberts. Jon leads Grant Thornton's local public audit relationships with a number of external bodies, including FRC, Public Sector Audit Appointments Ltd, the National Audit Office, DCLG and CIPFA. Jon is currently Head of Grant Thornton's South West local audit practice and is an engagement lead for a number of large local audited bodies in the South West and nationally, including Birmingham City Council, Bristol City Council, North Somerset Council and NHS BNSSG CCG UK.

Your engagement team Senior Manager is David Bray. David is an experienced Senior Manager in the Public Sector Assurance team who joined the Audit Commission in 1993. David is Grant Thornton's Public Sector (PS) International Lead which involves liaising with other Member Firms to ensure there is a global understanding of the challenges faced by the public sector & the responses being developed, and implementing the Firm's global Public Sector Strategy.

# Progress at February 2021

## Financial Statements Audit 2019/20

We reported our work in the Audit Findings Report and gave our opinion on the Statement of Accounts on 18 November 2020.

## Value for Money 2020/21

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation ran until 2 September 2020. The NAO will now analyse all consultation responses received and consider what changes are required to the draft guidance.

## Financial Statements Audit 2020/21

Our planning procedures for the 2020/21 audit are underway for the financial statements and Value for Money work.

Our work will be summarised in the Audit Plan which will be taken to the next Audit Committee.

## Audit Fees

Following the review of audit fees in 2019/20 and the outcome of the Redmond Review, the audit fees for 2020/21 are currently being considered and will be communicated to the Audit Committee in due course within the External Audit Plan. As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

## Other areas

### Meetings

We meet with Finance Officers regularly 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.

### Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers are due to attend our Financial Reporting Workshop in February, which helps to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

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

2019/20 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2019/20.	February 2020	Complete
<b>Audit Plan</b> We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2019-20 financial statements and a Conclusion on the Authority's Value for Money arrangements.	February 2020	Complete
<b>Audit Findings Report</b> The Audit Findings Report was reported to the October Audit Committee.	October 2020	Complete
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	November 2020	Complete
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	February 2021	Complete
2020/21 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2020/21.	February 2021	In progress
<b>Audit Plan</b> We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2020-21 financial statements and a Conclusion on the Authority's Value for Money arrangements.	March 2021	In progress

# COVID-19 Update

## Impact on working arrangements:

- Following the government's announcement on Monday 16 March 2020, we closed our Grant Thornton offices. Many have now re-opened, but with a significantly reduced capacity. All of our people are still working from home for the majority of the time.
- It is likely that we will work remotely during the majority of your accounts audit. Although there are some audit tasks which are best undertaken in person, we will be able to complete the majority of the audit remotely. This is however likely to make the audit process longer. We continue to work closely with your finance team to make this different way of working as efficient as possible.
- There may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of COVID-19.

## Impact on accounts and audit opinions:

There are a number of key issues which your finance team will have had to consider as part of the year end closedown and accounts production:

- impact on reserves and financial health and whether the Authority needs to provide additional disclosures that draw attention to a Material Uncertainty around Going Concern or asset valuations.
- impact on post-balance sheet events. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure will be needed.
- disclosure of impact in narrative report.
- disclosure of critical judgements and material estimation uncertainties.
- impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation.
- considerations in respect of service continuity and disaster planning arrangements (this could impact on the VfM conclusion).
- impact on reporting to those charged with governance and signing arrangements.

## Changes to reporting requirements:

- the Secretary of State announced that for the 2019/20 accounting period he would be extending the period for publication of principal authority accounts to 31 August 2020.
- for principal authorities, this meant that the whole chain of publication requirements was amended. The audited financial statements were now to be published by 30 November 2020.
- IFRS 16 implementation has been delayed by 1 year to 1 April 2021. The implementation timetable has not yet been released.

# Covid-19 update – Grant Thornton

## Where are we now?

Almost twelve months into lockdown and Authorities have moved from the initial emergency response phase to focus on recovery planning which is running in parallel with on-going responses to the pandemic, such as supporting vulnerable people, and managing the capacity challenges of delivering business as usual alongside covid-19 response.

As place leaders, Authorities are managing the conflict between revitalizing footfall in high streets and keeping people safe, with some leading by example and encouraging Council officers to spend some of the week in Council offices. Of particular interest to WECA, use of public transport as a key mode of travel to get to work remains a challenge.

## Lessons learned

All organisations have been reflecting on the lessons learned from the pandemic, and are seeking to maintain the positive experiences as well as learn from the challenges, as part of recovery planning. There is a recognition that technology has enabled many people to successfully work remotely, and that this will have a fundamental impact on working patterns well after Covid-19 has passed. Some Councils are reviewing their property portfolios to understand the changes required in terms of future usage patterns, including how Councils interact with their communities, whether parts of the municipal estate should be disposed, and whether alternate use of space can support income generation.

