

A meeting of the  
**West of England Combined Authority Audit Committee**

will be held on

**Date: Monday, 3 July 2023**

**Time: 10.30 am**

**Place: 70 Redcliff Street**

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

Cllr David Addison, South Gloucestershire Council  
Cllr Andrew Brown, Bristol City Council  
Cllr Ben Burton, South Gloucestershire Council  
Cllr Tessa Fitzjohn, Bristol City Council  
Cllr Geoff Gollop, Bristol City Council  
Cllr Zoe Goodman, Bristol City Council  
Mark Hatcliffe, Independent Member of Audit Committee  
Cllr John Leach, Bath & North East Somerset Council  
Cllr Tim Rippington, Bristol City Council  
Cllr Adrian Rush, South Gloucestershire Council  
Cllr Toby Simon, Bath & North East Somerset Council  
Cllr David Wilcox, Bristol City Council

**Enquiries to:**

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# West of England Combined Authority Audit Committee Agenda

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- Inspect background papers used to prepare public reports for a period public reports for a period of up to four years from the date of the meeting. (A list of background papers to a report is given at the end of each report.) A background paper is a document on which the officer has relied in writing the report.
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## 1. EVACUATION PROCEDURE

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

## 2. COMMITTEE MEMBERSHIP & APOLOGIES FOR ABSENCE

To note the committee's membership as set out on the agenda and to receive apologies for absence from Members.

## 3. ELECTION OF CHAIR FOR MUNICIPAL YEAR 2023/24

The West of England Combined Authority Audit Committee to elect a Chair for municipal year 2023/24.

## 4. ELECTION OF VICE-CHAIR FOR MUNICIPAL YEAR 2023/24

Having elected a Chair, the Committee is invited to elect a Vice-Chair for Municipal Year 2023/24

## 5. 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.

## 6. TERMS OF REFERENCE

The Committee is invited to note its Terms of Reference.

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## 7. MINUTES OF THE PREVIOUS MEETING

To consider and approve the minutes from the last meeting held on 2 March 2023.

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## 8. ITEMS FROM THE PUBLIC (QUESTIONS, STATEMENTS AND PETITIONS)

### WRITTEN PUBLIC QUESTIONS

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

2. The deadline for the submission of questions is 5.00pm, at least 3 clear working days ahead of a meeting. For this meeting, the deadline for questions is **5.00pm on Tuesday 27 June 2023**.

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 the Combined Authority's committee procedures, there is no opportunity for oral supplementary questions to be asked at committee meetings.

6. The written questions and replies will be circulated to committee members in advance

of the meeting and published on the Combined Authority 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 Friday 30 June 2023**. 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 Combined Authority website.
5. **Please note:** If any member of the public wishes to attend the meeting to orally present their statement, they are asked please to notify the Combined Authority's Democratic Services team of this at the point when their statement is submitted and by 12noon on the working day before the meeting at the very latest.
6. For those presenting their statements at the meeting, up to 3 minutes 'speaking time' is permitted for each statement. The total time available for the public session at this meeting is 30 minutes.

## **9. TREASURY ANNUAL OUTTURN REPORT**

15 - 32

The Chartered Institute of Public Finance and Accountancy (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, review performance during the year, and approve an annual report after the end of each financial year. This report provides a review of performance to 31 March 2023.

## **10. INTERNAL AUDIT ANNUAL REPORT**

33 - 46

This is the Annual Report (2022/23) of the Internal Audit function including a summary of Internal Audit performance, key findings / issues, as well as the formal opinion on the internal control framework.

## **11. UNAUDITED DRAFT STATEMENT OF ACCOUNTS PROGRESS UPDATE [VERBAL UPDATE]**

To receive a verbal update on the Unaudited Draft Statement of Accounts.

## **12. GRANT THORNTON: INFORMING THE AUDIT RISK ASSESSMENT FOR THE WEST OF ENGLAND COMBINED AUTHORITY 2022/23 [EXTERNAL AUDIT]**

47 - 64

The purpose of this report is to contribute towards the effective two-way communication between the Combined Authority's External Auditors and Audit Committee (as those charged with governance). The report covers some important areas of the auditor risk assessment where Grant Thornton, The West of England Combined Authority's appointed auditors, are required to make inquiries of the Audit Committee under auditing standards.

## **13. GRANT THORNTON AUDITOR'S ANNUAL REPORT FOR 2021/22 [EXTERNAL AUDIT]**

65 - 106

Consideration of the Auditor's Annual Report.



**14. GRANT THORNTON - WEST OF ENGLAND COMBINED AUTHORITY AUDIT PLAN** 107 - 128  
Consideration of the Audit Plan.

**15. FRAUD RISK REGISTER AND RISK MANAGEMENT UPDATE** 129 - 134  
To present the current Fraud Risk Register.

**16. TRANSFORMATION PROGRAMME & REGIONAL STRATEGY** 135 - 162  
This report sets out progress and next steps on the West of England Combined Authority's route to improvement. The report provides Audit Committee with an update on the West of England Combined Authority transformation programme that is underway to respond to and take forward recommendations from: the recent Grant Thornton external audit report; the West of England Combined Authority commissioned Independent Peer Review; and the West of England Combined Authority Committee approved action plan.

**17. ANNUAL AUDIT COMMITTEE REPORT AND SELF-ASSESSMENT REVIEW** 163 - 178  
The purpose of the Annual Report 2022/23 is to bring together in one document a summary of the work undertaken by the Audit Committee. The production of the report complies with current best practice for audit committees. It allows the Audit Committee to demonstrate it has fulfilled its terms of reference and share its achievements with the main CA Committee and is thought useful as a reminder to the organisation of the role of the committee in providing assurance about its governance, risk management, financial and business controls.

**18. FEEDBACK SECTION**  
Members are invited to give feedback on the meeting,

**Next meeting: Monday, 18 September 2023**

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## The West of England Combined Authority Audit Committee

The functions of the audit committee shall include:

- (i) reviewing and scrutinising the authority's financial affairs;
- (ii) reviewing and assessing the authority's risk management, internal control and corporate governance arrangements;
- (iii) reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions; and
- (iv) making reports and recommendations to the Combined Authority in relation to the reviews they have conducted.
- (v) To consider and approve the Annual Statutory Accounts

Save for the provision in Section A – Standing Orders (Descriptions and Rules of Procedure), that can only apply to a meeting of the West of England Combined Authority, the rules of procedure will apply to meetings of the Audit Committee.

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# Agenda Item 7

## West of England Combined Authority Audit Committee

Thursday, 2 March 2023, 10:30am  
Bristol City Council Council Chamber, City Hall

### Present:

Cllr Geoff Gollop, Bristol City Council  
Cllr Mark Bradshaw, Bristol City Council  
Cllr Sarah Classick, Bristol City Council  
Cllr Jonathan Hucker, Bristol City Council

Cllr Brenda Massey, Bristol City Council  
Cllr David Wilcox, Bristol City Council  
Cllr Hal MacFie, Bath & North East Somerset Council  
Mark Hatcliffe, Independent Member of Audit Committee

### Officers In Attendance:

Richard Ennis, Interim Chief Executive  
Stephen Gerrard, Interim Director of Law & Governance  
Alistair Kirk, Interim Director of Infrastructure  
Mark Wakefield, Head of the Chief Executive's Office

Selonge Russell, Head of Finance  
Jess Lee, Head of Policy and Strategy  
Stephen Fitzgerald, Interim Director of Investment and Corporate Services

### Also Present:

Jeff Wring, Audit West (Internal Audit)  
Tariq Rahman, Audit West (Internal Audit)

David Bray, External Audit (Grant Thornton)

### Apologies:

Cllr Rob Appleyard, Bath & North East Somerset Council  
Cllr John Ashe, South Gloucestershire Council

Cllr John O'Neill, South Gloucestershire Council  
Cllr Matthew Riddle, South Gloucestershire Council

## Minutes

1	<b>Evacuation Procedure</b> The evacuation procedure was set out.
2	<b>Apologies for absence</b> Apologies for absence had been received from Councillor Rob Appleyard, Councillor John Ashe, Councillor John O'Neill and Councillor Matthew Riddle.
3	<b>Declarations of Interest under the Localism Act 2011</b> There were no declarations of interest declared under the Localism Act 2011.
4	<b>Minutes</b> The minutes of the meeting held on 12 December 2022 had been attached for approval. These minutes had recorded that the minutes of the meeting held on 17 November 2022 had not been approved. As no amended version of the minutes from the meeting on 17 November 2022 had been put forward the Chair stated that the minutes from the meetings held on both 12 December 2022 and 17 November 2022 would be deferred pending amended versions circulated by the Chair for approval.
5	<b>Items from the Public (Questions, Statements, Petitions)</b> Two questions had been received from Members of the Public. Responses had been provided by Authority officers and the questions and replies had been circulated and published.  In addition four statements had been submitted. These statements had been circulated and published. The following persons attended the meeting and was invited to speak for up to three minutes on the topic of their statement:

	<ul style="list-style-type: none"> <li>• Dave Redgewell – Transport Issues</li> </ul> <p>The Chair stated that the concerns raised in the questions and statements had been noted.</p>
6	<p><b>Audit Committee - Review of Effectiveness</b></p> <p>Jeff Wring, Internal Audit, introduced a report updating the Audit Committee on best practice requirements to carry out a self-assessment and evaluation of the effectiveness of the Audit Committee. The report stated that, as part of best practice and to support good governance, the Audit Committee should carry out a self-assessment review of its effectiveness on a periodic basis. Ideally this should be annually based on available resources. As a review had not been completed since the first two years of the Authority’s operation it was felt appropriate that a review be carried out in 2023 to identify any areas for investment and improvement. It was intended the review should take place between April and May to feed into the Annual Report of the Committee which would be prepared for an Audit Committee meeting in June or July 2023.</p> <p>The following comments were raised:</p> <ul style="list-style-type: none"> <li>• The Chair stated that it was important that the Committee feed its views into an annual report to the Combined Authority’s Committee’s Annual General Meeting. He was keen that a second independent member be appointed to add expertise;</li> <li>• The Committee questioned whether April was the most convenient time as this would fall within the run up to the local elections in May and membership of the Committee may change substantially. It was noted that the review would be carried out by existing members by end of April to feed into the AGM and hopefully annually thereafter.</li> </ul> <p><b>Resolved:</b></p> <ol style="list-style-type: none"> <li>(1) That the Audit Committee’s comments on the options for carrying out a self-assessment review of the Committee’s effectiveness be noted.</li> <li>(2) That review sessions with the Chair and Vice-Chair and the whole Committee be organised for late April 2023;</li> </ol>
7	<p><b>Internal Audit Plan - 2023/24</b></p> <p>Jeff Wring and Tariq Rahman, Internal Audit, submitted a report updating the Audit Committee on the methodology used to create the Internal Audit Plan and asked for Member input on activities, areas or themes they would like to be considered within the Internal Audit plan for 2023/24.</p> <p>A draft plan had already been created based on consultation with Senior Management and was attached at Appendix 1.</p> <p>The Audit Committee was asked to note that Internal Audit would continue to plan with flexibility in order to react to changes throughout the year. The plan would therefore be kept under review and adjusted as necessary as the year progressed.</p> <p>Historically, 100 days had been provided for audit work since the Combined Authority was set up in 2017. However, the organisation had grown and undergone significant change since then and therefore, to ensure that risks can be adequately addressed, and that sufficient work be carried out to form an overall assurance opinion, the Interim CEO (previously Interim S73 Officer) had agreed to increase the number of days needed to a minimum of 250.</p>

	<p>The following comments were raised:</p> <ul style="list-style-type: none"> <li>• In respect of possible procurement breaches it was noted that this was part of the counterfraud plan with detailed testing identified;</li> <li>• It was noted that a satisfactory opinion had been received on ledger controls;</li> <li>• Part of the work involved scoping responsibilities and accountabilities around health and safety for projects. This focus would coincide with projects getting off the ground;</li> <li>• Audits would focus on major areas of concern for residents such as transport and buses risk registers. There was also potential impact on carbon neutrality with withdrawal of bus services. As well as some contingency days to focus on topic areas and emerging considerations;</li> </ul> <p>The Interim Chief Executive added he supported the extra days provision for the important audit work and provision had been made in the Authority’s budget. He stated that it was probable that during the year a focus may have to change depending on events.</p> <p><b>Resolved:</b></p> <ul style="list-style-type: none"> <li>• The Audit Committee is asked to comment on any areas or themes that they would like to be considered for the Internal Audit Plan 2023/24.</li> <li>• The Audit Committee is asked that, subject to comments above it approves the plan attached at Appendix 1</li> </ul>
8	<p><b>The West of England Combined Authority Audit Progress Report and Sector Update</b> Grant Thornton, External Auditors, submitted a report which provided the West of England Combined Authority’s Audit Committee with Grant Thornton’s progress on delivering its responsibilities as external auditors for year ending 31 March 2022.</p> <p>The Authority’s External Auditors had produced an initial Audit Findings Report in late October 2022 and had presented this to the Combined Authority’s Audit Committee on 17 November 2022. They had also provided the Audit Committee with a verbal update of their progress at that meeting.</p> <p>Grant Thornton had produced a further Audit Findings Report in late November and presented this to the Audit Committee on 12 December 2022, together with a verbal update.</p> <p>External Audit subsequently issued an unqualified audit opinion on the Combined Authority’s financial statements for the year ended 31 March 2022 on 22 December 2022.</p> <p>The Auditors issued a final Audit Findings Report on that date and requested this be circulated to Audit Committee members. At that time the Auditors had been unable to issue its certificate for the year because the following had not been completed:</p> <ul style="list-style-type: none"> <li>• work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources and issued their Auditor’s Annual Report; and</li> <li>• the work necessary to issue a Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.</li> </ul> <p>The following comments were raised:</p> <ul style="list-style-type: none"> <li>• It was noted that Grant Thornton had predicted nearly 60 local councils were at risk of</li> </ul>

running out of money next year. The Interim Chief Executive stated that the Authority was in a different position and should be flexible enough to release staff members if projects did not materialise;

- Officers were confident that there was a robust governance review cycle that would show up variances early enough to enable any remedial action. The danger of inflation harming spending power on projects was noted;
- Members were keen for a mechanism to enable checking through this governance process. It was noted that The combined authority was in the process of establishing a corporate governance board at senior officer level to manage the governance and associated risk issues in the organisation. Members requested that they could feed in comments via that Board;

**Resolved:**

That the report be noted.

9 **Risk Management & Infrastructure Risk Register**

The Committee received a report that presented the current Infrastructure Directorate Risk Register and to provide an update on the Combined Authority’s Corporate Risk Register. It was noted that the Risk Register presented was the high level risks for the Infrastructure Directorate, there were risk registers for departments and teams as well as projects. A timetable of when individual directorate risk registers would be brought before the Committee had been included.

The Chair stated that he had provided a note which he would be circulated to Committee members for their comments. Once approved this note would be submitted as part of the Committee’s comments for submission to the West of England Combined Authority Committee at its meeting on 17 March 2023.

The following comments were raised:

- The Chair requested that the information be published in a different way as it was very hard to read the information contained in the risk registers on certain devices. This would be looked into;
- It was questioned why there were no HR or climate change implications contained within the report. This had been a reflection of the concept/content on the report rather than a reflection of the risks themselves;
- It respect to recruitment, retainment and retention it was asked how long it was expected for new staff to be up to speed. In response it was noted that infrastructure in particular was a large and complex directorate. New staff typically had a 3-6 probationary period and it may take that time to grasp the level of detail. In terms of staff leaving the organisation the main reasons given were career progression elsewhere. Exit interviews were offered to all staff leaving the organisation;
- There was concern raised that the problems with the bus network would forced individuals to rely more on their cars which would impact negatively on the zero emissions targets. There was also concern with regards the health and safety obligations of projects being carried out by third party contractors. There was also a risk in not delivering the CRSTS. In response the Interim Director of Infrastructure stated that the Authority was acutely aware of the CRSTS timescales and was looking to tie in designers. The Authority was also committed to increasing bus patronage.
- In respect to treasury management every investment was based on safety priority first followed by returns as a lower priority. There were meetings every month to review the



	<p>treasury management as well as benchmarking exercises;</p> <p><b>Resolved:</b></p> <ol style="list-style-type: none"> <li>(1) That the comments received on the Infrastructure Risk Register and the Corporate Risk Register be noted;</li> <li>(2) That a summary of the Committee's comments be submitted to the meeting of the West of England Combined Authority Committee on 17 March 2023.</li> </ol>
10	<p><b>Response to Audit Findings &amp; Action Plan</b></p> <p>At their meeting on 9 December 2022, the Combined Authority's Committee approved the attached emerging action plan developed in response to the findings of the recent external audit report. The Committee agreed that the action plan should be presented to Audit Committee to consider and review with feedback presented back to the Committee at the meeting on 17 March 2023. The Committee were asked to note that since the December Committee meeting a work programme for the Independent Peer Challenge Review led by the Society of Local Authority Chief Executives (SOLACE) had been agreed. The full Terms of Reference for the Independent Peer Challenge were set out at Annex 2.</p> <p>The Chair stated that he had circulated his views to the Committee. He asked for any further comments so he could articulate the Committee's views on this item to the next West of England Combined Authority Committee. The Chair also confirmed that he had been interviewed by the SOLACE team as part of the Peer Review process and would continue to be involved as the work progressed.</p> <p>Jess Lee, Head of Strategy and Policy and Richard Ennis, Interim Chief Executive stated that the intention was that the Action Plan was a 'living' document e.g. that it would be continually updated. Some items had begun to be implemented where the Authority had immediate powers to do so. Other items may require resolutions by Committee. The Interim Chief Executive also stated that the relevant government minister was aware that the Authority had been fully accepting of the report's findings.</p> <p>In response to a question it was noted that the government had a series of powers including sending in inspectors, implementation of a Best Value Improvement Panel and putting the authority on a watch list. However, SOLACE had been brought in to alleviate the need for direct interaction currently.</p> <p>The Committee did note however that at the last Combined Authority Committee meeting there had been a lengthy adjournment which gave the impression that there were still fundamental disagreements in some policy areas. However, the Committee did welcome the high level meetings and engagements between the Authority and the UAs and the Authority and the Government which provided signs of positive progress.</p> <p><b>Resolved:</b></p> <ol style="list-style-type: none"> <li>1. That having reviewed the emerging action plan, the Committee highlight any feedback, via the Chair, its observations to be presented back to the Combined Authority Committee meeting on 17 March 2023.</li> <li>2. That the terms of reference agreed for the Independent Peer Challenge Review that the Combined Authority Committee had agreed should be taken forward with the support of SOLACE be noted.</li> <li>3. That it be noted that the Chair of Audit Committee had been interviewed by the SOLACE team as part of the Peer Review process and would continue to be involved as the work progresses.</li> </ol>

11	<p><b>Audit Committee Forward Work Plan</b></p> <p>The Audit Committee received a report setting out a proposed forward plan of items for consideration for 2023/24. It was noted that the Committee dates would be agreed in due course. It was planned that the forward plan of items would develop throughout the municipal year. The Forward Plan comprised a schedule of reports to be presented to the Audit Committee at each of its meetings during the year. Various reports had to be presented at specified meetings in order to comply with statutory requirements. An induction programme and training would also be put in place for new members to the Committee and factored into the forward plan accordingly. The Audit Committee Forward Work Plan was appended.</p> <p>It was asked that the self-assessment be added to the future Committee agendas.</p> <p>It was agreed that required consideration by the Audit Committee in the run up to the local elections in early May would be delegated to the Chair.</p> <p>Resolved:</p> <ul style="list-style-type: none"> <li>(1) That the Forward Work Plan and suggested amendments be noted;</li> <li>(2) That any issues requiring the Audit Committee's attention prior to the election be delegated to the Chair.</li> </ul>
	<p>The dates of the meetings in 2023/24 would be circulated when agreed.</p>



## ITEM 09

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

**DATE: 3<sup>rd</sup> JULY 2023**

**REPORT TITLE: TREASURY MANAGEMENT OUTTURN REPORT  
2022/23**

**DIRECTOR: STEPHEN FITZGERALD, INTERIM DIRECTOR OF  
INVESTMENT AND CORPORATE SERVICES (S73  
OFFICER)**

**AUTHOR: STEVE FINNEGAN, FINANCIAL ACCOUNTANT**

### **Purpose of Report**

- 1 The Chartered Institute of Public Finance and Accountancy (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, review performance during the year, and approve an annual report after the end of each financial year. This report provides a review of performance to 31<sup>st</sup> March 2023.

### **Recommendations**

The West of England Combined Authority Audit Committee is required to:

1. Note the Treasury Management Outturn Report to 31st March 2023, prepared in accordance with the CIPFA Treasury Code of Practice and the Treasury Management Indicators to 31st March 2023.