There will be demographic variations between places, meaning there is no “one size fits all” to economic recovery. For example, home to work geographies will vary, with some people who previously commuted into a Council area for their work may now be considering office space closer to home, leading to a rise in demand for shared office space in some areas, that will in part counteract the fall in demand elsewhere.

## Lessons Learned (Cont'd)

Many Councils have recognized the improvement in community engagement and partnership working with the voluntary sector and other public sector organisations during the pandemic and are seeking to build on this, with a recognition that sharing responsibility for place-based recovery plans can help sustain the improvements gained. Although a shared view of place-based recovery takes an investment of time and resource that not all partner organisations are able to provide.

Many Authorities understand the importance of data in supporting recovery planning decision making, to effectively understand where to prioritise resources and activity in the right way and at the right time to achieve the right outcomes.

## The future?







Covid-19 has only increased volatility and uncertainty for local government, and when working with Councils delivering Financial Foresight we have prioritized scenario planning to support strategic financial planning. Understanding best, worst and optimum case scenarios from the impact of the pandemic are critical in strategic discussion when setting next year’s budget and updating the Medium-Term Financial Plan – impacts on the place and communities, as well as on the Council services and the Council as an organization. Some Authorities are more confident than others in being able to manage their financial position during 2020/21 but all are concerned about 2021/22 and beyond.

As already noted, places will vary depending on their socio-economic and demographic characteristics, but all Authorities are working through demand impacts arising from the ongoing pandemic and the associated recession, and ensuring their workforce continue to be supported to ensure they remain personally resilient.

Local government has always demonstrated a remarkable resilience in managing significant challenges, including ten years of austerity, and being at the forefront of the pandemic response. And whilst much uncertainty remains, we are confident that Authorities will continue to demonstrate the capacity to lead places, deliver services.

# Scenarios and hypotheses

## Local authority areas in 12-24 months?

Theme	Reasonable worst case	Reasonable best case
<b>People &amp; community</b> 	<ul style="list-style-type: none"> <li>Multiple lockdowns and ongoing disruption</li> <li>Community dependency and expectation of sustained response</li> <li>Turbulence and activism within the VCS</li> <li>Socio-economic inequality is compounded</li> <li>Failure of leisure and cultural services</li> </ul>	<ul style="list-style-type: none"> <li>Smooth exit from lockdown to a “new normal”</li> <li>Community mobilisation is channelled into ongoing resilience</li> <li>Strengthened VCS relationships and focus</li> <li>Systemic response to inequality is accelerated</li> <li>Leisure and cultural services adapted to social distancing</li> </ul>
<b>Business &amp; economy</b> 	<ul style="list-style-type: none"> <li>16% reduction in GVA for 2020 based on OBR reference scenario</li> <li>Slow / uneven economic recovery and “long tail” on unemployment</li> <li>Central gov / BEIS focus investment on areas furthest behind</li> <li>Loss of tourist &amp; student spend causes unmitigated damage</li> <li>'V' shaped recovery results in 2-3 year recovery period</li> </ul>	<ul style="list-style-type: none"> <li>5-10% reduction in GVA</li> <li>Rapid economic recovery with employment levels close behind</li> <li>Central government “back winners” with investment</li> <li>Adaptation allows resumption of tourist and student economy</li> <li>Business base is weighted towards growth sectors</li> </ul>
<b>Health &amp; wellbeing</b> 	<ul style="list-style-type: none"> <li>Increased demand and escalating need due to fallout from lockdown</li> <li>Newly-vulnerable cohorts place strain on the system</li> <li>Unit costs increase further as markets deteriorate and providers fail</li> <li>SEND transport unable to adapt to social distancing</li> <li>Imposed disruption of care system</li> </ul>	<ul style="list-style-type: none"> <li>Positive lifestyle changes and attitudes to care reduce demand</li> <li>Needs of newly vulnerable cohorts met through new service models</li> <li>New investment in prevention and market-shaping manage costs</li> <li>New ways of working leading to stronger staff retention</li> <li>Locally-led reform of health and care system</li> </ul>
<b>Political &amp; regulatory</b> 	<ul style="list-style-type: none"> <li>Local government side-lined by a centralised national recovery effort</li> <li>Unfunded burdens (e.g. enforcement and contact-tracing)</li> <li>Councils in the firing line for mismanaging recovery</li> </ul>	<ul style="list-style-type: none"> <li>Local government empowered as leaders of place-based recovery</li> <li>Devolution and empowerment of localities</li> <li>Councils at the forefront of civic and democratic renewal</li> </ul>
<b>Environment</b> 	<ul style="list-style-type: none"> <li>Opportunity missed to capture and sustain environmental benefits</li> <li>The end of the high street / town centres</li> <li>Emissions and air quality worsened by avoidance of public transport</li> <li>Capital programmes stuck</li> </ul>	<ul style="list-style-type: none"> <li>Ability to invest in transport modal shift and green infrastructure</li> <li>Changed working patterns rejuvenate town centres</li> <li>Sustained impact on emissions due to new behaviours</li> <li>New, shovel-ready infrastructure programmes</li> </ul>
<b>Organisational</b> 	<ul style="list-style-type: none"> <li>Inadequate funding forces fiscal constraint</li> <li>Working practices return to status quo – increased operating costs</li> <li>Imposed structural change within the place</li> <li>Austerity 2</li> <li>Commercial portfolio becomes a liability</li> </ul>	<ul style="list-style-type: none"> <li>Adequate funding enables a programme of targeted investment</li> <li>Learning and adaptation to new operating environment</li> <li>Energised system-wide collaboration and reform</li> <li>Fiscal reform and civic renewal</li> <li>Commercial portfolio reshaped for economic and social gain</li> </ul>