## **Background / Issues for Consideration**

- 2 The CIPFA Code of Practice requires that the West of England Combined Authority Committee considers the treasury management outturn report after the end of each financial year which took place on 16<sup>th</sup> June 2023.

## **Summary**

- 2.1 The average rate of investment return for 2022/23 was 1.46%, which is 0.05% above the 2022 average SONIA (Sterling Overnight Index Average) benchmark rate.
- 2.2 The Authority's Prudential Indicators for 2022/23 were agreed by the Authority at its meeting on 28<sup>th</sup> January 2022 and performance against the key indicators is shown in **Appendix 1**. All indicators are within target levels.

## **Summary of Returns**

- 2.3 The Authority's investment position as at 31<sup>st</sup> March 2023 is detailed in **Appendix 2**. This shows a change in Investment Balances to £354.84m at 31<sup>st</sup> March 2022 from £401m at 30<sup>th</sup> October 2022, which reflects a net decrease.
- 2.4 The Authority is the Accountable Body for the West of England Revolving Investment Fund, (RIF). The balance as at 31<sup>st</sup> March 2023 was £16.1m and this sum, prior to distribution, is being invested in line with the Authority's Treasury Management Strategy, with the interest earmarked to the RIF.
- 2.5 Gross interest earned on all investments for April 2022 to March 2023 was £3,738k. Interest earned for RIF is ringfenced to those funds, giving rise to an income outturn for the West of England Combined Authority activities of £3,655k v £1.600k budget, a favourable variance of £2.055k.

## **Summary of Borrowings**

- 2.6 The Authority does not currently have any underlying need to borrow long term to fund capital expenditure. As part of its approach to liquidity management, the Authority may borrow short term loans to cover any unplanned cash flow shortages as they arrive. As at 31<sup>st</sup> March 2023 the Authority held £25m of short-term loans, as summarised in **Appendix 3**.

## Strategic & Tactical Decisions

- 2.7 Both the CIPFA code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The approach, given these are public funds is minimising risk first with return as the second consideration.
- 2.8 As shown in the charts at **Appendix 2**, the investment portfolio has been diversified across UK Banks and Local Authorities, which totalled £289.9m. The Authority also uses AAA rated Money Market funds (MMF) to maintain very short-term liquidity with £3.9m invested in Money Market Funds as at 31<sup>st</sup> March 2023. Bank Rate has increased from 0.75% at the beginning of the year to 4.25% at the end of March 2023. Short-dated cash rates, which had ranged between 0.7% - 1.5% at the beginning of April, rose by around 3.5% for overnight/7-day maturities and 3.3% for 6–12-month maturities. The return on the Authority's Money Market Funds ranged between 0.9% - 1.1% p.a. in early April and between 3.8% and 3.9% at the end of March.
- 2.9 The Authority has added a further £5m to the pooled fund's portfolio with an investment to the Fundamentum Real Estate Investment Trust. The Authority retains units invested in the CCLA Property Fund of £9.9m, Investec £10m, Kames £10m, Royal London £10m, M & G £3.5m and Columbia Threadneedle £3.5m. The Authority has a total of £52m invested across the funds. These investments seek to enhance yields, provide diversification and are intended to be held for higher returns over a long period of time.
- 2.10 For fixed income bond investors, 2022 was a very difficult year - bonds had their worst year of performance in several decades; long-term government bonds had their worst year ever as central banks delivered larger interest rates hikes than initially expected and promised more to combat inflation. As policy rates rapidly rose from very low levels, bond investors suffered large crystallised or unrealised losses from rising sovereign and corporate bond yields (i.e. falling prices) as well as from widening credit spreads as concern grew over the risk of defaults in a recessionary environment. The return on the All-Gilts index was -16.3% over the 12 months to March 2023. Negative yielding bonds all but disappeared globally. UK and global equities remained volatile against a backdrop of high and sticky inflation, rapid policy rates tightening and an increasing risk of recession. There was a large sell-off in global equities in April, and again in June and September for both UK and global equities. The total return on the FTSE All Share index for the 12 months ending March 2023 was 2.9% and 5.4% for the FTSE 100. The negative correlation between bonds and equities, which had featured for some years, turned positive in 2022 as both bonds and equities sold off simultaneously against an outlook of sticky inflation and high interest rates. Simultaneously, tighter financial conditions, higher bond yields and challenges in some segments of commercial real estate (e.g., offices post-COVID, high street shops and shopping centres) saw commercial property values fall during 2022, with a large fall in the final calendar quarter. These investments are made in the knowledge that capital values will move both up and down on months and quarters, but with the confidence that over a three to five-year period, total returns will exceed interest rates. They provide regular revenue income and in 2021-22 provided an average total return of 3.66%. Considering their performance over the medium-long term, investment in these funds has been maintained.

- 2.11 Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium- to long-term investment objectives are regularly reviewed. These investments are made in the knowledge that capital values will move both up and down on months and quarters, but with the confidence that over a three to five-year period, total returns will exceed interest rates. They provide regular revenue income and in 2021-22 provided an average total return of 3.66%. In light of their performance over the medium-long term, investment in these funds has been maintained. The change in the Authority's funds capital values and income earned over the 12-month period is shown in **Appendix 2**.
- 2.12 Environmental, Social and Governance (ESG) and responsible investing has gained further momentum in 2022. Investors in physical and financial assets are increasingly being expected to be on the frontline of combating climate change and committing to sustainability goals. In its recent consultation on the Treasury Management Code of Practice, CIPFA has proposed a new Treasury Management Practice on ESG Risk Management. The Authority will continue to work with its treasury advisors Arlingclose for support and advice through its ESG, and responsible investment service.

### **Future Strategic & Tactical Issues**

- 2.13 The Authority's treasury management advisors have provided an economic and market review for 2022/23 – attached at **Appendix 4**.
- 2.14 Following the increase in Bank rates during 2022-23, the Authority will expect to receive higher income (4% - 4.5% from its cash and short-dated investments, including money market funds in 2023/24).
- 2.15 The DLUHC published a consultation on the IFRS 9 pooled investment fund statutory override for English authorities for fair value gains and losses on pooled investment funds which was due to expire with effect from 2023/24. The options under evaluation were to allow the override to lapse, to extend it, or to make it permanent. The override will be extended for two years and therefore remain in place for the 2023/24 and 2024/25 financial years. Under the Regulations, gains and losses resulting from unrealised fair value movements relating to treasury pooled investment funds, that otherwise must be recognised in profit or loss under IFRS 9, are not charges to the revenue account, and must be taken into an unusable reserve account.
- 2.16 Where investment has exceeded budget, the Authority is recommending a £475k (25% of the budget surplus from revenue savings) to be allocated to the earmarked treasury management reserve which will help manage the risk of future volatility and fair value movements. This reserve was £1.1m on 31<sup>st</sup> March 2022.

### **Other Options Considered**

- 3 None.

### **Risk Management/Assessment**

- 4 The Authority's lending & borrowing list is regularly reviewed, and credit ratings are

monitored throughout the year. All lending/borrowing transactions are within approved limits, with approved institutions. Investment and Borrowing advice is provided by our Treasury Management consultants Arlingclose.

The CIPFA Treasury Management in the Public Services: Code of Practice requires the Authority nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The West of England Combined Authority Audit Committee carries out this role.

## **Public Sector Equality Duties**

5 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.

5.1 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.

5.2 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.

## **Climate Change Implications**

6 The climate implications are contained within the body of the report - reference section 2.12.

Advice given by: Roger Hoare, Head of Environment

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

7 A breakdown of the revenue budget that was set for interest income and the year-end outturn position is included in **Appendix 5**. The budget for 2022-23 investment income was £1.6m and following the Authority's successful treasury strategy and investment decisions, have achieved an outturn position of £3.65m which is a positive variance of £2.05m. This surplus can be utilised in the support of the Authority's priorities on delivering for the region.

Advice given by: Stephen Fitzgerald, Interim Director of Investment & Corporate

## Services

### **Legal Implications:**

- 8 The Prudential Code and CIPFA's Code of Practice on Treasury Management requires regular monitoring and reporting of Treasury Management activities.

Advice given by: Stephen Gerrard, Interim Director of Law and Governance

### **Appendices & Background papers:**

**Appendix 1** – Performance Against Prudential Indicators

**Appendix 2** – The Authority's Investment Position at 31 March 2023

**Appendix 3** – The Authority's External Borrowing Position at 31 March 2023

**Appendix 4** – Arlingclose's Economic & Market Review for 2022/23

**Appendix 5** – Interest & Capital Financing Budget Monitoring 2022/23

**Appendix 6** – Summary Guide to Credit Ratings

**Background Papers: Treasury Management Strategy Statement & Investment Strategy 2022/23 – As reported to West of England Combined Authority Committee on 28<sup>th</sup> January 2022.**



## Performance against Treasury Management Indicators (as approved in the Treasury Management Strategy Statement)

The Authority measures and manages its exposure to treasury management risks using the following indicators.

### 1. Security

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

Credit risk indicator	Target	Actual
Minimum portfolio average credit rating	A-	A+

### 2. Liquidity

The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount it can borrow each quarter without giving prior notice.

Liquidity risk indicator	Target	Actual
Total sum borrowed in past 3 months without prior notice	£30m	£25m

### 3. Interest Rate Exposure

This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit	Actual
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£1m	£1m

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

### 4. Principal sums invested for periods longer than a year:

The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2022/23 Target	2022/23 Actual	2023/24 Target	2023/24 Actual	2024/25 Target	2024/25 Actual	+3 Years Target	+3 Years Actual
Limit on principal invested beyond 364 days as % of total cash balance	50%	21%	30%	18%	20%	17%	20%	13%

## APPENDIX 2

### The Authority's Investment position as at 31<sup>st</sup> March 2023

Table: 1 Investments by Type

	31-Mar-23 Actual Portfolio £m	31-Mar-23 Average Rate %
<b>Treasury investments by type:</b>		
Banks & building societies (unsecured)	16.9	1.56
Covered bonds & repo (secured)	0	0
Government (incl. local authorities)	272.0	0.79
Registered Providers	10.0	1.25
Money Market Funds	3.9	3.86
Social Housing Real Estate Investment Trust	5.00	2.56
Other pooled funds:		
CCLA Property Fund	10.0	3.70
Investec	10.0	3.69
Kames	10.0	5.05
Threadneedle	3.5	3.20
M & G	3.5	4.92
Royal London Enhanced Cash Plus Fund	10.0	1.65
<b>Total treasury investments</b>	<b>354.8</b>	<b>1.46</b>

Table: 2 Term of investments

	<b>Balance at 31<sup>st</sup> March 2023 £000s</b>
Notice (instant access funds)	<b>10,700</b>
Up to 1 month	<b>44,000</b>
1 month to 3 months	<b>109,187</b>
4 to 6 months	<b>60,000</b>
6 to 12 months	<b>60,000</b>
More than 12 months	<b>19,000</b>
Pooled Funds *	<b>51,957</b>
<b>Total</b>	<b>354,844</b>

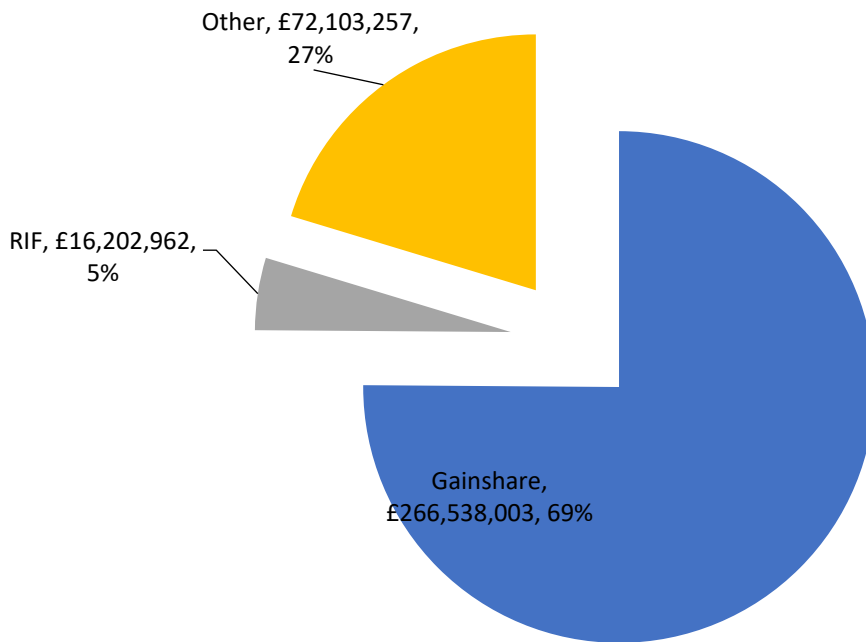
The Authority had a total average net positive balance of £340m during the period April 2022 to March 2023

\* Notice period 4 days except property fund which is 90 days

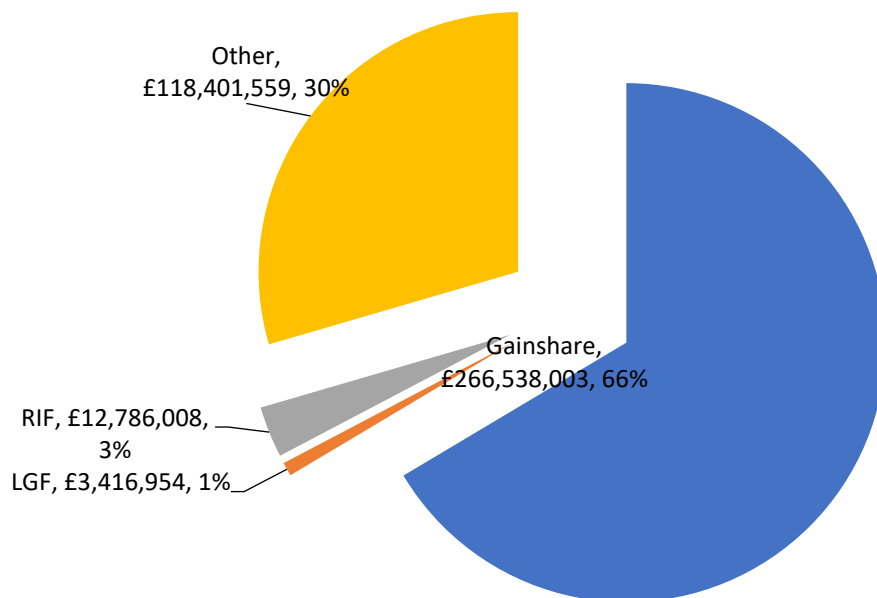
Table 3: Pooled Funds

Fund Name	Asset Class	Purchase Value £000s	Fair Value as at 31/3/23 £000s	Capital Growth/(Loss) £000s	Income Return One Year	Income Return Since Purchase
CCLA Property Fund	Property	9,956	9,043	-913	3.70%	20.81%
Ninety One Diversified Income Fund (Investec)	Multi Asset	10,000	9,039	-961	3.69%	12.30%
Aegon Diversified Monthly Income Fund (Kames)	Multi Asset	10,000	8,505	-1,495	5.05%	13.25%
Threadneedle Strategic Bond Fund	Bond	3,500	2,974	-526	3.20%	5.32%
M&G UK Income Distribution Fund	Equity - UK	3,500	3,509	9	4.92%	10.48%
Royal London Short Term Enhanced Cash Fund	Cash Plus	10,000	9,854	-146	1.65%	1.09%
Fundamentum Social Housing REIT	Property	5,000	4,700	-300	2.56%	2.56%
		51,956	47,624	-4,332	3.97%	12.65%

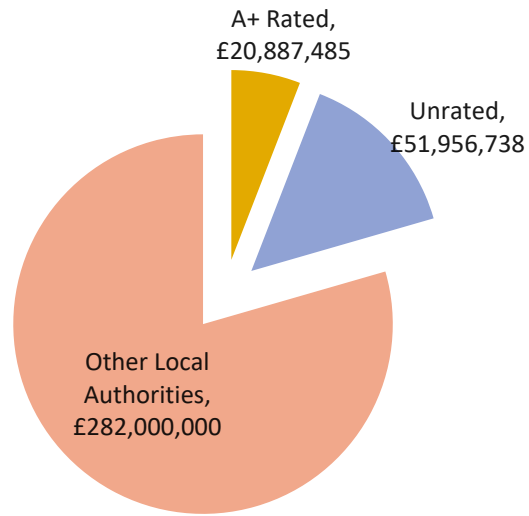
**Chart 1 : CA Investments by Funding Source (£354.84m)  
at 31st March 2023**



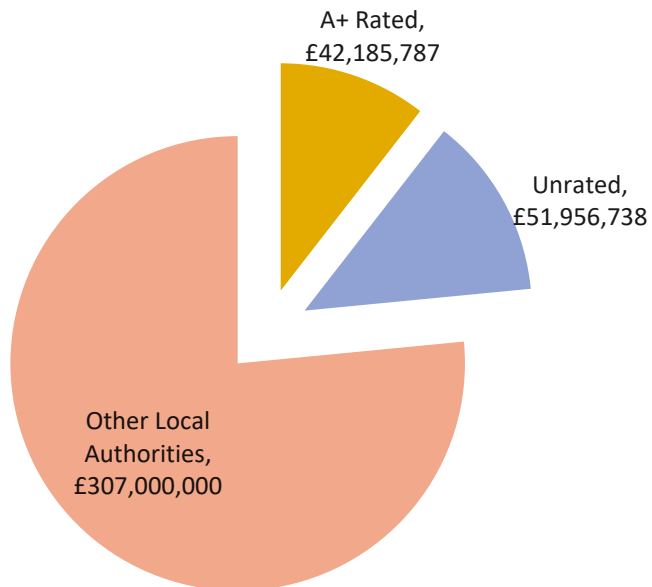
**Chart 2 : CA Investments by Funding Source (£401.14m)  
at 31st October 2022**



**Chart 3: CA Investments per lowest equivalent Long Term credit rating (£354.84m) at 31st March 2023**

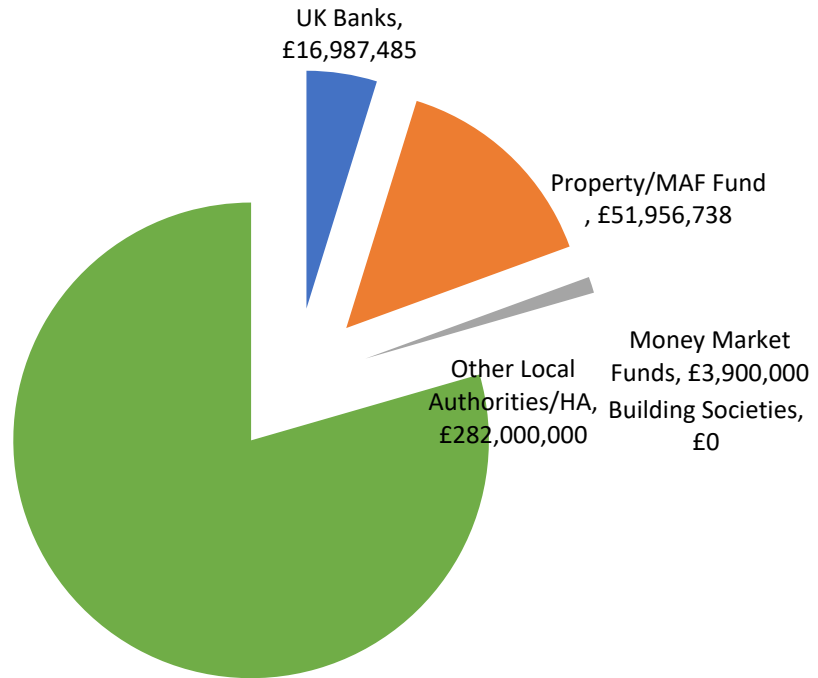


**Chart 4: CA Investments per lowest equivalent Long Term credit rating (£401.14m) at 31st October 2022**

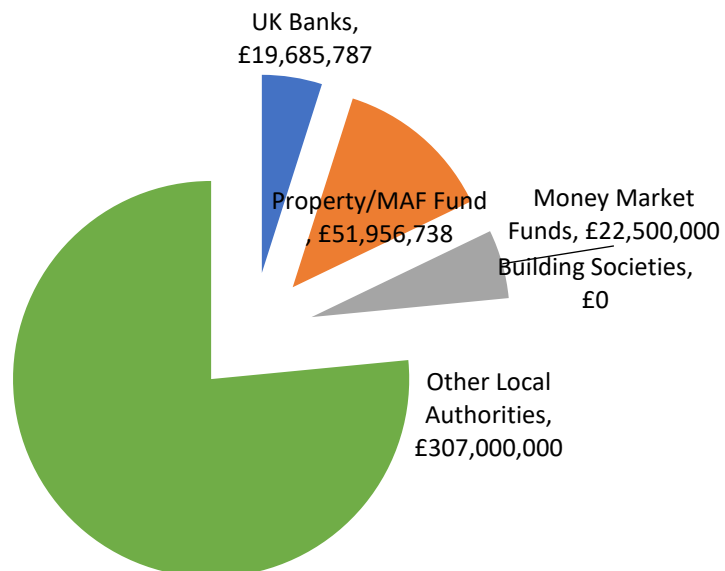


Unrated investments are the Pooled Funds

**Chart 5: CA Investments by Type (£354.84m) as at 31st March 2023**



**Chart 6: CA Investments by Type (401.14m) as at 31st October 2022**



## APPENDIX 3

### Authorities External Borrowing at 31<sup>st</sup> March 2023

	<b>Balance at 31st March 2023 £000s</b>
Public Works Loan Board	<b>0</b>
Banks (LOBO)	<b>0</b>
Banks (Fixed Term)	<b>0</b>
Local Authorities (Long Term)	<b>0</b>
Local Authorities (Short Term)	<b>25,000</b>
<b>Total</b>	<b>25,000</b>

As part of its approach to liquidity management, the Authority may borrow short term loans to cover any unplanned cash flow shortages as they arrive

### Economic and Market Review for 2022/23

**Economic background:** The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.

Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.

Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.

Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could charge household was announced in the March Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April.

The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%.

The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at as 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.

Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in September. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.



The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.

After reaching 9.1% in June, annual US inflation slowed for eight consecutive months to 6% in February. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meetings, taking policy rates to a range of 4.75%- 5.00% at the March meeting.

From the record-high of 10.6% in October, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March, taking the deposit facility rate to 3.0% and the main refinancing rate to 3.5%.

**Financial Markets:** Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.

**Credit Review:** Early in the period, Moody's affirmed the long-term rating of Guildford BC but revised the outlook to negative. The agency also downgraded Warrington BC and Transport for London.

In July Fitch revised the outlook on Standard Chartered and Bank of Nova Scotia from negative to stable and in the same month Moody's revised the outlook on Bayerische Landesbank to positive. In September S&P revised the outlook on the Greater London Authority to stable from negative and Fitch revised the outlook on HSBC to stable from negative.

The following month Fitch revised the outlook on the UK sovereign to negative from stable. Moody's made the same revision to the UK sovereign, following swiftly after with a similar move for a number of local authorities and UK banks including Barclays Bank, National Westminster Bank (and related entities) and Santander.

During the last few months of the reporting period there were only a handful of credit changes by the rating agencies, then in March the collapse of Silicon Valley Bank (SVB) in the US quickly spilled over into worries of a wider banking crisis as Credit Suisse encountered further problems and was bought by UBS.

Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.

On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.

As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of authorities with specific issues. While Arlingclose's advice for local authorities on its counterparty list remains unchanged, a degree caution is merited with certain authorities.

## Interest &amp; Capital Financing Costs – Outturn Position for 2022/23

April 2022 to March 2023	Year End Position			Adv/Fav
	Budgeted	Outturn	Outturn	
	Income	Income	over or under spend	
	£'000	£'000	£'000	
<b>Interest &amp; Capital Financing</b>				
- Debit Costs (Borrowing)	0	(154)	(154)	Adv
- Interest on Balances				
West of England Combined Authority	1,600	3,655	2,055	Fav
Revolving Infrastructure Fund (RIF)	0	83	83	Fav
<b>Total - Interest &amp; Capital Financing</b>	<b>1,600</b>	<b>3,892</b>	<b>2,292</b>	<b>Fav</b>

**Summary Guide to Credit Ratings**

<b>Rating</b>	<b>Details</b>
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.
A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.
RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased operating.
D	Default - indicate san issuer that has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.



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

**DATE: 3 July 2023**

**REPORT TITLE: INTERNAL AUDIT ANNUAL REPORT 2022/23**

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

**Purpose of Report**

1. This is the Annual Report (2022/23) of the Internal Audit function including a summary of Internal Audit performance, key findings / issues, as well as the formal opinion on the internal control framework.

**Recommendation**

2. The Audit Committee notes the Internal Audit Report 2022/23 and the formal opinion on the internal control framework.

**Background / Issues for Consideration**

**3. THE REPORT**

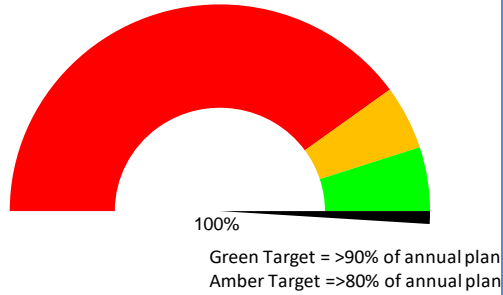
- 3.1 The Annual Internal Audit Plan for 2022/23 was presented to the West of England Audit Committee on 28<sup>th</sup> April 2022. The Plan forms the principal work of the Internal Audit Service and is a significant source of assurance of the effectiveness of the Council's internal control environment.
- 3.2 The Committee receives verbal updates at each meeting, and it last received a formal update on delivery against the audit plan on 10<sup>th</sup> November 2022. This report builds upon that update and the performance dashboard overleaf summarises the year-end position.

# PERFORMANCE DASHBOARD - INTERNAL AUDIT

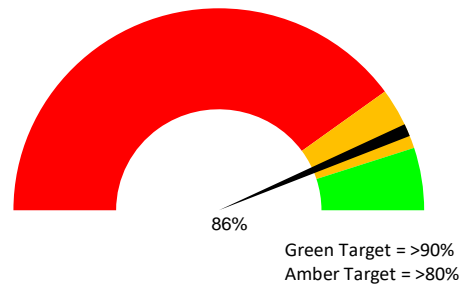
Client - West of England CA

Period - April 2022 - March 2023

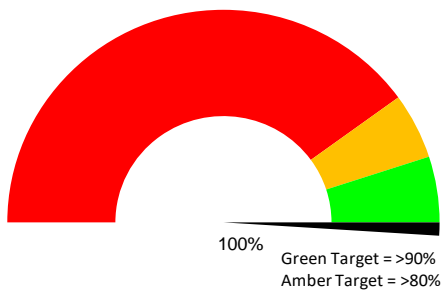
## 1. AUDIT PLAN COMPLETED



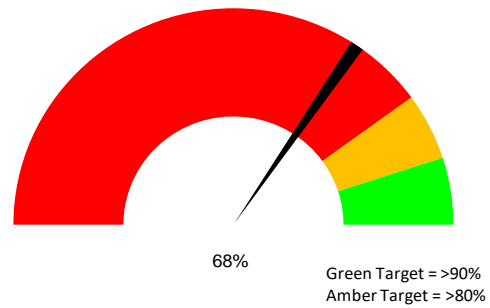
## 2. AUDITS COMPLETED IN PLANNED TIME



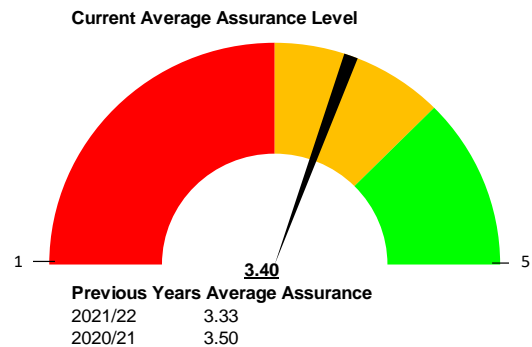
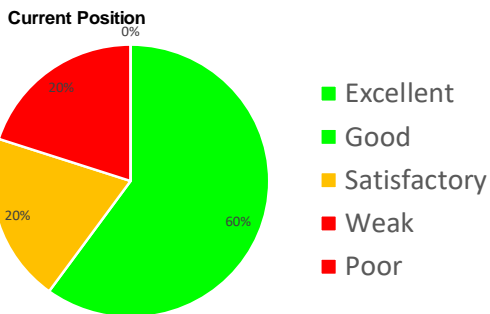
## 3. CUSTOMER SATISFACTION



## 4. IMPLEMENTATION OF RECOMMENDATIONS



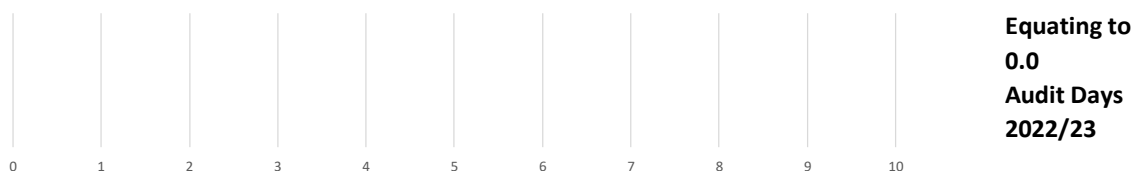
## 5. AUDIT OPINION - ASSURANCE LEVEL PROVIDED



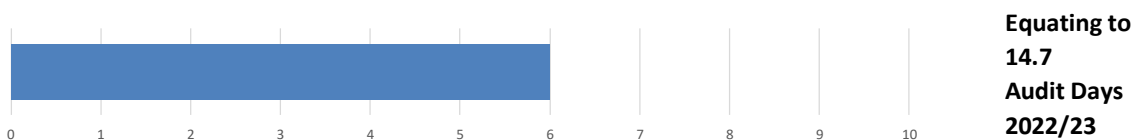
## 6. WHISTLEBLOWING CASES IN CURRENT FINANCIAL YEAR



## 7. INVESTIGATIONS - CASES UNDER INVESTIGATION DURING REPORTING PERIOD



## 8. NEW UNPLANNED WORK



## **4. PERFORMANCE SUMMARY**

### **4.1 COMPLETION OF THE INTERNAL AUDIT PLAN**

- 4.2 The performance dashboard shows that the Audit Plan as approved by this Committee in April 2022 was completed (final/ draft report or fieldwork substantially completed). There are two audits still to be reported to management (i) Project Management - Future Transport Zone (FTZ) – Governance (Strategy & Decision Making) and (ii) IT Audit (User ID and Authentication).
- 4.3 The 'Audit Plan End of Year Position Statement 2022/23' (Appendix 1) provides an up-to-date position of the planned internal audit reviews as at 31<sup>st</sup> May 2023.
- 4.4 During 2022/23, it has been important to ensure that the Internal Audit Plan has remained flexible and responsive to enable the service to respond to the Combined Authority's changing risk environment. The audit time initially planned for a review of LEP Governance audit was re-allocated to a review of 'Counter Fraud – Declaration of Interests', as agreed with the S73 and Head of Finance.
- 4.5 Audit work in quarters 1 and 2 of the financial year focussed on mandatory grant certification reviews.

### **5. AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS**

- 5.1 The percentage of audits completed within the initial allocated days is recorded at 86%. This figure was calculated based on audits recorded as being at 'Final' or 'Draft' Report stage.
- 5.2 Whilst there have been individual audits in the Audit Plan which have exceeded the original allocated days for the review to be completed, the internal audit work has been completed within the agreed total allocation.

### **6. CUSTOMER SERVICE**

- 6.1 Customer satisfaction and providing value to clients is essential to the provision of a quality internal audit service. We are pleased to report that all questionnaires completed recorded positive scores and comments and this corresponded to good feedback from individual Service Managers / auditees.
- 6.2 Our internal processes require the Audit Manager to initially review the customer feedback, before the scores and comments are communicated onto the relevant auditor who carried out the work. Customer feedback helps us to monitor our performance and maintain a quality internal audit service. Comments received included:

***“Useful input and would welcome it happening again specifically on risk.”***

***“Thank you again for your support and your review.”***

### **7. IMPLEMENTATION OF RECOMMENDATIONS**

- 7.1 The 'Follow-Up' process requires management to provide their feedback on implementation of recommendations. If the recommendation is linked to a 'High' risk weakness, then the Auditor carrying out the 'Follow-Up' work will seek evidence of implementation.
- 7.2 The performance dashboard records the implementation of agreed audit recommendations at 68%.
- 7.3 This is lower than previous year figures and can be linked to two audit reviews and that management have not been able to implement the required actions within the timescale

that they had agreed when responding to the audit reports. The IT Cyber Security audit report had nine recommendations and five have been implemented. The Project and Plan Management report had four recommendations and two had been implemented. Revised implementation dates have been agreed for all outstanding recommendations.

- 7.4 The cyber security outstanding recommendations are governance rather than technical issues and therefore do not pose an immediate risk of exploit. Internal Audit is aware that cyber security funding has been obtained, subsequent to the audit review, and this will be used to identify and mitigate cyber risks, including implementing the audit recommendations.

## **8. INVESTIGATIONS/WHISTLEBLOWING**

- 8.1 During 2022/23, the S73 Officer and the Head of Finance have introduced regular quarterly update review meetings with Internal Audit. Fraud and Whistleblowing are a standing item on the agenda. Internal Audit have not been involved in any formal investigations this year or received any whistleblowing submissions.
- 8.2 Audit West continues to provide management with advice and guidance on fraud and corruption threats. We share fraud alerts to enable management to consider and take any necessary action. We have made available a fraud bulletin to keep Combined Authority staff alert to the risks of fraud and corruption, and this year we also provided online training material 'Five Minutes of Fraud' videos to assist in maintaining staff awareness. These were made available during international fraud awareness week in November 2022.

## **9. ASSURANCE LEVEL PROVIDED**

- 9.1 Appendix 1, Audit Plan End of Year Position Statement 2022/23, provides details of all the work undertaken and the assurance rating assigned where appropriate. There were five completed audit reports, three received an Assurance Level 4 – 'Substantial Assurance', one received a Level 3 – 'Reasonable Assurance' and one received a Level 2 – 'Limited Assurance'.

The single 'Limited Assurance' opinion related to the Concessionary Travel audit and the findings of this review were reported to the Audit Committee on 10<sup>th</sup> November 2022. The Head of Integrated Transport Operations, as responsible officer, attended the meeting and answered Committee Member questions. The recommendations from this work will be subject to a formal 'Follow-Up' as part of the Q2 cycle.

- 9.2 In addition to the audit 'assurance' reports mentioned above, two advisory pieces of work (briefing reports) were also carried out, with one reviewing the governance arrangements over the Climate and Ecological Strategy and Action Plan (CESAP) 2022. The other piece of work reviewed the high-level performance management process and procedures used to deliver the key principles set out in the Monitoring and Evaluation Framework 2022, including a benchmarking comparison exercise against other local authorities.
- 9.3 Internal Audit has also carried out grant certification work, with seven individual reviews having been undertaken, covering functions such as the Growth Hub, Future Transport Zone and the Bus Subsidy Revenue Grant. No significant issues were identified in any of these reviews and the grant returns were signed off.
- 9.4 As part of our Internal Audit work to assist with planning for 2023/24 we have completed work on Audit West's Reasonable Assurance Model which independently assesses eight key themes of organisational health and rates them based on levels of assurance and risk. The eight themes are: Corporate Governance, Finance Management, Risk Management, Performance Management, Procurement, Information Management, Asset Management and Project Management. There were no significant concerns to report outside of those already discussed at recent Audit Committee meetings.



## **10. UNPLANNED AUDITS / WORK**

- 10.1 There were six unplanned pieces of work carried out in 2022/23 with five being grant certification reviews as noted above. The sixth piece of work concerned a review of the Business Growth Grants to provide assurance that Business Growth Grant applications had been appropriately verified, validated, and approved in line with scheme requirements and that they had been paid accurately and timely to approved businesses. This assignment received a Level 4 – ‘Substantial Assurance’ audit opinion.

## **11. FORMAL OPINION ON THE INTERNAL CONTROL FRAMEWORK**

- 11.1 The Service Director – One West, Acting as Chief Audit Executive for the West of England Combined Authority, is required to give an opinion on the internal control framework.

### **11.2 Statement of the Chief Audit Executive.**

A robust Internal Audit service is a vital component of the Authority’s governance systems and provides assurance over the internal control framework. Internal Audit works independently of the management of the organisation and reports through to the Audit Committee via the S73 Officer.

Flexible / hybrid working continues and this is now an established method of working in the Combined Authority. There are advantages in providing internal audit services remotely including saving time and expense to commute to client locations. There are also some disadvantages, for example auditors not being able to observe behaviours and conversations in the workplace which provide a unique insight related to the activity being audited.

In forming an opinion on the governance, risk and control environment Internal Audit also considered other sources of assurance including reports from external assurance providers.

Close attention is clearly paid to the outcomes of the work of the External Auditor and we work closely with them to ensure an efficient delivery of assurance services. Findings from External Audit work had been presented to the Audit Committee during the year and their VFM - Governance Report was presented to the Audit Committee meeting in November 2022.

This Governance report contained three statutory recommendations, two key recommendations and four improvement recommendations. The committee fully accepted the findings and recommendations will be monitored during 2023/24.

Whilst the Internal Audit Plan in 2022/23 was limited to 100 days coverage, it was designed to ensure sufficient depth and breadth of coverage to meet the requirements of those charged with governance. Consequently, it focused on core financial and other systems and areas presenting the greatest control risk to the Authority.

Delivery of the Annual Audit Plan has identified some internal control weaknesses, as would be expected but none are deemed significant for inclusion in the opinion statement. There were not any significant changes to planned internal audit work and the opinion of the Chief Audit Executive is that the internal control environment for the Combined Authority was adequate.

## **Consultation**

12. The Annual Report refers to facts and opinions that have been included within individual audit reports which were distributed to, and agreed with, senior managers. The service meets regularly with the Senior Management Team and the Director of Investment and

Corporate Services to update them on the audit plan and ensures the plan continues to reflect the risks.

#### **Other Options Considered**

13. No other options to consider related to this report.

#### **Risk Management/Assessment**

14. Risk assessment is a core building block of internal audit work. The audit plan and the associated audits and reports are drawn up and/or scored on a risk-basis.

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

15. 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:**

16. No direct implications related to this report.

#### **Legal Implications:**

17. No direct implications related to this report.

#### **Climate Change Implications**

18. No direct implications related to this report

#### **Land/property Implications**

19. No direct implications related to this report.

#### **Human Resources Implications:**

20. No direct Implications related to this report.

#### **Appendices:**

Appendix 1 – Audit Plan End of Year Position Statement 2022/23

Appendix 2 – Highlight Summary of Audit Reviews Undertaken

Appendix 3 – Audit Opinion Descriptions

#### **Background papers:**

*None*

#### **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 Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 70 Redcliff Street, Bristol, BS1 6AL.