# What strategy is needed in response?

## *From response to recovery*

### **Learn, adapt and prioritise**

- Develop and test hypotheses around impact on place, services, operations, finances
- Design rapid interventions - implement, test and evaluate

Learning from the response to lock in the good stuff – reflection on operations, services and the system

- Set priorities and principles – what is the Authority's purpose in an uncertain context and where will it focus?

## *Mitigating the worst case*

### **Consolidate and build resilience**

- Ensure that emergency management and response structures are resilient for the long haul
- What is the minimum operating model to deliver this?
- Predict and model demand for social care and assess care market vulnerability
- Contingency plans for structural disruption
- Re-evaluate infrastructure pipeline

## *Steering towards the best case*

### **Invest in renewal**

- Programme of priority-based investment framed by recovery and renewal
- Focus on inequality, community resilience, targeted economic stimulus, skills and employment support and adapting public spaces
- Continued system leadership, pushing for positive reform and resilience

# In-depth insight into the impact of Covid-19 on financial reporting in the local government sector for 2019-20 and ongoing impact into 2020-21

In June Grant Thornton published a report to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority for the 2019-20 financial reporting period. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, the report identified some of the key challenges for the sector ongoing into 2020-21, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. The report also included a number of useful links to other resources.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities' finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local Council income been subject to reduction or suspension. This perfect storm of conditions presents a real threat to the financial sustainability of the sector. Now, more than ever, strong political and executive leadership is needed to re-establish priorities, review strategies and medium-term financial plans and ensure that public funds are being used as efficiently and effectively as possible. A balance has to be struck between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against future 'financial shock'. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way.

The report considered:

- Operational challenges and the related financial reporting/regulatory impact
- Government support schemes – considering the accounting implications
- Significant financial reporting issues to consider
- Other sector issues and practicalities to consider
- Impact on audit work/external scrutiny process
- Engagement with experts

In terms of key financial reporting considerations for 2019/20, consideration should be given to:

## Information published with accounts

- Does the Narrative Report reflect the urgency of the situation, the changes to services as a result of lockdown, the partnership arrangements in place, the impact of the pandemic on income and expenditure and possible future scenarios, the impact on savings programmes, treasury management, medium term financial plans and the Authority's communications strategy (noting this is not an exhaustive list)?
- Does the Annual Governance Statement reflect significant developments between 31 March 2020 and the finalisation of the accounts? Does the AGS describe emergency governance arrangements for decision making, the postponement of elections, the transition to virtual meetings and plans for the return to normal democratic processes?

### Impairment of receivables

- IFRS 9 *Financial Instruments* introduced an expected credit loss model for financial assets which drives earlier recognition of impairments. Has the Authority assessed the impact of the pandemic on its expectation of credit losses?
- Impairment of statutory Council Tax and Non-domestic rate debtor balances is also possible. Has the Authority observed a measurable decrease in estimated future cashflow, for example an increase in the number of delayed payments? Has the Authority considered whether recent historical loss experience across aged debt may also need revision where current information indicates the historical experience doesn't reflect current conditions? Experience following the 2008/09 financial crisis may prove to be a useful reference point, given the ensuing recession conditions.

### Events after the reporting period

- By 31 March 2020 enough was known about the pandemic for accounts preparers and market participants to reflect and, if necessary, adjust assumptions and assessments. By the end of March 2020, it would be extremely difficult to say that the pandemic was not an event that existed and therefore any accounting impact that occurred after this date is not an adjusting event.