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

## Appendix 1 – Audit Plan End of Year Position Statement 2022/23

### Planned work

Area Under Review	Assurance Level/ Rating
Counter Fraud - Declarations of Interest	Level 4 Substantial Assurance
City Region Sustainable Transport Scheme - In Year Budget Management	Level 4 Substantial Assurance
Payroll	Level 3 Reasonable Assurance
Concessionary Travel	Level 2 Limited Assurance
Project Management - Future Transport Zone (FTZ) – Governance (Strategy & Decision Making)	Level - TBC WIP
IT Audit – User ID and Authentication	Level - TBC WIP
Climate and Ecological Strategy and Action Plan	Briefing Report
Performance Management	Briefing Report
Grant Certification - Growth Hub	Pass
Grant Certification - Future Transport Zone	Pass
Reasonable Assurance Model	Complete
<b>Audit Follow-ups</b>	<b>Original Assurance Level</b>
Follow-Up: Counter Fraud and Corruption	Level 3 Reasonable Assurance
Follow-Up: Project and Programme Plan Management	Level 3 Reasonable Assurance
Follow-Up: IT Cyber Security	Briefing Report

### Unplanned work

Area Under Review	Assurance Level/ Rating
Business Growth Grants 22-23	Level 4 Substantial Assurance
Grant Certification – Peer Networks	Pass
Grant Certification – DfT Local Authority Bus Subsidy	Pass
Grant Certification – DfT Local Authority Covid Bus Subsidy	Pass
Grant Certification – Biodiversity Net Gain	Pass
Grant Certification – Green Homes	Pass

**Appendix 2 – Highlight Summary of Audit Reviews Completed**

Audit Name	Scope of Review	Summary Findings	Summary Recommendations
<p><b>Counter Fraud – Declaration of Interest</b></p>	<ul style="list-style-type: none"> <li>- Employees/ contractors/ consultants and Members are informed of the requirement to declare interests.</li> <li>- Employee (including Agency staff) and Member declarations are reviewed promptly by the Monitoring Officer or relevant senior manager to provide timely advice/guidance on how the interest should be managed.</li> <li>- All declarations are accurately and timely recorded in a register which records advice/guidance provided (by whom &amp; date) and which can be accessible for review purposes.</li> <li>- Member declarations are accurately recorded and made publicly available</li> </ul>	<p><b>Level 4 - Substantial Assurance Audit Opinion.</b></p> <p>The control framework in place for the management of Declarations of Interest was found to be effective.</p> <p>Adequate policy and procedural notes were in place within the Constitution and Code of Conduct to effectively communicate expectations to both staff and Members.</p> <p>There was evidence of statutory compliance and appropriate central record keeping regarding Declarations of Interest including the publishing of Member registers.</p>	<ol style="list-style-type: none"> <li>1) The Statutory Officers Group should diarise an annual check of the centrally maintained registers. This should incorporate review of timeliness and accuracy of submissions, scrutiny of advice and guidance given, and appropriate challenge of any anomalies.</li> <li>2) On an annual basis the Statutory Officers Group should scrutinise Member declarations published online and confirm their accuracy. A record of this verification should be documented.</li> <li>3) The Combined Authority should schedule annual use of the established staff communications newsletter 'The Loop' to remind employees of their responsibility to declare financial and non-financial interests. This should include reference to the guidance contained within the Code of Conduct.</li> <li>4) The Combined Authority should explore the options around introducing an automated online process for employee declaration.</li> </ol>

Audit Name	Scope of Review	Summary Findings	Summary Recommendations
<b>City Region Sustainable Transport Scheme (CRSTS) – In Year Budget Management</b>	<ul style="list-style-type: none"> <li>- Cost Centres are delineated by project and that each has a responsible manager and finance officer assigned.</li> <li>- Forecast income / expenditure is regularly monitored and that budget allocations are approved, accurately input and updated on a timely basis to Agresso.</li> <li>- Senior Management receive accurate and timely financial management information to inform decision making</li> </ul>	<p><b>Level 4 - Substantial Assurance Audit Opinion.</b></p> <p>Central Government has approved a total of 25 CRSTS projects for the Combined Authority. Forecasting and budgeting for the identified CRSTS projects is under regular review, with specialist external consultancy support enlisted by the Combined Authority for independent scrutiny and advice.</p> <p>The finance team actively review in-year budget and forecasting on a monthly basis, liaising with CRSTS project managers for short term focuses.</p>	<ol style="list-style-type: none"> <li>1) The senior financial management team should review and standardise the information required on the monthly monitoring reports from project managers. Feedback and guidance should be given to teams not delivering reports in full and patterns of late, missed or incomplete reports should be discussed formally and escalated to senior leadership.</li> <li>2) The finance team should ensure each specific CRSTS project has an individual code within an appropriate cost centre on the Agresso financial management system. Budgets and forecasts relating to funding allocated for each project should be clearly delineated and accurately recorded on the system.</li> </ol>
<b>Business Growth Grants (Unplanned)</b>	<ul style="list-style-type: none"> <li>- Business Growth Grant applications have been appropriately verified, validated, and approved in line with scheme requirements.</li> <li>- Business Growth Grants have been paid accurately and timely to approved businesses.</li> </ul>	<p><b>Level 4 – Substantial Assurance Audit Opinion.</b></p> <p>18 grant applications were examined which equates to approximately 10% of the 178 Grants that were processed.</p> <p>For the sample reviewed, Business Growth Grants had been appropriately and proportionately verified, validated, and approved in line with scheme requirements. The grants have been paid accurately and timely to approved businesses.</p>	<p>No recommendations were made for this review.</p>

Audit Name	Scope of Review	Summary Findings	Summary Recommendations
Payroll	<ul style="list-style-type: none"> <li>- Management and staff understand and comply with formally adopted systems / processes.</li> <li>- Starter, variation and leaver data is accurately recorded on iTrent to enable accurate and timely payments.</li> <li>- iTrent authorisation hierarchy and user access privilege levels enable the efficient and effective processing of payroll data ensuring payments that are legitimate, accurate &amp; timely.</li> <li>- All contractual and non-contractual payments and associated deductions are calculated correctly and made in a timely manner.</li> </ul>	<p><b>Level 3 - Reasonable Assurance Audit Opinion.</b></p> <p>Overall controls were found to be appropriate and operating as they should, although there were a few areas for improvement including strengthening of key document review procedures and those for oversight of payroll operations.</p> <p>Payroll operations have proceeded at a high level of accuracy and timeliness and the Combined Authority have reported a high level of satisfaction with the payroll service provided by Agilisys.</p> <p>Data analytics, performed by Internal Audit, identified a lack of iTrent system access policy and no prescribed review schedule of existing iTrent user access.</p>	<ol style="list-style-type: none"> <li>1) The Combined Authority Workplace Support Manager should establish an iTrent system access policy.</li> <li>2) The Combined Authority should perform regular reviews of iTrent user access levels.</li> <li>3) Version control tables should be applied to key HR and Payroll documents to record details of changes and reviews.</li> <li>4) The Combined Authority should Implement formal periodic spot-checks of the quality of data input into iTrent.</li> <li>5) The Combined Authority should liaise with Agilisys to ensure that all relevant periodic reports are being produced and provided in a timely manner to the appropriate parties to ensure comprehensive oversight of payroll operations.</li> <li>6) Agilisys should perform a review of the Service Level Agreement (SLA) and ensure that future reviews are conducted in line with the specified schedule.</li> <li>7) The Combined Authority should liaise with Agilisys to seek assurance over any fraud and error checks that are performed by the service provider.</li> </ol>
Concessionary Travel	<ul style="list-style-type: none"> <li>- Clarity and formal acceptance of responsibilities of the West of England Combined Authority, North Somerset and constituent authorities for administration of Concessionary Travel.</li> <li>- Calculation of Concessionary Travel</li> </ul>	<p><b>Level 3 - Limited Assurance Audit Opinion.</b></p> <p>The service has had to focus its efforts across the last two years on supporting operators by maintaining timely payments in line with temporary</p>	<ol style="list-style-type: none"> <li>1) A Managing Authority Agreement should be drawn up between North Somerset Council and the Combined Authority. Further, A new Inter Authority Delivery Agreement should be drawn up and signed by all parties, outlining the responsibilities of the</li> </ol>

Audit Name	Scope of Review	Summary Findings	Summary Recommendations
	<p>reimbursement payments to bus companies is reasonable, consistent, subject to scrutiny and approval (transparency), and in line with government guidance.</p> <ul style="list-style-type: none"> <li>- Payments processed for Concessionary Travel are accurate, timely and in line with notices issued to bus companies.</li> <li>- Constituent authorities are issuing Concessionary Travel Passes in line with Authority priorities and government rules.</li> </ul>	<p>government guidance during the Covid-19 period. This meant that maintenance of day-to-day service took priority over reviewing and updating the management and administrative processes and the related key internal controls.</p> <p>In particular, there are no longer formal agreements in place between the Combined Authority and the four West of England Local Authorities since the previous Concessionary Travel agreements expired in 2020. Record-keeping has also suffered, with a lack of formal procedures and guidance notes outlining the complex reimbursement rate calculations, and poor audit trails evidencing previous payment calculations.</p> <p>The Combined Authority has not maintained formal oversight of the local authorities that are issuing passes on its behalf and there are no formal mechanisms in place for ensuring rules are applied consistently.</p>	<p>constituent authorities as agents for administering travel passes on behalf of the Combined Authority.</p> <ol style="list-style-type: none"> <li>2) A standard model should be adopted for reimbursement rate calculations and reviewed on an annual basis to ensure it complies with government guidance and the Combined Authority priorities and resources.</li> <li>3) The Combined Authority should make proportionate provision to review the calculations made in accordance with the Authority's standard method at least once in each period of 12 months that the relevant reimbursement arrangement is in operation.</li> <li>4) The procedural notes for reimbursing bus operators should be updated and finalised to cover existing processes.</li> <li>5) Reimbursement rate calculations should be approved and signed off by management before being communicated to operators.</li> <li>6) The Combined Authority should implement measures to ensure appropriate oversight of issuing of Concessionary Travel passes, in line with the Combined Authority's obligations as the Concessionary Travel Authority for the region.</li> </ol>

Audit Name	Scope of Review	Summary Findings	Summary Recommendations
<b>Climate and Ecological Strategy and Action Plan (Briefing Paper)</b>	<p>This work focused on the governance arrangements in place to ensure that the West of England Climate and Ecological Emergency Strategy and Action Plan (CESAP) 2022 is delivered by 2030.</p>	<p>The West of England Combined Authority has made good progress to drive action on the climate and ecological emergency agenda in a relatively short space of time (The CESAP was adopted in April 2022).</p> <p>The Head of Environment is responsible for the new Environment Directorate, and they have overall ownership of the CESAP.</p> <p>The CESAP requires progress against the action plan to be reported every six months to the CA Joint Committee and the action plan to be reviewed and updated on an annual basis to ensure that momentum and ambition are maintained.</p> <p>The majority of the activities set out in the action plan, to achieve the stated climate and ecological emergency objectives, were consistent with the SMART objectives model. However, there are some actions, identified from the CESAP document, that didn't provide sufficient explanation on how the action would achieve the stated objective.</p>	<ol style="list-style-type: none"> <li>1) CESAP action plan items should be reviewed to ensure that they are sufficiently detailed. Consideration should be given to how the medium and long-term actions in the CESAP will be progressed and monitored to ensure that they are completed.</li> <li>2) Climate training should form part of the CA mandatory training for all new starters. Additionally, selected staff should undertake Carbon Literacy training to achieve the Carbon Literacy Trust - Carbon Literate Organisation 'Silver Award'.</li> <li>3) The Environment Directorate should set up a central record of all projects to enable these to be tracked and monitored. Further, guidance should be produced to ensure that all services proactively consider climate and ecological objectives as part of the Service Planning template.</li> <li>4) An Environment Directorate risk register should be created and kept up to date.</li> </ol>
<b>Performance Management (Briefing Paper)</b>	<p>This work focused on the high-level performance management process and procedures used to deliver the key principles set out in the Monitoring and Evaluation Framework 2022.</p> <p>This review focused on the following areas:</p>	<p>A Monitoring and Evaluation Framework is in place which is reviewed and updated on annual basis and it contains links to the Business Plan priorities. However, the Monitoring and Evaluation Framework is not as detailed as that for four comparative organisations reviewed.</p>	<ol style="list-style-type: none"> <li>1) The Monitoring and Evaluation Framework should be reviewed by the Principal Economist to ensure that key areas are included.</li> <li>2) A responsible officer should be identified to ensure that performance management is coordinated within the Combined Authority.</li> </ol>



Audit Name	Scope of Review	Summary Findings	Summary Recommendations
	<ul style="list-style-type: none"> <li>• Strategy and policy.</li> <li>• Training, guidance and communications.</li> <li>• Capturing and monitoring performance information.</li> <li>• Reporting and scrutiny processes.</li> </ul>	<p>Training is provided on Project Business Case submission and Project Highlight Reporting. Project Management training is provided for new project managers.</p> <p>Performance management templates are used to capture information on progress of projects and programme performance. However, this is not consistent across the organisation.</p> <p>There are responsible persons assigned to monitor and evaluate performance data for the Combined Authority and publish Strategic KPI's in their Business Plan which contains the key regional indicators. These are measured and reported through the Economic Quarterly Bulletin published on the Combined Authority's website.</p>	<p>3) Policies and procedures should be written and implemented to ensure that there are consistent practices across the organisation to monitor and report performance outcomes.</p> <p>4) The Business Plan should be published on the Combined Authority's website to ensure transparency of strategic plans for all stakeholders.</p>

**Appendix 3 – Audit Opinion Descriptions**

<b>Assurance Rating</b>	<b>Opinion</b>
<b>Level 5 - Full Assurance</b>	The systems of internal control are excellent with a number of strengths, no weaknesses have been identified and full assurance can be provided over all the areas detailed in the Assurance Summary.
<b>Level 4 - Substantial Assurance</b>	The systems of internal control are good with a number of strengths evident and substantial assurance can be provided as detailed within the Assurance Summary.
<b>Level 3 - Reasonable Assurance</b>	The systems of internal control are satisfactory and reasonable assurance can be provided. However, there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan.
<b>Level 2 - Limited Assurance</b>	The systems of internal control are weak and only limited assurance can be provided over the areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the levels of risk exposure.
<b>Level 1 - No Assurance</b>	The systems of internal control are poor, no assurance can be provided and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure.



## ITEM: 12

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

**DATE:** 3rd JULY 2023

**REPORT TITLE:** GRANT THORNTON: INFORMING THE AUDIT RISK  
ASSESSMENT FOR THE WEST OF ENGLAND  
COMBINED AUTHORITY 2022/23

**DIRECTOR:** STEPHEN FITZGERALD, INTERIM DIRECTOR OF  
INVESTMENT AND CORPORATE SERVICES

**AUTHOR:** SELONGE RUSSELL, HEAD OF FINANCE AND  
DEPUTY S73 OFFICER.

### **Purpose of Report**

- 1 The purpose of this report is to contribute towards the effective two-way communication between the Combined Authority's External Auditors and Audit Committee (as those charged with governance). The report covers some important areas of the auditor risk assessment where Grant Thornton, The West of England Combined Authority's appointed auditors, are required to make inquiries of the Audit Committee under auditing standards.

### **Recommendation**

The committee is requested to confirm that the West of England Combined Authority management response to the auditor risk assessment is a true reflection of the authority's management processes.

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

- 2 The West of England Combined Authority, like all other public sector bodies, must produce statutory accounts on an annual basis. These accounts must be formally approved by those charged with governance, being the audit committee.
  - 2.1 To help inform the external audit opinion of the accounts, our auditor, Grant Thornton, undertake an initial risk assessment, to obtain an understanding of management processes and the Audit Committee's oversight of the following areas:
    - General Enquiries of Management
    - Fraud,
    - Laws and Regulations,
    - Going Concern,

- Related Parties, and
- Accounting Estimates.

- 2.2 This report includes a series of questions on each of these areas and the response that Grant Thornton has received from the West of England Combined Authority's management as detailed in Appendix 1. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.
- 2.3 The full set of Statutory accounts will be presented to the audit committee for approval following the external audit review.

### **Consultation**

- 3 Consultation has taken place on this particular element of the accounts between Grant Thornton and various financial management staff within the Combined Authority. The report, as presented to this committee, is another important element of the consultation process.
- 3.1 The Accounts and Audit Regulations (England) 2015 require the Annual Statement of Accounts to be certified by the Chief Financial Officer and made available for public inspection. The West of England Combined Authority will issue a full copy of the draft 2022/23 accounts on the authority's website in line with the statutory deadline.

### **Other Options Considered**

- 4 The West of England Authority intend to carry out an informal briefing to Audit Committee members on the key changes in the statement of accounts for 2022/23.

### **Risk Management/Assessment**

- 5 The publication of the Authority's Financial Statements forms a core part of the West of England Combined Authorities governance and risk management processes. As required by statute, an Annual Governance Statement, (AGS), will be produced, and is integrated within the core Statement of Accounts document.
- 5.1 The AGS and narrative statement both detail the framework that the authority has developed, and implemented, for governing, managing and reporting risks.
- 5.2 This report reflects our external auditor's initial risk assessment in order to obtain an understanding of management processes.

### **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 direct implications arising from this report.

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

- 7 Management Accounting reports are published throughout the year evidencing progress and spend against the authority's set budget.

*Advice given by: Stephen Fitzgerald, Interim Director of Investment and Corporate Services*

**Legal Implications:**

- 8 The publication and audit of the Authority's Financial Statements is in accordance with the Accounts and Audit Regulations (England) 2015.

*Advice given by: Stephen Gerrard, Interim Director of Legal Services*

**Climate Change Implications**

- 9 The statement of accounts has no direct impact on climate change issues. However, The CA considers climate change when determining their priorities and investment decisions.

*Advice given by: Roger Hoare, Head of Environment*

**Human Resources Implications**

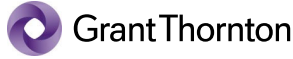
- 10 There are no Human Resources implications arising from the report.

**Appendices:**

Appendix 1 – Grant Thornton: Informing the audit risk assessment for West of England Combined Authority 2022/23

**Background papers:**

The West of England Combined Authority Statutory Statement of Accounts 2021/22



# Informing the audit risk assessment for West of England Combined Authority 2022/23



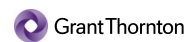
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Commercial in confidence

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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## Purpose

The purpose of this report is to contribute towards the effective two-way communication between West of England Combined Authority's external auditors and West of England Combined Authority's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

### Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

### Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Combined Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.



## Purpose

This report includes a series of questions on each of these areas and the response we have received from the West of England Combined Authority's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

## General Enquiries of Management

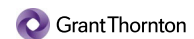
Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?	Continued agency accounting approach for funds held on behalf of parties represented at Joint Committee. Continued increase in grant funding which increases the responsibilities and capacity of the organisation.
2. Have you considered the appropriateness of the accounting policies adopted by West of England Combined Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	The implementation of IFRS 16 Leases. The main changes include the recognition of almost all leases on the Balance Sheet by lessees due to the distinction between operating and finance leases being removed. The standard will affect primarily the accounting for the Authority's operating leases. The Authority's activities as a lessor are not material and hence the Authority does not expect any significant impact on the financial statements. The Authority intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).
3. Is there any use of financial instruments, including derivatives? If so, please explain	Financial Instruments are held in accordance with the Annual Approved Treasury Management Strategy. We can confirm that the Authority holds no derivatives.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	We are not aware of any transactions that have been made outside the normal course of business.

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## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	We are not aware of any changes in circumstances that would lead to impairment of non-assets.
6. Are you aware of any guarantee contracts? If so, please provide further details	We are not aware of any guarantee contracts in place.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	We are not aware of loss contingencies nor un-asserted claims that may affect the financial statements.
8. Other than in house solicitors, can you provide details of those solicitors utilised by West of England Combined Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	There are no open litigations. The West of England Combined Authority only has one in house lawyer so additional capacity is bought in from the constituent authority in house legal teams, other Combined Authority legal teams, legal firms on the Crown Commercial and Wiltshire Legal framework agreements, Eversheds and Counsel as and when required.

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## General Enquiries of Management

Question	Management response
9. Have any of the West of England Combined Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	We are not aware of any reported items of fraud or non-compliance with laws and regulations or uncorrected misstatements from our service providers that would affect the financial statements.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	PSTax – VAT, SDLT and ET Advice Arlingclose – Treasury Management Advice CIPFA – Business Rates and Capital Mercers Actuary – Liability estimation Avon Pension Fund – Pension Advice AON Insurance Advisors – Broker
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	We will review any loans in existence at yearend for evidence of any issues. In line with the Committee Approval in January 2022 - Our intention is to increase our Treasury Management Reserve to cover any future potential credit losses on investments for the pooled funds.

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# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As West of England Combined Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from West of England Combined Authority's management.

# Fraud risk assessment

Question	Management response
<p>1. Has West of England Combined Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the West of England Combined Authority's risk management processes link to financial reporting?</p>	<p>The work of Audit West provides assurance that material misstatement due to fraud is not occurring.</p> <p>In relation to the risk management processes linked to the Financial Reporting - The Authority has an established system of reporting for revenue and capital budgets which takes account of this. Financial risks are outlined within the budget setting report and will continue to be monitored and reported through regular budget monitoring reports. The Authority's wider risk management processes continue to be aligned to our Business Plan which is formally reported through the West of England Combined Authority Audit Committee.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Procurement - Tendering issues, split contracts (value disaggregated to circumvent thresholds), double-invoicing, price-fixing, bid rigging, cartels. Spanning whole period from agreeing a project to contract monitoring, extensions and re-letting. Inflated claims by consultants (low volume of contracts to date)</p> <p>Payroll - False employees, fraudulent overtime, allowance and expenses claims.</p> <p>Grants - Work not carried out, funds diverted, ineligibility not declared. False application or payment of grants to any person, agency or organisation.</p> <p>Internal fraud - Any employee might perpetrate fraud against his or her employer and delegation of responsibilities to officers brings inherent risks. Diverting monies to a personal account, accepting bribes, working elsewhere while claiming to be off sick, wrongfully claiming benefit while working, failing to declare conflicts of interest or acceptance of gifts and hospitality. Staff pre-employment fraud, where false information given to gain employment. Stealing property and selling it on for personal gain.</p> <p>Mandate fraud - Change to a direct debit or bank transfer mandate by fraudster purporting to be an organisation you make regular payments to, for example, a subscription or membership organisation or business supplier.</p> <p>Manipulation of data fraud - Most commonly, employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation.</p>

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## Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	We communicate risk issues (including fraud) to those charged with governance in the following way: The Risk Management Framework and Individual Risk Registers - updates provided to the Audit Committee; Decision making reports to the West of England Combined Authority Committee; S73 Officer Reports as necessary; Internal Audit Reports - regular updates to the Audit Committee; Whistle blowing procedures; Annual Governance Statement & Assurance Framework to Audit Committee; The Business Plan - regular updates to The West of England Combined Authority Committee and Scrutiny; Risk management routinely discussed and considered at Directorate Management Team meetings; Revenue Budget setting and Capital Programme reports;
5. Have you identified any specific fraud risks? If so, please provide details  Do you have any concerns there are areas that are at risk of fraud?  Are there particular locations within West of England Combined Authority where fraud is more likely to occur?	As we accelerate the Combined Authority's role in the delivery of major capital projects, there will be a growing risk in terms of the commissioning of major construction contracts. We will keep this risk under review.
6. What processes do West of England Combined Authority have in place to identify and respond to risks of fraud?	The Authority has a Counter-Fraud Strategy which has been previously approved by the Senior Management Team and communicated to staff. Regular, proactive alerts are provided to all staff when we are notified of any new potential fraud risks through internal audit, financial institutions or other relevant stakeholders.

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## Fraud risk assessment

Question	Management response
7. How do you assess the overall control environment for West of England Combined Authority, including: <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	Reasonably strong.  The work of Audit West provides assurance along with the Head of Internal Audit Opinion, We have an Assurance Model and Annual Governance Statement also in place.  The Financial Reporting process and internal controls and governance processes, including Audit West's Reasonable Assurance model, assessment of specific areas of audit work, segregation of duties and counter fraud policies minimise the potential for misreporting.  Whistleblowing policy is in place.  The audit committee continues to grow in their awareness and effectiveness in terms of constructive challenge of internal controls. An independent, business member of the Audit Committee is on board which continues to add to the committee's strength.
8. Are there any areas where there is potential for misreporting? If so, please provide details	We are not aware of any.

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## Fraud risk assessment

Question	Management response
<p>9. How does West of England Combined Authority communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>All HR and IT Policies are available to all staff and they have been signposted to these on several occasions.</p> <p>The Whistle blowing policy applies to staff, members, suppliers, contractors, volunteers and anybody acting on behalf of the Authority.</p> <p>The Authority's Anti Money Laundering Policy and Counter Fraud Strategy have been communicated and are available to all staff in the Useful Information Section of the website.</p> <p>No significant issues have been reported to date.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Highest risk posts are those who are able to commit the authority to significant spend, mainly Chief Executive and Directors of Infrastructure, Business and Skills and Corporate Services. Also the Head of Capital Projects Delivery in terms of commissioning major construction contracts;</p> <p>The Combined Authority has a clear and tight levels of financial delegation whereby only few officers are able to commit high levels of spend. Segregation of duties is in place and dual authorisation required for higher spend</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>We are not aware of any related party relationships or transactions that could give rise to instance of fraud.</p> <p>All LEP Board members have to formally declare any known relationship with the operations of the Combined Authority.</p>

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## Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>In order to ensure that the Audit Committee have oversight of the management processes in relation to reporting fraud and issues in this area the following are presented to Audit Committee:</p> <ul style="list-style-type: none"> <li>• Monitoring &amp; Evaluation Framework</li> <li>• Risk Management Framework and Individual Risk Registers</li> <li>• The Assurance framework</li> <li>• Annual Governance Statement</li> <li>• Whistleblowing Policy</li> <li>• Internal Audit Reports</li> </ul> <p>Nothing material has been flagged in year.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>None that we are aware of.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>None that we are aware of.</p>

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## Law and regulations

### Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that West of England Combined Authority's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

## Impact of laws and regulations

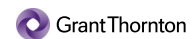
Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does West of England Combined Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Combined Authority's regulatory environment that may have a significant impact on the Combined Authority's financial statements?</p>	<p>Decision reports to the West of England Combined Authority and Joint Committees require legal and financial implications to be signed off. The work of Statutory Officers and Internal Audit includes a focus on compliance with law and regulation. In addition, it takes assurance through S73 Reports, Internal audit reports, Whistle blowing procedures and the Annual Governance Statement and Assurance Framework.</p> <p>Staff employed in critical posts have the relevant professional qualifications, skills and knowledge.</p> <p>Statutory Officers – Head of Paid Service, Monitoring Officer and Section 73 Officer meet on a regular basis to consider key Financial and Legal issues faced by the authority.</p> <p>We are not aware of any changes to The West of England Combined Authority regulatory environment that would have a significant impact on the financial statements.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The following reports are taken to the Audit Committee on a cyclical basis in order to provide assurance:</p> <ul style="list-style-type: none"> <li>• The Monitoring &amp; Evaluation Framework</li> <li>• The Risk Management Framework</li> <li>• Internal Audit Reports</li> <li>• The Assurance Framework</li> <li>• Decision making reports to the Combined Authority</li> <li>• S73 Officer Reports as necessary</li> </ul> <p>Accounts produced are in line with Code of Practice.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial</p>	<p>There are no instances of non-compliance or suspected non-compliance with laws and regulation that we are aware of.</p>

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## Impact of laws and regulations

Question	Management response
5. What arrangements does West of England Combined Authority have in place to identify, evaluate and account for litigation or claims?	All claims are controlled by the legal team, in conjunction with our insurers. Where appropriate these are taken to the Board for approval.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	There have been no reports that indicate non-compliance that we are aware of.

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## Related Parties

### Matters in relation to Related Parties

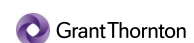
West of England Combined Authority are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by West of England Combined Authority;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Combined Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Combined Authority, or of any body that is a related party of the Combined Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Combined Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

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## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in West of England Combined Authority's 2021/22 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and West of England Combined Authority</li> <li>whether West of England Combined Authority has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	There have been no changes to the related parties.
2. What controls does West of England Combined Authority have in place to identify, account for and disclose related party transactions and relationships?	Members and Senior Officers are required to complete a register of interests. Members and officers are also required to declare any interests relating to matters to be discussed in each meeting.
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	Robust procurement controls are operated with contract authorisation limits. The process applies to all commercial activity regardless of whether it involves related parties.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Financial regulations apply.

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## Going Concern

### Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

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## Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by West of England Combined Authority will no longer continue?	We will continue to consider any changes in legislation that will impact on the number and level of services provided.
2. Are management aware of any factors which may mean for West of England Combined Authority that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	Not aware of any factors.
3. With regard to the statutory services currently provided by West of England Combined Authority, does West of England Combined Authority expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for West of England Combined Authority to cease to exist?	We expect to deliver for the foreseeable future.
4. Are management satisfied that the financial reporting framework permits West of England Combined Authority to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes – words on going concern assumption are included in the annual accounts. The Combined Authority will continue to exist unless legislation changes.

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## Accounting estimates

### Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body'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 body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body'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?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

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## Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	The significant valuation would include Pensions and Business Rate Appeals.
2. How does the Combined Authority's risk management process identify and address risks relating to accounting estimates?	Estimates are based upon accounting knowledge, historical data, review of transactions or known events after the end of the financial year to determine the calculations to provide the necessary provisions.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	As above.
4. How do management review the outcomes of previous accounting estimates?	Reviewed as part of ongoing monitoring.
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	No changes were made to the estimation processes.

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## Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	The S73 Officer is a member of Corporate Leadership Team (CLT). The Finance team have a significant number of staff qualified to Chartered or AAT standard including the Head of Finance. Knowledge acquired as part of that training is applied to relevant areas together with any further training or developments provided by CIPFA in relation to specific areas. Support is also provided by experienced external consultants.
7. How does the Combined Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Internal audit reports are considered where they report on any relevant control weaknesses.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	By monthly reporting of financial data.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	Reporting financial data to CLT; Consideration and examination is also made within the Finance team to consider the robustness of estimates and challenged. Budget managers provide updates - if material on any significant developments. The S73 Officer undertakes a comprehensive review of the draft Statutory Statement of Accounts as they develop through the process.

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## Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No not aware of any.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes – basis for preparing estimates will remain as per previous years (which had been audited by GT).
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	S73 authorisation of the accounts. No issues raised by external auditors. Similar to the previous financial years, the audit committee will consider the draft accounts through an informal workshop in advance of formal presentation to committee.

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	The actuarial gains and losses figures are calculated by the actuarial expert Mercer. These figures are based on making % adjustments to the closing values of assets/liabilities.	The Combined Authority responds to queries raised by the administering body, Avon Pension Fund.	The Combined Authority are provided with an actuarial report by Avon Pension (LGPS).	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No.
Fair value estimates (including categorisation in the fair value hierarchy)	Financial assets are required to be classified and measured at fair value, with any changes in fair value recognised in Profit and Loss. The valuation should, where material, reflect any change in expected future cash flows. Thus for instance if there arises an expectation that future cash flows from an investment will be reduced this would impact on the current carrying value of that financial instrument.	Annual review of financial instruments to identify where possibility of changed future cash flows	When considered necessary the Treasury advisers will be consulted.	The Authority's Treasury Management Strategy is such that investments are restricted to low risk entities.	No.
<sup>26</sup> Provisions	Provisions are identified through <sup>26</sup> <del>detailed</del> <del>with</del> <del>management</del>	Reviewed by the Finance Business Partners	When considered necessary, CIPA	Each provision is assessed on an individual basis to ensure that it meets the criteria of	No.



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## ITEM: 13

**REPORT TO: AUDIT COMMITTEE**

**DATE: 3 JULY 2023**

**REPORT TITLE: AUDITOR'S ANNUAL REPORT – 2021/22**

**DIRECTOR: STEPHEN FITZGERALD, INTERIM DIRECTOR OF INVESTMENT AND CORPORATE SERVICES**

**AUTHOR: GRANT THORNTON, EXTERNAL AUDITORS**

### **Purpose of Report**

- 1 External Auditors are required to report their commentary on the Combined Authority's work.

### **Recommendation**

- To approve the External Auditors (Grant Thornton) Annual Report for year ended 31 March 2022.

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

- 2 Grant Thornton are the appointed external auditors for the Authority. They carry out their audit work in accordance with the National Audit Office's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014. The auditor's key responsibilities are to:

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

- 2.1 The Annual Report is attached as **Appendix 1**.

### **Consultation**

- 3 The Annual Report is being presented to the Audit Committee for comment.

- 3.1 The following items are covered in the report:

- Financial Stability;
- Governance;
- Improving economy, efficiency and effectiveness.

**Appendices:**

Appendix 1: External Auditors (Grant Thornton) Annual Report for year ended 31 March 2022.

**West of England Combined Authority Contact:**

Report Author	Contact Details
Stephen Fitzgerald	directorinvestmentandcorporate@westofengland-ca.gov.uk

# Auditor's Annual Report on West of England Combined Authority

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2021/22

May 2023



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Executive summary

# Executive summary



## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Combined Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Combined Authority's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	2020/21 Auditor Judgment	2021/22 Auditor Judgement
Financial sustainability	No significant weaknesses in arrangements identified and no improvement recommendations made	No significant weakness identified but two improvement recommendations raised
Governance	Five significant weaknesses identified and three statutory recommendations, three key recommendations and four improvement recommendations made	Four significant weaknesses remain. Three statutory recommendations, two key recommendations and two improvement recommendations remain. Three new improvement recommendations raised.
Improving economy, efficiency and effectiveness	No significant weaknesses and no improvement recommendations made	No significant weaknesses in arrangements identified, but three improvement recommendations raised



## Financial sustainability

The Combined Authority exhibited strong financial performance in 2021/22, finishing the year with a £87k surplus. The Combined Authority was also able to replenish reserves during 2021/22. The Combined Authority is forecasting a break-even year-end position for 2022/23. Between 2022/23 and 2023/24, the Combined Authority has seen a 256% increase in grant funding. Management of the capital programme shows room for improvement in respect of accuracy in budget setting, we have raised a recommendation in this area.



## Governance

The Combined Authority has been the subject of a number of high-profile governance issues since 2020/21. The organisation is currently undergoing a significant improvement plan to remedy the fundamental governance challenges. We have highlighted the Combined Authority's progress against the recommendations raised in our Auditor's Report on Governance Matters from December 2022. The organisation is in the process of crafting an improvement plan in response to the recommendations raised by the independent review performed by the Society of Local Authority Chief Executives from March 2023. The Combined Authority has addressed one of the key recommendations raised in our Governance Report, therefore reducing the number of significant weaknesses from five to four. We have raised three new additional improvement recommendations in this report in relation to the SOLACE report, risk management and the Audit Committee.



## Improving economy, efficiency and effectiveness

The Combined Authority has strengthened its performance management arrangements during 2021. The organisation must keep in alignment with its 'step change' in delivery through further improvements in this area. Arrangements to engage with partners and procurement appear adequate. The allocation of the City Region Sustainable Transport Settlement (CRSTS) in April 2022 presents a formidable opportunity for the Combined Authority but also represents a significant challenge. The Combined Authority will need to rise to this challenge through focusing on moving from development to delivery phase in its projects.



# Auditor's Report on Governance Matters – March 2023 update

Area of Focus	Key Findings from Governance Report	Progress to date
<b>Wider governance</b>		
<b>1. Partner Relationships</b>	<p><b>Significant Weakness Requiring Statutory Recommendations (Recommendations SR1 and SR2).</b></p> <p>The poor state of professional relationships we found during the period of the review between the Combined Authority Mayor, the representatives of the other members of the Combined Authority and some Chief Officers reflected a significant weakness in partnership governance. We expressed concern that the poor state of relationships could start to limit the ability to collaborate to optimise strategic opportunities in future. External perceptions of dysfunction could also begin to affect the reputation of the Combined Authority with central government and other partners, ultimately affecting the ability to raise further funding and undermining public confidence. This becomes increasingly important in the context of increasing competition for devolved funding from other devolved regions and new county deals, and government's need to prioritise devolution decisions and activity.</p> <p>In addition to Statutory Recommendations SR1 and SR2 we raised one Improvement Recommendation (IR1).</p>	<p>The progress documented in the Combined Authority's Audit Action Plan against this recommendation demonstrates that the Combined Authority is putting effort toward ensuring decision-makers are provided with all relevant information prior to major decisions being made and for the challenge of key decisions before they are taken. The unplanned 100-minute adjournment at the 27 January 2023 Committee calls into question whether efforts have yet been effective. However, this meeting took place in January 2023 and the March 2023 update by the Combined Authority suggests progress has been made since then. The January committee pre-dated the final agreement of the action plan. At the March committee, positively, there was no extended adjournment. Officers have drawn our attention to other positive indicators of progress:</p> <ul style="list-style-type: none"> <li>• The Mayor and individual UA leaders are holding more regular one-to-one meetings;</li> <li>• Mayors and leaders have met informally to discuss regional priorities;</li> <li>• Draft committee papers in the lead up to June Committee were circulated earlier, allowing for more time for partner engagement and input. CEOs received draft papers for comment four weeks ahead of the meeting date;</li> <li>• UA leaders and the Mayor have been invited to a briefing ahead of the June Committee where officers will be available to discuss the papers.</li> </ul> <p>We will continue to monitor progress against this recommendation.</p> <p>The Society of Local Authority Chief Executives (SOLACE) report made a number of recommendations focused on collaborative engagement. Officers have highlighted positive examples of collaboration, such as:</p> <ul style="list-style-type: none"> <li>• Bristol Temple Quarter – where strong partnership arrangements are in place to deliver this significant development and regeneration programme;</li> <li>• Regional Strategy – currently being developed in collaboration across CA partnership</li> </ul> <p>The report encouraged the Combined Authority to revisit the regional housing strategy in the form of the Spatial Development Strategy. The successful development of this strategy would serve to demonstrate the Combined Authority's commitment to collaborative engagement.</p> <p>We are encouraged by the progress against our recommendations, for example, the establishment of an integrated Transformation Programme. However, progress against the action plan is still in its infancy and it is too soon to tell whether any implemented efforts are yet effective. The Council are set to report on progress to the June 2023 Committee. The response to the SOLACE report will provide supplementary assurance for the targeting of this weakness. For these reasons, the significant weakness in this area remains.</p>



# Auditor's Report on Governance Matters – March 2023 update

Area of Focus	Key Findings from Governance Report	Progress to date
Wider governance		
<b>2. The Constitution</b>	<p><b>Area for Improvement (Not a Significant Weakness)</b></p> <p>The Combined Authority's Constitution proved difficult to apply when considering the severance matter and was acknowledged by all sides (including legal advisors) as being in need of review and clarification. We noted a number of specific areas where the Combined Authority Constitution would benefit from revision (see Governance Report for details). In the context of the relationship challenges, strengthening of the Constitution beyond fulfilling the basic requirements will help to mitigate issues arising in future. We note that amendments to the Constitution will require unanimous agreement by the Combined Authority Members.</p> <p>We made one Improvement Recommendation (IR2).</p>	<p>IR2 called for the Combined Authority to review the Constitution in its entirety. The Action Plan stated that this 'will be performed.' The SOLACE report has similarly issued a recommendation 'M', asking the Combined Authority to:</p> <p><i>'Identify the issues with the constitution which would help The West of England Combined Authority to work in a more effective and agile way. Have regard to constitutions in other Combined Authority areas. This process would have regard to activity in other recommendations listed above and would need to be sequenced as such.</i></p> <p><i>Hence, review the constitution making representations to government on proposed changes, if necessary.'</i></p> <p>The Combined Authority is currently in the process of implementing changes in response to the SOLACE report and have developed a transformation programme to address the recommendations raised. It is too soon to make a judgement on whether the progress is effective. The improvement recommendation within our Governance report therefore still stands.</p>
<b>Turnover of senior staff</b>	<p><b>Significant Weakness Requiring Key Recommendation (KR1)</b></p> <p>The Combined Authority lost several senior officers in a span of months in 2022. The loss of continuity could impact the proper administration of the Combined Authority and its ability to deliver its objectives. Following the Combined Authority Committee's refusal to endorse the proposed management restructure in 2022, there is a pressing need to finalise the future management structure, with the approval of the Combined Authority Committee, to provide clarity and enable the recruitment of permanent officers to key roles to support the strategy.</p> <p>We made one Key Recommendation (KR1).</p>	<p>KR1 asked the Combined Authority to review its future management structure to ensure it is fit for purpose in the context of new funding awards and strategic priorities. The Combined Authority agreed to allow the SOLACE report to guide the consideration of its leadership structure.</p> <p>The SOLACE report issued recommendation 'F' which surrounds 'The West of England Combined Authority as a management organisation.' The recommendation asks management to 'complete a management restructure to fill interim posts permanently in consultation with the LAs.'</p> <p>Progress has been made in this area. Permanent senior appointments have been made in recent months:</p> <ul style="list-style-type: none"> <li>• Director of Infrastructure</li> <li>• Head of Strategic Communications</li> </ul> <p>However, recruitment is still underway for the S73 and Monitoring Officer.</p> <p>The Combined Authority is currently in the process a crafting a response to the SOLACE report and developing a corresponding improvement plan to address the recommendations raised in that report. This significant weakness and key recommendation (KR1) in our December 2022 Governance Report therefore remain outstanding.</p>



# Auditor's Report on Governance Matters – March 2023 update

Area of Focus	Key Findings from Governance Report	Progress to date
Severance issue		
4. Conflicts of interest regarding severance	<p><b>Significant Weakness Requiring Statutory Recommendation (SR3)</b></p> <p>The Chief Executive employed a particular approach with regard to the management of conflicts of interest that included the exclusion of the Monitoring Officer in relation to the severance payment addressed in the Governance Report. We determined this exclusion to have prohibited the Monitoring Officer from discharging their role effectively. The route chosen to manage the potential conflicts demonstrated the need to be more vigilant in ensuring an appreciation of the complementary roles of the statutory officers in protecting the authority from risk. Appropriate action was not taken to ensure that the statutory duties of the Monitoring Officer and Chief Finance Officer roles were appropriately discharged by the incumbent officers or through alternative arrangements.</p> <p>In addition, we noted that the Chief Executive was not well served by the Combined Authority's Constitution which provided no guidance on how conflicts of interest between statutory officers should be managed or sufficient clarity on the use of delegated powers. Significant reliance therefore was placed on the third party legal advisors to interpret the intention of the Constitution.</p> <p>In our view, the Chief Executive's decision not to inform the statutory officers of the severance transaction at an earlier stage and the failure to manage the potential conflict effectively was a significant weakness that placed the Combined Authority at the potential risk of committing to an unlawful payment. The specific roles of the three statutory officers are key checks and balances that the legislation puts in place to ensure that major financial and operational decisions are lawful and in the best interests of the Combined Authority. It is important to note that these also serve to protect any single statutory officer from inadvertently exposing the Combined Authority to risk. In this context and the absence of adequate alternative arrangements to manage any conflict of interest, it was not unreasonable for the former Monitoring Officer to resort to intervention in the process.</p> <p>We made one Statutory Recommendation (SR3).</p>	<p>The Combined Authority has circulated a protocol designed to reflect the unusual circumstances that can arise in a small authority where there may not always be another employee to discharge the role of deputy. The protocol sets out the action to be taken in the event of a conflict of interest affecting the statutory officers and this has been published on the Combined Authority's website.</p> <p>We accept that the agreement of the protocol reflects the seriousness with which the CA took the audit recommendation and took swift steps to address and avoid any repeat of the issue.</p> <p>The Combined Authority is still in the process of recruiting permanent staff to fill two of its statutory roles (Chief Financial Officer and Monitoring Officer). The impact of the progress made against this recommendation is simultaneously dependent on ensuring the statutory roles are assumed by individuals who will appreciate and respect the importance of each statutory role and act in a manner that reflects their unique importance. The authority has taken the steps necessary to partially fulfil the demands of this recommendation but the resolution of this recommendation is also dependent on the passage of time as we would need to observe that the relationship between the new substantive statutory officers is such that the roles of each officer can be effectively discharged to avoid the recurrence of the issues that engendered SR3 in the first instance. The authority need to demonstrate a culture of inclusivity which will need to be qualitatively assessed when a longer period of time has elapsed and when the Monitoring Officer role has been substantively filled by an appropriately qualified individual.</p> <p>The management restructure and review of the Constitution will also have an impact on the achievement of this recommendation.</p> <p>For these reasons, the significant weakness we identified in our Governance Report in this area remains. The response to the SOLACE report and the associated improvement plan will impact the delivery of this recommendation.</p>