Has the Authority distinguished between subsequent events that are adjusting (i.e. those that provide further evidence of conditions that existed at the reporting date) and non-adjusting (i.e. those that are indicative of conditions that arose after the reporting date)?  
Has the Authority got arrangements in place to assess events up to the date the final accounts are authorised for issue?

### Sources of estimation uncertainty

Has the Authority identified the assumptions required about the future and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year? Have these been appropriately disclosed in accordance with the requirements of IAS 1 paras 125-133?

2019/20 financial statements are being prepared in an environment of heightened uncertainty as a result of the pandemic and the situation is evolving and fast moving. We have drawn out some of the key considerations for local Council financial reporting here, but further details can be found in our full report available on the Grant Thornton website:

<https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2020/impact-of-covid19-on-financial-reporting-local-government-sector.pdf>



# Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 – National Audit Office

In June the National Audit Office (NAO) published a guide that “aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government’s response to COVID-19.”

The NAO report notes “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The NAO comment “This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

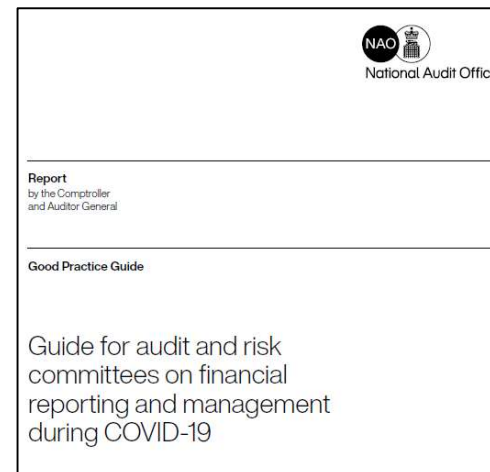
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period.”

The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>



# Sector Update

Authorities continue to try 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](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# The Redmond Review

## The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – “The Redmond Review” was published on 8 September.

The review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority’s annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

The Review received 156 responses to the Calls for Views and carried out more than 100 interviews. The Review notes “A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 10% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process.”

### Key recommendations in the report include:

- Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

### How you can respond to the Review

One of the recommendations was for local authorities to implement:

The governance arrangements within local authorities be reviewed by local Councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

Whilst Redmond requires legislation, in practice the second and third bullets are things which authorities could start doing now.

The full report can be obtained from the gov.uk website:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

MHCLG’s response to Sir Tony Redmond’s independent review into the effectiveness of external audit and transparency of financial reporting in local authorities was published on 17 December 2020 and can be accessed here:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-government-response-to-the-redmond-review>

# Code of Audit Practice and revised approach to Value for Money audit work - National Audit Office

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money.

## Value for Money - Key changes

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
  - More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
  - The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

## The new approach to VfM re-focuses the work of local auditors to:

- Promote more timely reporting of significant issues to local bodies
- Provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas
- Provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness
- Provide clearer recommendations to help local bodies improve their arrangements.

## Implications of the changes

Grant Thornton very much welcomes the changes, which will support auditors in undertaking and reporting on work which is more meaningful, and makes impact with audited bodies and the public. We agree with the move away from a binary conclusion, and with the replacement of the Annual Audit Letter with the new Annual Auditor's Report. The changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

The following are the main implications in terms of audit delivery:

- The Auditor's Annual Report will need to be published at the same time as the Auditor's Report on the Financial Statements.
- Where auditors identify weaknesses in Value for Money arrangements, there will be increased reporting requirements on the audit team. We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.
- The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

The Code can be accessed here:

[https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code\\_of\\_audit\\_practice\\_2020.pdf](https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf)

# CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to Councils and Councillors in England on how they might best integrate an awareness of Council finances into the way that overview and scrutiny works.

The impact of the COVID-19 pandemic on Council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a hugely challenging position.

For the foreseeable future, Council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny 'events' in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that Councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding tough choices that Councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the COVID-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities' formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA's thinking on scrutiny's role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic



The full report can be obtained from CIPFA's website:

<https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide>



# Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

## Additional information that will be required for our March 2021 audits

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021 in all areas summarised above for all material accounting estimates that are included in the financial statements.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, Council dwellings and investment properties
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

## The Authority's Information systems

In respect of the Authority's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Authority may use management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that::

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Authority (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

### Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to include:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### How can you help

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquiries are completed by management and confirmed by those charged with governance at an Audit Committee meeting. For our 2020/21 audit we will be making additional enquiries on your accounting estimates in a similar way (which will cover the areas highlighted above). We would appreciate a prompt response to these enquiries in due course.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)



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