## Auditor's Report on Governance Matters – March 2023 update

Area of Focus	Key Findings from Governance Report	Progress to date
Severance issue	<b>Significant Weakness Requiring Key Recommendation (KR2)</b>	The 17 March 2023 CA Committee resolved to add the following paragraph 3.8
<b>5. The approach to obtaining legal advice</b>	<p>Conflicting legal advice was obtained by different officers at different points in the process in relation to the severance payment referred to in the Governance Report. In our view, the role of Monitoring Officer as Head of Legal Services is particularly important when it comes to commissioning and interpreting third party legal advice. Advice is usually sought based on very specific terms of reference and is highly reliant on the information supplied to the advisor. The Monitoring Officer is party to the wider context and can exercise professional experience to ensure that the right advice is sought and the right information given. It is important to recognise that it is not uncommon for legal advisors to differ in their judgements, especially where legislation or constitutional clauses are not clear and judgement has to be made. In practice, legal advice is often sought specifically because the legal position requires interpretation and judgement. The difficulty in reaching a consensus on the lawfulness of the severance transaction that arose in the case highlights the risk that arises when legal advice is sought independently of the Monitoring Officer.</p> <p>By bypassing the Monitoring Officer in this case and failing to make alternative provision for the discharge of the Monitoring Officer's responsibilities, the statutory protections provided by the Monitoring Officer's role were significantly weakened.</p> <p>In addition to one Key Recommendation (KR2), we made two Improvement Recommendations (IR3 and IR4).</p>	<p>(e) to the functions of the Monitoring Officer in the Combined Authority's Constitution:</p> <p><i>'(e) Combined Authority Officers and Members are prohibited from obtaining legal advice without the written agreement of the Combined Authority Monitoring Officer. All legal services will be commissioned in accordance with arrangements settled by the Monitoring Officer from time to time. These arrangements will be set out in a legal services protocol which will be published on the authority's internet'</i></p> <p>The Combined Authority has therefore taken the necessary steps to ensure the approach to obtaining legal advice is grounded in its Constitution. The clarity reduces the likelihood of conflicting interpretations of due process.</p> <p>We are satisfied that the Combined Authority has implemented the recommendation raised in KR2. The significant weakness in this area no longer applies.</p> <p>In relation to the remaining improvement recommendations, IR3 relates to the formal recording of performance reviews for senior officers. The Combined Authority have confirmed that these have now taken place and senior officers have had performance reviews and appropriate records have been kept. This improvement recommendation is therefore resolved and completed.</p> <p>In relation to IR4, the recommendation surrounded the retention of the seniority of the Monitoring Officer role. The Combined Authority have designated the Monitoring Officer role at Director level as at June 2023. This role, however, is still out for advertisement for a substantive appointment. The improvement recommendation has been met, though it is important to note that at the time of writing the role remains to be permanently filled.</p>



## Auditor's Report on Governance Matters – March 2023 update

Area of Focus	Key Findings from Governance Report	Progress to date
Severance issue	<b>6. The rationale for the award of severance</b>	
	<p><b>Significant Weakness Requiring Statutory Recommendation (SR3)</b></p> <p>There was a lack of clarity in the rationale for proposing the severance payment and how the payment and its terms were constructed. It was the Chief Finance Officer's statutory duty to undertake an assessment of value for money to protect the Combined Authority from the risk of overpayment in regard to the Director of Infrastructure's exit package. If there was a conflict of interest, this duty should have been passed to a nominated deputy. Without this assurance, it is understandable that Combined Authority members would be unsure as to whether VfM had been achieved and therefore felt it necessary to abstain from the vote when the matter was brought to the Combined Authority Board in October 2022.</p> <p>In our view, due to a potential conflict of interest, the Chief Finance Officer was not able to discharge their statutory duty to ensure VfM. The deputy CFO was consulted in some specific areas, for example, in regard to affordability within the budget. However, no satisfactory alternative arrangement was made to enable the broad range of the CFO's statutory function to be formally exercised through the deputy or any other means, prior to the severance package being agreed with the Director of Infrastructure. This reflects a significant weakness in arrangements.</p> <p>We incorporated this Significant Weakness into our third Statutory Recommendation (SR3).</p>	<p>The Combined Authority has circulated a protocol designed to reflect the unusual circumstances that can arise in a small authority where there may not always be another employee to discharge the role of deputy. The protocol sets out the action to be taken in the event of a conflict of interest affecting the statutory officers and this has been published on Combined Authority's website.</p> <p>We accept that the agreement of the protocol reflects the seriousness with which the CA took the audit recommendation and took swift steps to address and avoid any repeat of the issue.</p> <p>The Combined Authority is still in the process of recruiting permanent staff to the two of the three statutory roles. The impact of the progress made against this recommendation is simultaneously dependent on ensuring the statutory roles are assumed by individuals who will appreciate and respect the importance of each statutory role and act in a manner that reflects their unique importance.</p> <p>The management restructure and review of the Constitution will also have an impact on the achievement of this recommendation.</p> <p>For these reasons, the significant weakness we identified in our Governance Report in this area remains. The response to the SOLACE report and the associated improvement plan will impact the delivery of this recommendation.</p> <p>The significant weakness in this area therefore remains.</p>



# Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Combined Authority's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have completed our audit of your financial statements and issued an unqualified audit opinion on 21 December 2022. Our findings are set out in further detail on page 32.

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

No new statutory recommendations were raised in 2021/22 but we did follow up progress on those raised as part of last year's audit.

## Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a Public Interest Report.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply this power.

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not apply this power.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply this power.



# Commentary

# Securing economy, efficiency and effectiveness in the Combined Authority's use of resources

All Combined Authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Combined Authority's responsibilities are set out in Appendix A.

Combined Authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial Sustainability

Arrangements for ensuring the Combined Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



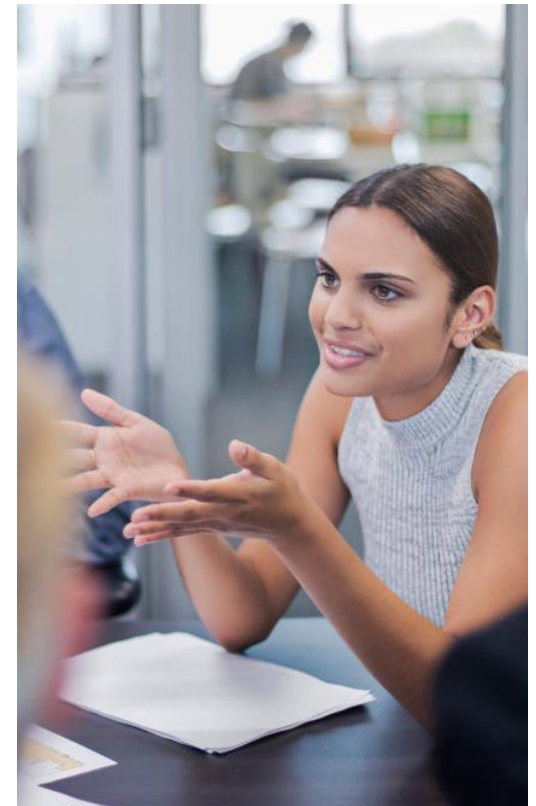
## Governance

Arrangements for ensuring that the Combined Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Combined Authority makes decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Combined Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the Combined Authority's arrangements in each of these three areas, is set out on pages 11 to 29. Further detail on how we approached our work is included in Appendix B.

# Financial sustainability



## We considered how the Combined Authority:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

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## 2021/22 financial performance

In January 2022, the Combined Authority Committee approved transferring £1,347k in 2021/22 to specific one-off earmarked reserves to invest in further support to regional bus services to protect routes in rural areas during 2022/23. Consequently, the £1,347k was transferred to earmarked reserves.

The Combined Authority finished 2021/22 with a £87k net revenue surplus. The Combined Authority was able to achieve this surplus primarily due to the higher income received from investing cash balances. The most significant variances in the 2021/22 budget related to in-year spend on Government projects being higher than expected and a reduction in the transport levy. Transport operations were also affected through reduced patronage and amended provider routes due to the ongoing impacts of the COVID-19 pandemic. Government grants for supporting bus operations were received during the year although these were uncertain in terms of value and duration.

The West of England Combined Authority Committee approved the transfer the £87k surplus to the West of England Combined Authority Reserve in July 2022.

The addition of the reserves balance shows the Combined Authority to be in a promising financial position at the end 2021/22 period. As local authorities across the country are exhibiting financial stress through depletion of reserves to fund revenue deficits, the Combined Authority is demonstrating that it is not in that position. 2021/22 financial performance indicates strong financial performance as the Combined Authority is demonstrating that it is not using reserves to plug financial gaps but rather replenishing reserves to provide protection for future service and project delivery.

## 2022/23 financial planning and performance

The Mayoral Fund and the Combined Authority follow different budget setting and financial reporting arrangements due to legislative requirements. In 2021/22, the Mayoral Fund reported outturn of £15.37m and the Combined Authority reported total expenditure of £72.95m. The Mayoral Fund is confined to those functions that fall under the specific responsibility of the Mayor in accordance with the 2017 Order.

2022/23 budgets for the Mayoral Fund and the Combined Authority were approved at the 28 January 2022 Combined Authority Committee.

The Combined Authority's revenue budget is made up of four main components:

1. core revenue funding;
2. specific grants;
3. a transport levy for defined services;
4. approved investment fund schemes.

Given the fact that the Combined Authority's spending plans are aligned to the income it receives, the budget setting is not as complex as with other local government bodies in that there are no trade-offs between different service areas and no Council Tax implications that need to be taken into consideration.

As per the Q3 budget report for 2022/23, the Mayoral Fund is forecasting a year-end break-even revenue budget position for 2022/23. There is a projected £10k overspend on staffing costs as a result of the higher than expected local government pay award offset by a contribution from the Investment Fund.

# Financial sustainability

	<b>Budget 2022/23 (£,000's)</b>	<b>Forecast 2022/23 (£,000's)</b>	<b>Variance (£,000's)</b>
<b>Expenditure</b>			
Staff (a)	9,646	11,520	1,874
Staff Recharge (Capital & LEP)	(2,382)	(114)	2,268
<b>Net Revenue Staff</b>	<b>7,264</b>	<b>11,406</b>	<b>4,142</b>
Supplies & Services (c)	9,127	16,746	7,619
Third Party Payments (d)	48,986	66,826	17,840
Overhead	(677)	(679)	(2)
Transfer to Reserves (e)	212	1,198	986
<b>Total Expenditure</b>	<b>64,912</b>	<b>95,497</b>	<b>30,585</b>
<b>Income</b>			
Levy Transport Function (f)	21,427	20,909	(518)
Business Rate Retention	600	-	(600)
Government Grants (g)	19,565	32,380	12,815
Investment Fund (h)	21,553	35,849	14,296
Other Contribution (i)	-	752	752
Interest on balances	1,600	3,300	1,700
Transfer from Reserves	167	2,307	2,140
<b>Total Income</b>	<b>64,912</b>	<b>95,497</b>	<b>30,585</b>

Figure 1: 2022/23 Budget vs Forecast Outturn  
Source: Q3 Budget Report

The Combined Authority is similarly projecting a break-even position, see Figure 1. As the Combined Authority's budget is dictated by its income, the significant increase in funding received in-year has resulted in a corresponding increase in expenditure. Forecast income (excluding transfers to/from reserves) of £93.19m is expected for 2022/23 compared to an original budget of £64.75m, representing a 43.9% increase. Forecast expenditure (excluding transfers to/from reserves) of £94.3m compares to an original budget of £64.7m representing a 45.7% increase. The significant deviation from original budget is due to the 256% increase in grant funding received in 2022/23. The most significant variances in 2022/23 relate to the Transport Levy, the UK Community Renewal Fund, variations on project spend, interest on balances and inflation.

## 2023/24 budget and the medium term

Between 2022/23 and 2023/24, the Combined Authority saw a 256% increase in Grant Funding. An increase of 36% in staffing posts with staffing costs reflecting the higher-cost infrastructure posts. Following a lengthy debate, the CA Committee agreed at the 27 January 2023 meeting to approve the 2023/24 budget with the exception of the £8m staffing increase of which 10% will be withheld. The remaining funds will be released following the unanimous approval of the Combined Authority Chief Executive and Chief Executives of the Unitary Councils.

The staffing budget increase represents the need for additional resources to deliver the increased programme of work for the Combined Authority. For example, the infrastructure portfolio has seen a four-fold increase from 2022/23 to 2023/24.

There is pressure in terms of organizational capacity to deliver the scale and volume of activity the Combined Authority has been tasked with, that if not sufficiently addressed could expose the Combined Authority to risk. The Combined Authority has never had to deliver to this scale in its relatively short lifetime. The organisation is in the process of rolling out a staunch recruitment programme that will need to be judiciously managed if it is to secure the skills and resources necessary to carry out its 'step change' in delivery. Given the high-profile and public governance issues of the recent past, the Combined Authority is under even greater pressure to prove its utility as a public body engaged in the stewardship of public funds. The successful delivery of its 2023/24 work profile and budget will go a long way to prove to investors its competence and efficacy.

After combining all the approved funding streams, the overall Combined Authority revenue budget for 2023/24 is £115.2m with a total resource allocation of £359.8m up to March 2027.

The 'core' element of its revenue resources remains largely unchanged from 2023/24. The Combined Authority core revenue streams amount to £25.6m over the five-year period. The Combined Authority continues to retain 5% of the total business rates growth retained in the region after the highways maintenance grant.

# Financial sustainability

In addition, specific grant funding as set out in the medium-term resource forecast amounts to £175m over the five-year period.

The Combined Authority is in a reasonable position with regard to 2023/24 budgeting and the medium-term. The significant influx in grant funding has provided financial cushioning and foregone the need to fundamentally review the budget, scale back services or realistically consider the need for a sophisticated savings plan. The challenge is now to deliver.

## Reserves

The Combined Authority's management of reserves is driven by its Financial Reserves Policy. As at March 2022, the reserves balance stands at £2.4m. The policy targets to maintain a reserves balance of 5% of net annual revenue spend, which would put the balance at £5.7m against the proposed £115m 2023/24 budget. The current reserves balance is therefore low in comparison to the target level. The Combined Authority have in place a plan to build and increase the current reserves level through transferring any end of year surpluses as was demonstrated through the £87k transfer in 2021/22 in accordance with the Financial Reserves Policy.

It is important to note that based on the 2021/22 transfer of £87k to the general fund reserves, it would take the Combined Authority close to forty years to reach the 5% of net annual revenue spend target for the reserves balance. The Combined Authority is still in its growth phase meaning the absolute value of the Combined Authority's self-determined 5% target will likely increase dramatically year on year making the achievement of the target even more challenging.

The adherence to the Financial Reserves Policy demonstrates sound financial management as it indicates that the Combined Authority is monitoring the elements of its balance sheet that could pose a risk to its financial sustainability. It demonstrates that it is pursuing a prevention element of risk management by addressing the ways in which the Combined Authority can avoid risk arising in the first place.

The Combined Authority's 2022/23 forecast reserves position as shown in the Q3 budget report shows that the reserves balance is expected to remain at £2.37m. As the reserves balance remains low in comparison to the target stated in the policy, the Combined Authority should seek to continue to increase this reserves balance. This risk should continue to be carefully monitored to ensure future financial stability.

## Capital and the capital programme

In January 2021, the Combined Authority Committee agreed an original budget of £59.2m for the capital programme for 2021/22. One year later, the budget had risen to £89m, representing a £22.1m increase (50%). The increase is primarily due to reviews of decisions relating to re-phasing, for example, the decision to roll back Metrowest 1 and 2 from 2022/23. The Combined Authority finished 2021/22 against the £81.3m revised budget with a £62.9m outturn. This represents an underspend of £13.3m against budget. The key contributors to this underspend surround slippage and reprofiling, effectively moving the capital expenditure to another year to account for delays in delivery. Slippage is a key financial risk specific to the delivery of the capital programme and Capital Strategy that the organisation must manage through a combination of judicious budget setting and committed monitoring.

With respect to 2022/23, the original capital budget set in January 2022 was £142.2m. This represents a 140% increase from the original 2021/22 and 126% increase from 2021/22 outturn. The latest available capital forecast shows an outturn of £65.107m against a revised budget of £76.164m. The movement from £142.2m originally budgeted to the £76.164m revised budget is predominantly the result of the City Region Sustainable Transport Settlement grant being announced late causing a revision and rephasing of the capital budget. The Combined Authority are forecasting a £11m underspend for 2022/23 with an outturn of £65.107m against the revised £76.164m revised budget. The variance is due to slippage.

Although there is evidence of capital monitoring at the Combined Authority Committee, indications are that focus should be turned to setting realistic capital budgets that allow for sufficient lead time before expenditure is likely to be incurred. Inability to set a realistic capital budget undermines the Combined Authority's perceived capability to manage its capital budget and deliver its growth plans. The difficulty in management of the capital programme will become increasingly challenging given the current high level of inflation. We have raised an improvement recommendation in this area.

## Conclusion

The Combined Authority performed well in 2021/22 and managed to finish the year with a transfer to the general reserve. 2022/23 represents a decisive shift from 2021/22 with regard to the sizeable increase in funding to the Combined Authority. 2022/23 financial outturn indicates a dramatic departure from the original budget due to the influx in grant funding. 2023/24 financial planning and the medium-term put the Combined Authority in a reasonable financial position with regard to income. The real challenge for the Combined Authority will be meeting the need to deliver against this significant increase in funds.



# Improvement recommendations



## Financial sustainability

### Recommendation 1

The Combined Authority should review and evaluate how it sets its capital budget. Consideration of this will enable it to set more realistic budgets going forward.

### Why/impact

Inability to set realistic capital budgets undermines the Combined Authority's ability to effectively manage and deliver its capital budget. Consistently high capital budget setting at the start of financial years coupled with low outturn cast doubt on the Council's ability to accurately forecast expenditure and present and deliver a realistic capital programme.

### Management Comments

The West of England Combined Authority reviewed the profiling of its capital funding leading up to the 17 March Committee. In this exercise, spend was re-profiled and approved, This gave a more realistic profile moving spend to a position of £76m. On a longer term basis on the management of the Programme Review Board a Line by Line review of projects and programs is taking place covering the whole of the Combined Authorities Capital Program including those projects that a being implemented by Unitary Authorities.



The range of recommendations that external auditors can make is explained in Appendix C

# Improvement recommendations



## Financial sustainability

### Recommendation 2

The Combined Authority should focus on building its general reserves balance to its target in a reasonable timeframe. For example, including a designated contribution to reserves in each year of the medium term financial plan, setting a defined timeframe.

### Why/impact

Based on the 2021/22 transfer of £87k to the general fund reserves, it would take the Combined Authority close to forty years to reach the 5% of net annual revenue spend target for the reserves balance. As the reserves balance remains low in comparison to the target stated in the policy, the Combined Authority should seek to continue to increase this reserves balance. This risk should continue to be carefully monitored to ensure future financial stability.

### Management Comments

The Combined Authority has undertaken a risk based review of reserves which is reported in the outturn report to the Combined Authority Committee on 16 June. This uses comparative analysis with other combined authorities and demonstrates that revenue general reserves at £2.4m are relatively below. Give significant inherent risks and the growing size of the authority the working objective is to build up revenue reserves so that they are not less than £10m over the next two years.

The range of recommendations that external auditors can make is explained in Appendix C

# Governance



## We considered how the Combined Authority:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

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## Auditor's Report on Governance Matters

In December 2022, we presented to the Combined Authority's Audit Committee the findings of the additional audit procedures carried out to support our Value for Money (VfM) assessment for the 2020/21 audit. We reported five significant weaknesses in the following areas which resulted in three statutory recommendations and two key recommendations:

1. Partner relationships
2. Turnover of senior staff
3. Conflicts of interest regarding a severance payment
4. The approach to obtaining legal advice
5. The rationale for the award of the severance payment referred to above

A further four improvement recommendations were also raised. The Combined Authority accepted our findings and is currently in the process of implementing the actions agreed in light of the report. Following the acceptance of the findings, the Combined Authority Mayor wrote to the Secretary of State for Levelling Up, Housing and Communities to make him aware of the report and the Committee's proposed course of action in response. The Secretary of State responded and welcomed the proposed course of action as per Mayor Norris's letter. The Combined Authority proposed engaging with the SOLACE for an independent peer review, the results of which have been published and were presented at the March 2023 Committee.

Due to the close proximity between the December 2022 Governance Report and this 2021/22 VfM report, it is not considered unreasonable that the Combined Authority is still in the process of addressing the weaknesses identified and enacting the recommendations raised.

At the 17 March 2023 CA Committee, the Combined Authority presented the Audit Action Plan which set out the progress and next steps on the organisation's route to improvement following the recommendations raised in the December 2022 report.

As is in line with expectation, the Combined Authority is taking the necessary steps to addressing the recommendations raised though these actions are still predominantly in development stages. For some of the recommendations raised, the Combined Authority has put in place the necessary architecture to manage risks but it is too soon to tell whether the changes made are effective and adequate. Therefore, in four of the five significant weaknesses identified in the Auditor's Report on Governance matters, the significant weakness remains. In the remaining one weakness, regarding the commissioning of legal advice, the Combined Authority has implemented the demands of the recommendation, therefore the significant weakness no longer applies. This demonstrates an improvement from the previous position.

Pages 5 to 9 detail the areas of focus, key findings from the Governance Report alongside our view of the progress made following the March 2023 update on the audit recommendations presented to the CA Committee. Please see the Governance Report December 2022 for full details of the findings from the review. For details of the Combined Authority's own commentary on the progress against the recommendations, please see March 2023 Update report, linked here:

<https://westofengland-ca.moderngov.co.uk/documents/s6826/Audit%20and%20Action%20Plan%20-%20March%202023.pdf>



# Governance

## SOLACE Independent Review

In response to our December 2022 Report on Governance Matters, the Combined Authority Mayor wrote to the Secretary of State for Levelling Up, Housing and Communities stating the Combined Authority's intention to commission an independent review of the organisation. SOLACE performed the review and published its report in March 2023. The key findings surrounded the following areas:

- The Combined Authority's strategic direction
- Internal and external management
- Engagement with partners

Page 85 Governance arrangements (including meetings, the Constitution and organisational structure)  
Project evaluation

The report issued 11 recommendations in the key areas identified.

We have reviewed the findings of SOLACE and are satisfied that they align to the findings in our Governance report (December 2022). We note that the Combined Authority is in the process of actioning the recommendations to the SOLACE report and the December 2022 Governance Report. In particular, we consider it to be highly important that the Combined Authority makes timely progress on refreshing its overarching economic strategy. We have raised an improvement recommendation that the Combined Authority should recognise and progress the recommendations raised by SOLACE alongside those in our Governance report.

## Risk and internal controls

The Combined Authority has arrangements in place to identify strategic risks, understand them, record them within the risk management system and assess/score them. The Corporate Risk Management Framework guides the risk management process. Activities to identify and manage risks require regular monitoring of progress against objectives in the business plan, the key risks to delivery, emerging risks and the impact of mitigating actions. The Combined Authority strengthened this process in 2021, working with the Operational Management Team (Heads of Service and SMT) to review the cross-cutting risks to delivery and draw on collective expertise and understanding to help identify mitigations.

An updated draft Risk Management Framework was presented to the April 2022 Audit Committee.

There are concerns surrounding the presentation of risk in the risk registers. A Statement from the Chair of the Audit Committee dated 17 April 2023 reported that the Bus, Transport and Infrastructure Risk Register 'made for poor reading.' The Committee did not believe officers had appropriately recognised and presented the magnitude of the risks arising in the report. Members felt that some of the information was misleading and would impact the ability of the users of the report to properly assess risk. We have raised an improvement recommendation in this area (Improvement Recommendation 1).

For each risk reported to senior leadership, there should be the relevant key controls and sources of assurance set out, a RAG-rating (including impact and likelihood), mapping to corporate objectives, allocation to a named senior officer and a direction of travel for each risk. Risks on the Corporate Risk Register contain the majority of these features, though there is room for improvement. The Combined Authority should map each risk to a key corporate objective aligned with its corporate plan. This will ensure that risks are considered in relation to their ability to jeopardise the organisation's ability to achieve its corporate objectives. Risks are currently only allocated to 'Categories' which is vague and does not allow appropriate consideration of the risk and its alignment to the overall organizational strategy.

## Annual budget setting process

Local authorities must ensure that they are familiar with the legislative requirements of the budget setting process. The Combined Authority updated its medium-term plan and budget for 2023/24 on 27 January 2023. The plan details the revenue resources available to the Combined Authority through the Investment Fund approvals along with various confirmed, and anticipated, grant allocations.

Reserves are a recognised and intrinsic part of financial planning and budget setting. The assessment of 'adequate' and 'necessary' reserves is a matter for local authorities to determine. As mentioned in the financial sustainability section, the Combined Authority is following its Financial Reserves Policy and aiming to build the general reserve balance to 5% of the net revenue budget. This target setting demonstrates an understanding of the importance of reserves to ensuring financial protection. The Combined Authority is also planning to undertake a review of the Financial Reserves Policy in 2023/24 in line with the growth of the organisation and the continued volatility of revenue funding streams.

# Governance

The Combined Authority has appropriate budgetary control arrangements in place. There is monthly monitoring for all areas of the annual budget. Monitoring against the Combined Authority budget is reported to each meeting of the CA Committee.

## Audit Committee

The West of England Combined Authority Audit Committee comprises of 12 people; 11 members from the three constituent authorities of the Combined Authority and one independent member. There are no statutory requirements that determine the composition of the Audit Committee. CIPFA's 2016 survey of Audit Committees found that size of the Committee ranged from five to fifteen or more, placing the West of England Combined Authority's within the normal range. CIPFA endorses the approach of mandating the inclusion of a lay or independent member, of which the West of England Combined Authority Audit Committee has one.

In our prior year audit, we noted that a number of Audit Committee meetings had been cancelled in recent years. There have been 11 Audit Committee meetings planned since April 2021, three of which have been cancelled and one of which was postponed. The cancellations of meetings therefore continue to occur.

To discharge its responsibilities effectively, the CIPFA Audit Committee guidance recommends Audit Committees to meet at least four times a year. In 2021/22, the Audit Committee failed to meet four, having only met twice due to a cancellation of the July 2021 committee meeting. The cancellation related to the Chair identifying that there were no urgent matters on the agenda. However, in 2022/23, the Committee did meet four times, even with the cancellation and postponement of committee meetings in June-July 2022.

The Audit Committee is to provide independent assurance to the West of England Combined Authority on its governance, internal control and risk management arrangements, and to oversee the statutory financial reporting process.

An effective internal audit function is instrumental to an Combined Authority's ability to monitor and assess the effective operation of internal controls. The audit committee annually receives and approves a risk-based internal audit plan, which sets out its key activities and work programme for the year. The latest internal audit plan for 2023/24 was presented to the 2 March 2023 Audit Committee.

The Independent Review performed by SOLACE from March 2023 commended the Interim Acting Chief Executive for increasing the number of internal audit days for the Combined Authority from 100 to 300 days. This move goes some way to emphasizing the importance of the internal audit function at the organisation.

The Audit Committee hears from internal audit regularly, with verbal updates at each meeting and a formal update on delivery against plan in December each year. The Internal Audit Annual Audit Report was presented to the 28 April 2022 Audit Committee. The report showed that internal audit delivered 89% of planned audits within their original plan and, while there had been individual audits which exceeded the original budget, the overall plan remained within the agreed allocation. There is no evidence of significant gaps in assurance the Audit Committee has obtained on matters within internal audit's work programme. Internal audit awarded a reasonable assurance audit opinion for 2021/22, Audit West demonstrated their compliance with the PSIAS standards via an external assessment in 2018, it received the highest rating.

Audit committees should perform self-assessment reviews of their own effectiveness on a periodic basis. The Combined Authority has a review planned for April/May 2023 though a review has not been performed since 2019. We have raised an improvement recommendation to encourage the Combined Authority to establish a regular forward programme of audit committee effectiveness reviews.

## Conclusion

The Combined Authority was established in 2017 and is still in the growing stage of its maturity as an organisation. Our report on Governance Matters from December 2022 highlighted some significant failings that the Combined Authority has accepted and is beginning to address.

Significant weaknesses remain in four of the five areas identified in December 2022, with one area improving due to the implementation of our recommendation regarding commissioning legal advice. This improvement is hopefully an early indication of West of England Combined Authority's transformative journey as the organisation rids itself from its past governmental difficulties. Our 2021/22 VfM review has identified some areas of improvements to risk management arrangements and Audit Committee practice and we issued corresponding recommendations.

# Improvement recommendations



## Governance

### Recommendation 3

The Combined Authority should continue to work with external support to ensure the implementations raised in the SOLACE report are progressed and also address the issues raised in the Grant Thornton Auditor's Report on Governance Matters from December 2022.

### Why/impact

We have reviewed the findings of SOLACE and are satisfied that they align to the findings in our Governance report (December 2022). We note that the Combined Authority is in the process of actioning the recommendations. In particular, we consider it to be highly important that the Combined Authority makes timely progress on refreshing its overarching economic strategy. We have raised an improvement recommendation that the Combined Authority should recognise and progress the recommendations raised by SOLACE alongside those in our Governance report.

### Management Comments

The Combined Authority has launched a transformation program that is designed to; reinvigorate the organisation and act of the recommendations of both the Grant Thornton Report and the SOLACE review. A full report in the progress of the transformation program has been submitted to the 16 June Committee and no requests for changes were submitted.

The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Governance

### Recommendation 4

#### Risk management

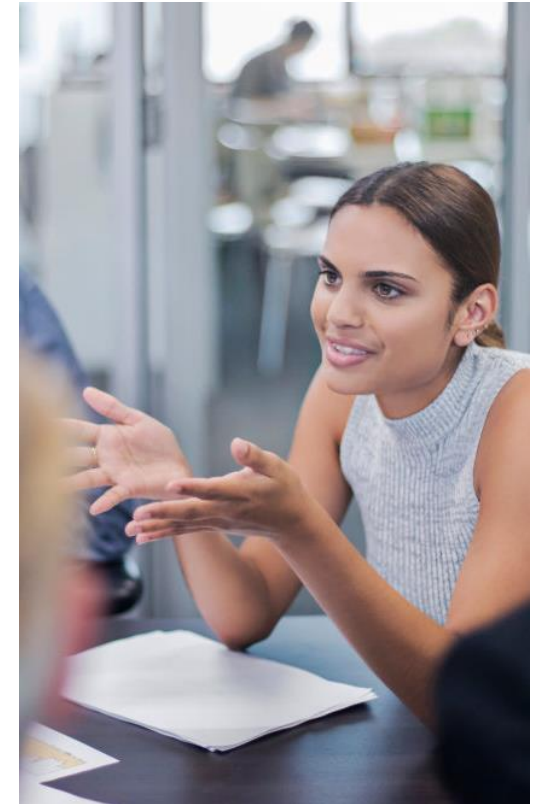
- a. The Combined Authority should work with Members to reconsider the presentation of risk registers to ensure clarity of understanding and reporting.
- b. The Combined Authority should map each risk on its Risk Register to a key corporate objective aligned with its Business Plan. This will ensure that risks are considered in relation to their ability to impact the organisation's capacity to deliver its corporate objectives.

### Why/impact

- a. If Members do not receive clear risk management information at Committee, their utility and value as a democratic function of scrutiny is significantly weakened and this exposes the Combined Authority to the risk of failure to achieve value for money in decision-making due to lack of clarity of understanding.
- b. Risks on the Corporate Risk Register are currently only allocated to 'Categories' which is a vague categorisation that does not place the risk in relation to its overall impact on the organisational strategic direction. The current categorisation does not facilitate appropriate consideration of the risk and its alignment to the Business Plan.

### Management Comments

- a) The Combined Authority has established an arrangement by which divisional Risk Registers are reviewed by the Audit Committee. The first of these reviews took place at the Audit Committee on 28th April 2022. This will now be a rolling program with the consideration of Fraud Risk Register being considered at the Audit Committee on 3rd July 2023.
- b) The Combined Authority has recently refreshed its business plan and as part of this consideration has been given to the risks across the organisation and the Risk Register. In terms of the capacity to deliver corporate objective workstream 4 of the transformation program (efficiency and effectiveness) combined authority is reviewing all of the organisations' operations in terms of capacity and fitness for purpose.



The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Governance

### Recommendation 5

#### Audit Committee

- a. The Combined Authority should seek to ensure that the Audit Committee meets at least four times in a year in line with the CIPFA Guidance: *Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition)*, (CIPFA, 2018)
- b. The Combined Authority should implement a mandated regular self-assessment review of Audit Committee effectiveness, for example, every two years.

#### Why/impact

- a. In 2021/22, the Audit Committee only met twice due to the cancellation of the July 2021 committee meeting. To discharge its responsibilities effectively, the CIPFA Guidance: *Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition)* recommends meeting at least four times a year.
- b. The Combined Authority Audit Committee is set to perform its self-assessment of effectiveness in April/May 2023. The last review was performed in 2019. The Combined Authority should ensure that there is not such an extended time frame between self-assessment reviews so as to ensure that the Audit Committee continues to effectively perform its functions.

#### Management Comments

The Combined Authority is increasing the frequency of the Audit Committee. For the 2023/24 Financial year there are 4 scheduled meetings that are consistent with the CIPFA guidance.

The range of recommendations that external auditors can make is explained in Appendix C.

# Improving economy, efficiency and effectiveness



## We considered how the Combined Authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

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## Performance

The Combined Authority was established in 2017 with the purpose of driving forward plans to improve transport, take action to tackle climate change, drive long-term economic growth in the region and to support people and communities in the West of England.

The Combined Authority executes its plans through a mixture of allocating of funds to the Unitary Authorities for them to carry out projects and projects directly managed by the Combined Authority itself. The Combined Authority reporting framework details the ways in which progress against projects and the priorities detailed in the Combined Authority’s strategy are measured (Figure 2).

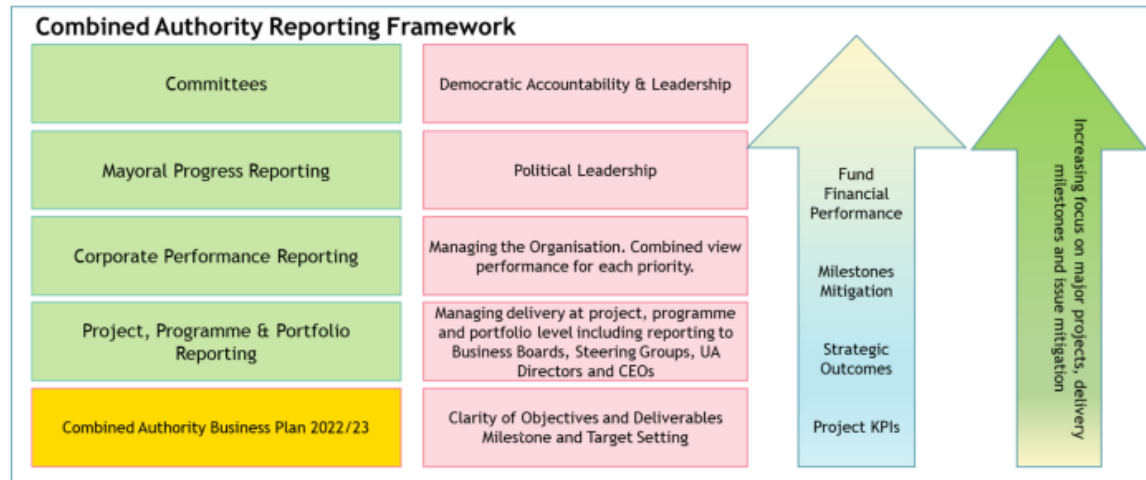


Figure 2: Combined Authority Reporting Framework  
Source: MONITORING & EVALUATION FRAMEWORK 2022

The Combined Authority has strengthened its performance management arrangements through the adoption of a Monitoring and Evaluation Framework, as endorsed by the Audit Committee. The Monitoring and Evaluation Framework is underpinned by principles of ensuring meaningful, measurable and consistent performance management.

The Combined Authority’s annual business plan is the operational document that sets out the key activities that the Combined Authority will deliver each year. The Combined Authority’s medium term financial strategy (MTFS) references the shifting focus from maximising funding to delivering projects. The organisation is looking to make ‘a step change in delivery’ focusing on increasing the pace and demonstrating a capability to use secured funding to bring about real tangible changes.



# Improving economy, efficiency and effectiveness

Given the negative media attention that the Combined Authority has been the focus of due to the difficulties with governance and partner relationships, it is even more important for the Combined Authority to be able to prove that it can effectively manage the funding it is being allocated and deliver the expected outcomes.

We note a number of instances where stakeholder relationships within the West of England Combined Authority have impinged on the alignment of strategy over the last two years (for example, in regard to disagreements over bus services and the spatial development strategy).

The West of England Combined Authority is working on improving stakeholder relationships and has been able to make progress on developing and delivering projects for the benefit of the west of England region.

We will continue to closely monitor progress on the development and delivery of projects to make sure the trajectory remains one of improvement and that the programme is moving with sufficient pace and impact.

The reputational benefits of demonstrating an organized and judicious management of resources will help the Combined Authority to indicate that the arrangements in place provide assurance of value for money. The Combined Authority currently does not externally publish regular updates on its performance against its annual business plan. We have raised an improvement recommendation in this area. Implementation of this recommendation would ensure that key performance indicators are provided to stakeholders to enable monitoring of performance and identify areas for improvement.

The processes for managing the Combined Authority 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. In December 2022, the Combined Authority updated the Local Growth Assurance Framework. The aim of the guidance is to embed a single approach to the governance of the key funding streams, including the Investment Fund and Transforming Cities Fund.

The Programme Review Board has been created with the aim of identifying and agreeing which projects are needing review and support, providing strategic direction for the recovery of projects, to help manage risks associated with the projects, ensuring a post-project review is scheduled and takes place and make recommendations or request approvals to Committee. The Board is comprised of the Combined Authority and Council S73/S151 officers and directors.

We have reviewed the Terms of Reference of the Programme Review Board and they are fairly lacking in detail and clarity and the ability to provide strategic direction for the Board. Though the Board is still in its infancy, we have raised an improvement recommendation in this area.

## Engaging with partners

The Combined Authority was created with the aim of facilitating partnership working between the constituent Unitary Authorities and the Metro Mayor.

The Combined Authority engages with partners on existing major infrastructure projects such as the Metrobus network and the delivery of a range of projects through the Local Enterprise Partnership. The Investment Fund enables the Combined Authority to develop a number of longer-term strategic interventions such as the redevelopment of Temple Meads Station, Mass Transit, Temple Quarter Enterprise Canvas and Somer Valley Enterprise Zone. The delivery of these initiatives depends on the strong foundations of partnership working with delivery partners such as Network Rail, Highways England and the Environment Agency.

The Combined Authority has arrangements in place to learn from other local government organisations to improve its performance. Many networks are in place with other councils and combined authorities, both formal and informal. Chief Executives, S73/S151 officers, HR directors and Strategy Directors all meet frequently and share ideas and learning. The Combined Authority runs the secretariat for the M10 group of the Metro Mayoral Combined Authorities which works across the network to develop shared policy positions, submissions to Government and consultants on behalf of the group.

As one of the recommendations from the SOLACE independent review was for the Combined Authority to 'examine best practice in other combined authorities', the relationship between partners will be instrumental in ensuring that this recommendation is addressed.

# Improving economy, efficiency and effectiveness

## Procurement

The Combined Authority has had a procurement strategy in place from January 2019. We have reviewed an updated draft procurement strategy that is planning on being made public imminently. The renewal of the procurement strategy is linked to the review of governance and assurance across the Combined Authority.

The Combined Authority also has Contract Standing Orders in place that form part of the body's Constitution. All West of England Combined Authority contracts must comply with the Contract Standing Orders and guidance from specialist procurement officers and legal advice is available in order to comply with legal requirements e.g. EU/UK procurement regulations.

The significant increase in grant funding has resulted in an increased need for enhanced procurement and contract management arrangements to support the programme or work. The organisation has recognised this and have acknowledged the risk that if it fails to adequately procure and contract manage, it would put the successful delivery of projects at risk and inhibit the organisation's ability to achieve value for money.

The organisation has formed a Procurement Team to ensure the West of England Combined Authority is achieving value for money in procurement. Assurance is provided by the Audit Committee's reviews of control frameworks. The Audit Committee provides assurance that internal controls are in place and operating effectively for key control areas including procurement.

## City Region Sustainable Transport Settlement (CRSTS)

In April 2022, the Department for Transport declared the success of the West of England Combined Authority's final City Region Sustainable Transport Settlement (CRSTS) programme business case and confirmed the full CRSTS allocation of £540m. The funding is for investment in local transport networks in the West of England Combined Authority area with the following profile of the capital grant:

City Region Sustainable Transport Settlement (CRSTS) grant profile

£'000				
2022/23	2023/24	2024/25	2025/26	2026/27
£104,961	£108,760	£108,760	£108,760	£108,759

The Combined Authority is obligated to account annually what the funding has been spent on as part of the programme business case update and monitoring.

The Combined Authority has designed the CRSTS to function as a five-year capital investment programme to improve the speed and reliability of bus services through segregation, bus priority, junction upgrades and transport hubs. Some of the identified priorities include the Bristol to Bath Sustainable Transport Corridor and the Bristol to Hengrove Metrobus extension. The CRSTS programme relies on partnership arrangements with bus operators. The Combined Authority has directed efforts into building on previous fare agreements to enhance the benefits of investments.

The Metro Mayor is responsible for the delivery of the CRSTS programme. DfT assess performance against the following criteria:

- Value for money
- Growth and productivity
- Levelling up
- Decarbonisation, especially modal shift to public transport and active travel
- Local contribution
- Deliverability



# Improving economy, efficiency and effectiveness

In July 2022, the CA put forward a delivery assurance model for all CRSTS funded projects. The governance has four levels:

1. CA Committee – accountable for overall CRSTS programme oversight, assurance and approval for funding
2. CA client sponsor team – responsible for delivery of the overall CRSTS programme
3. Project delivery teams – client teams responsible for overseeing the delivery of individual projects
4. Supply chain – consultants and contractors responsible for design and build of individual projects

The Combined Authority is progressing the MetroWest Phase 1a and Phase 2 throughout 2023/24. It aims to improve frequency and accessibility of trains through delivery of new train lines and stations.

There is evidence of staff changes being funded by CRSTS funding. The change from 2022/23 to 2023/24 budgets shows evidence of several new roles being created, funded by CRSTS. This demonstrates that the Combined Authority is using its CRSTS funding to bring about organizational capacity.

The Overview and Scrutiny Committee 13 March 2023 noted that there were challenges in spending the CRSTS award quickly as many of the projects were still in business case development stage. On 17 March 2023 the Audit Committee also expressed concerns surrounding delays and dependence on contractors relating to projects funded by CRSTS. The Committee also highlighted risks surrounding potential government clawback and the risk that descoping could reduce benefits and net zero gains.

The Combined Authority should now focus on demonstrating delivery of the projects funded by CRSTS in order to demonstrate the capability to turn the successful receipt of funding into tangible changes on the ground. There has been significant mention of the success in securing the CRSTS funding, with little mention of the progress on delivery of the projects funded by CRSTS. At present, there is evidence of using CRSTS funding to progress the next stages of business case development as opposed to moving the projects from business case phase to delivery phase. The Combined Authority has a notable task at hand with the 256% increase in grant funding.

The challenge will be to demonstrate that it can manage this increase and translate the funding into meaningful changes. To hammer home the organizational shift to the 'step change' in delivery, the organisation must focus on demonstrating that delivery through public reporting of key performance indicators and delivery milestones.

## Conclusion

The West of England Combined Authority has had a successful year in terms of attracting and securing funding to the region as is demonstrated by the 256% increase in grant funding. The organisation must now shift its focus to demonstrating delivery of the programme of work supported by this funding.

The independent peer review by SOLACE pointed to weaknesses in the organisational understanding of its purpose and overall strategic direction. Performance is guided by strategy. The Combined Authority has made efforts to strengthen performance management through the development of the Monitoring and Evaluation Framework. There is, however, room for improvement with regard to measurement and publication of key performance metrics.

Procurement strategies are currently being refreshed and a Procurement Team has been formed in light of the increase in grant funding.

The receipt of the £540m CRSTS funding from the Department for Transport represents a significant sum for the Combined Authority to progress investment in local transport networks. There is currently limited evidence of 'on the ground' delivery of projects funded by CRSTS due to projects being in business case development phase. We have raised improvement recommendations in this area.

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 6

The Combined Authority should publicly publish its performance against its Business Plan.

## Why/impact

The organisation is looking to make ‘a step change in delivery’ focusing on increasing the pace and demonstrating a capability to use secured funding to bring about real tangible changes. Given the negative press that the Combined Authority has been the focus of due to the difficulties in the governance arrangements, it is even more important for the Combined Authority to be able to prove that it can effectively manage the funding it is being allocated. The reputational benefits of demonstrating an organized and judicious management of resources will help the Combined Authority to indicate that the arrangements in place provide assurance of value for money. The Combined Authority currently does not publicly publish its performance against its annual business plan. Implementation of this recommendation would ensure that key performance indicators are provided to Members to enable monitoring of performance and identify areas for improvement.

## Management Comments

A performance framework to track delivery against for the Business Plan is in development.

The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 7

The Combined Authority should strengthen the Programme Review Board Terms of Reference to include regularity of meetings, composition of membership, powers of the Board, operation of the Board and the review and assessment of the Board.

The Board should agree an agreed list of indicators to report against at meetings to ensure consistent measurement of performance against like-for-like indicators. This will help to ensure greater clarity and accountability for progress against key performance indicators.

## Why/impact

We have reviewed the Terms of Reference of the Programme Review Board and they are fairly lacking in detail and clarity surrounding the arrangements of the Board. The creation of a list of indicators to report against would ensure greater accountability for performance.

## Management Comments

The frequency of the meetings of the Programme Review Board has been set at monthly frequency. The scope and attendance is being extended including a wider range of Unitary Authority representation. In the light of this the terms of reference will be reviewed at the next meeting of the Board. As part of the ongoing work of the Board and, in particular, related to the "Line by Line" review of projects and programs new performance indicators will be established and performance monitored by the Board and reported back to the Combined Authority Committee

The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 8

The Combined Authority should seek to move the use of CRSTS funding from business case development phase to delivery phase. There must be corresponding reporting against performance indicators and key delivery milestones to evidence this.

## Why/impact

There are currently concerns that CRSTS funding is not moving from planning to delivery phase due to the high number of projects that are still in business case development phase. As the organisation is keen to prove its ability to deliver change, reporting against key delivery milestones will go a long way to demonstrate West of England Combined Authority's capability to turn funding into meaningful change.

## Management Comments

The Combined Authority is already in the process of reviewing and rebasing the city region sustainable transport settlements. Additionally, city region sustainable transport settlements and the progress of the program was a major item on the Program Review Board agenda on 25th May 2023 and it was agreed that CRSTS to be added to each monthly PRB agenda – July – Sept with a focus on tightening up all scoping for each project for CRSTS – with this Board having full visibility of progress.

The range of recommendations that external auditors can make is explained in Appendix C.

# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
SR1	The Mayor and members of the Combined Authority represented by the Council Leaders, must commit to improving their working relationship and demonstrate that significant progress has been made within a reasonable timeframe to be determined by the Mayor and Combined Authority. This should include a role for independent mediation and the constructive consideration of advice arising from this process.	Statutory	December 2022	In addition to our findings on pages 5 to 9, we recognise that since this recommendation was raised, the independent peer review has taken place and the local government minister has indicated he is content with the action being taken. Action is in train to enable independent facilitation of discussion around role and purpose of the CA.	No	Remains outstanding.
SR2	A formal protocol should be agreed between member organisations within the Combined Authority to commit to consultation on key proposals, that they should define, at an earlier stage. Combined Authority members should engage effectively in this process, to help mitigate points of contention before they are published and debated in public. This should include a commitment to deliver proposals on a reasonable timetable.	Statutory	December 2022	In addition to our findings on pages 5 to 9, in the lead up to the June Committee, the process for paper development has been brought forward allowing for earlier engagement from partners in content and recommendations. CEOs now receive papers four weeks ahead of the meeting date.	No	Remains outstanding.
SR3	In future, in all circumstances, including where there is a potential conflict of interest affecting individual statutory officers, adequate steps must be taken to ensure the statutory duties of these officers is effectively discharged.	Statutory	December 2022	In addition to our findings on pages 5 to 9, action has taken with a new protocol in place. There is still progress to be made in terms of recruitment of an MO.	Partially	Remains outstanding.
KR1	The future management structure of the Combined Authority should be reviewed in order to ensure it is fit for purpose in the context of new funding awards and strategic priorities and this must include appropriate consultation and agreement by the CA Committee.	Key	December 2022	In addition to our findings on pages 5 to 9, the Transformation Programme will progress this work.	No	Remains outstanding.
KR2	The Constitution of the Combined Authority should be revised to define the conditions under which it is acceptable for other officers and members to seek independent legal advice, without reference to the Monitoring Officer and/or Head of Legal Services.	Key	December 2022	See pages 5 to 9	Yes	Resolved

# Follow-up of previous recommendations

	<b>Recommendation</b>	<b>Type of recommendation</b>	<b>Date raised</b>	<b>Progress to date</b>	<b>Addressed?</b>	<b>Further action?</b>
IR1	We recommend that consideration of relationships within the Chief Executive Group should be incorporated into any relationship development and mediation work undertaken.	Improvement	December 2022	See pages 5 to 9	No	Remains outstanding
IR2	We recommend that the Constitution be reviewed, as previously considered by Combined Authority members. This should incorporate the new Monitoring Officer protocol but also focus on the specific ambiguities raised in recent legal advice including the definition of statutory roles, delegated powers, managing conflicts of interest, decisions on all senior staffing matters including restructure and severance. The results should be reported to Committee and used alongside the points we have raised as a basis for revision. There may be value in reviewing other combined authority constitutions to optimise the opportunity to improve the document in these areas.	Improvement	December 2022	See pages 5 to 9	No	Remains outstanding
IR3	We recommend that the annual performance reviews of senior officers be formally recorded, including reasonable steps taken to manage issues and provide access to resources to enable skills development as appropriate.	Improvement	December 2022	See pages 5 to 9	Yes	Resolved
IR4	We recommend that the Monitoring Officer role retains its current seniority at Director level in any future restructure or that sufficient safeguards are implemented to protect the Combined Authority and influence of the role.	Improvement	December 2022	See pages 5 to 9	Yes	Resolved

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified opinion on the Combined Authority's financial statements on 22 December 2022.

## Other opinion/key findings

There are no issues to report.

## Audit Findings Report

More detailed findings can be found in our final AFR, which was shared with the Combined Authority's Audit Committee at the time we issued our opinion.

We produced an initial AFR in late October 2022 and presented this to the Audit Committee on 17 November 2022. We produced a further AFR in late November and presented this to the Audit Committee on 12 December 2022, together with a verbal update.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA returns where appropriate.

The Combined Authority is below the threshold set by the NAO and no additional work was required.

## Preparation of the accounts

The Combined Authority provided draft accounts in line with the national deadline.

## Issues arising from the accounts:

Our testing identified omitted accruals in both 2020/21 and 2021/22.

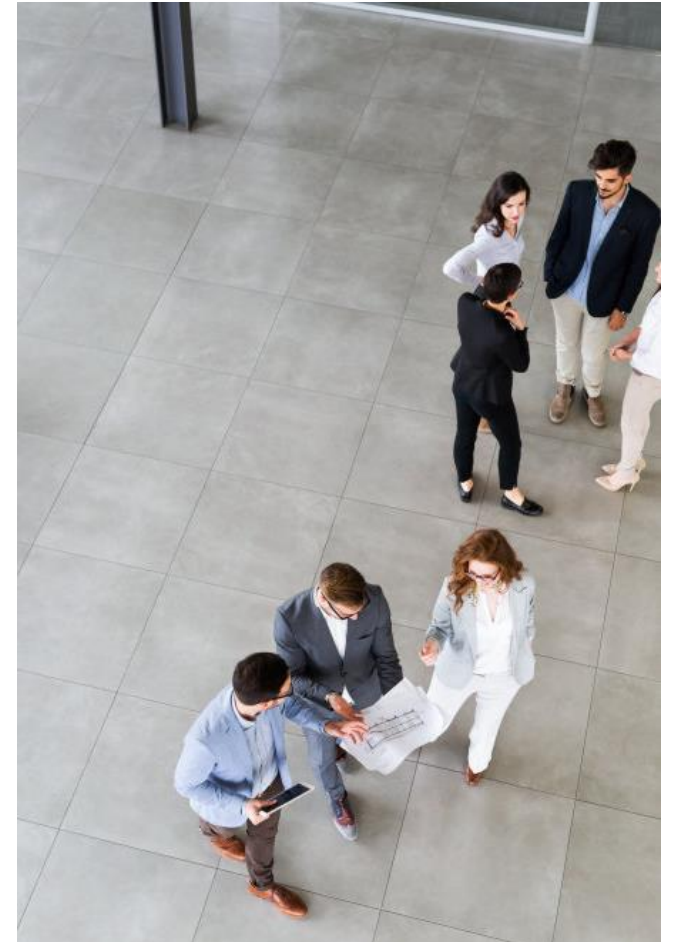
The sum regarding the omitted accruals in 2020/21 was material (£6.9m) and so a prior period adjustment was required.

The adjustments relating to the omitted accruals in 2021/22 were made to the 2021/22 financial statements.

There was no net impact on the outturn in either year as the income drawn down was amended to reflect the revised expenditure in the year. However, there were over 100 amendments made to the financial statements as a result of these missed accruals and the other issues reported in our Audit Findings Report.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



# Appendices



# Appendix A – Responsibilities of the Combined Authority

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

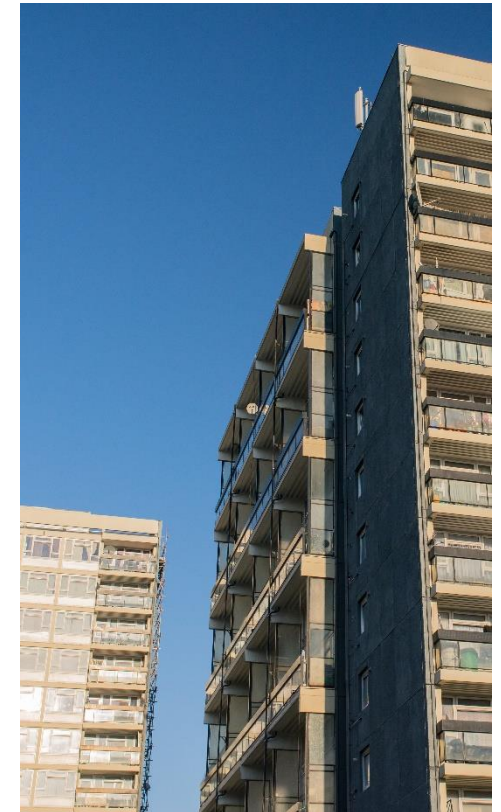
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Combined Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Combined Authority will no longer be provided.

The Combined Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was not identified as a potential significant weakness, see pages 13 to 15 for more details.	N/A – no risk of potential significant weakness identified	See pages 13 to 17	Appropriate arrangements in place, one improvement recommendation raised.
Governance was identified as a potential significant weakness, see page 5 to 9 and 17 to 19 for more details.	We reviewed the progress against our December 2022 audit report and the SOLACE report.	See pages 5 to 9 and 18 to 23.	Appropriate arrangements not in place. Four significant weaknesses remain. Three statutory recommendations, two key recommendations and four improvement recommendations remain. Three new improvement recommendations raised.
Improving economy, efficiency and effectiveness was identified as a significant weakness, a more detailed review was undertaken see page 23 to 26 for further information	We reviewed the progress against our December 2022 audit report and the SOLACE report.	See pages 24 to 30	Appropriate arrangements in place, three improvement recommendations raised.

# Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Combined Authority’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Combined Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	Yes	See pages 5 to 9
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Combined Authority. We have defined these recommendations as ‘key recommendations’.	Yes	See pages 5 to 9
Improvement	These recommendations, if implemented should improve the arrangements in place at the Combined Authority, but are not a result of identifying significant weaknesses in the Combined Authority’s arrangements.	Yes	See pages 5 to 9, 16-17, 21 to 23, 28 to 30

# Appendix D – Sources of evidence



## Staff involved

- Richard Ennis, Interim Acting Chief Executive
- Stephen Fitzgerald, Interim Director of Investment and Corporate Services
- Stephen Gerrard, Interim Director of Law and Democratic Services
- Alistair Kirk, Interim Director of Infrastructure
- David Gibson, Director of Infrastructure
- Selonge Russell, Head of Finance
- Pete Davis, Head of Grant Management and Assurance
- Matt Davis, Senior Finance and Project Business Partner
- Malcolm Parsons, Head of Capital Delivery
- Nuala Waters, PMO Manager
- Kevin Bates, Interim Head of Commercial
- Jess Lee, Head of Strategy and Policy



## Documents Reviewed

- Mayoral And Combined Authority Budget 2023/24 And Medium-term Financial Strategy
- Statement Of Accounts 2021/22
- Capital Strategy Including Treasury Management & Investment Strategies
- West Of England Combined Authority And Mayoral Budget Forecast Outturn 2022/23
- Decisions Of West Of England Combined Authority Committee On 27 January 2023
- Lep Budget Setting Report – 2023/2024
- The West Of England Combined Authority Audit Committee Terms Of Reference
- Audit Committee – Review Of Effectiveness 2023
- Internal Audit Plan 2023/24
- Internal Audit Annual Report 2021/22
- Risk Management Framework 2022
- Constitution – Amended December 2022
- West Of England Combined Authority Vfm Report On Governance
- Corporate Risk Register
- Independent Review, West Of England Combined Authority, SOLACE
- Audit Action Plan: Feedback From Audit And Overview & Scrutiny Committees And Progress Report
- Combined Authority Committee Constitutional Update
- West of England Combined Authority Audit Findings Report 2021-22
- Joint Committee Governance Review
- Climate And Ecological Strategy And Action Plan 2023
- Independent Evaluation Of Local, Growth Interventions November 2022
- Investment Fund Delivery Assurance
- CRSTS Funding Settlement Letter For West Of England 1 April 2022
- Programme Review Board Terms Of Reference
- Procurement Strategy
- Monitoring And Evaluation Framework 2022

# Appendix E - Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report

**NAO** – National Audit Office

**AGS** – annual governance statement

**The Code** - Code of Audit Practice

**SOLACE** – Society of Local Authority Chief Executives

**CIPFA** – Chartered Institute of Public Finance and Accountancy

**CRSTS** – City Region Sustainable Transport Settlement

**AGN** - Auditor Guidance Note

**WECA** – West of England Combined Authority

**VfM** – Value for Money

**CA** – Combined Authority

**SMT** – Senior Management Team

**MTFS** – Medium Term Financial Strategy

**DfT** – Department for Transport





## ITEM: 14

**REPORT TO: AUDIT COMMITTEE**

**DATE: 3 JULY 2023**

**REPORT TITLE: WEST OF ENGLAND COMBINED AUTHORITY AUDIT PLAN YEAR ENDING 31 MARCH 2023**

**DIRECTOR: STEPHEN FITZGERALD, INTERIM DIRECTOR OF INVESTMENT AND CORPORATE SERVICES**

**AUTHOR: GRANT THORNTON, EXTERNAL AUDITORS**

### **Purpose of Report**

1 External Auditors to present the West of England Combined Authority Audit Plan for year ending 31 March 2023.

### **Recommendation**

- To approve the External Auditors (Grant Thornton) Audit Plan for Year Ending March 2023.

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

2 Grant Thornton are the appointed external auditors for the Authority. They carry out their audit work in accordance with the National Audit Office's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014. The auditor's key responsibilities are to:

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

2.1 The Audit Plan is attached as **Appendix 1**.

### **Consultation**

3 The Audit Plan is being presented to the Audit Committee for comment.

3.1 The following items are covered in the report:

- Significant Risks Identified;
- Progress Against Prior Year Recommendations;
- Audit Fees;

**Appendices:**

Appendix 1: West of England Combined Authority Audit Plan for year ending 31 March 2023.

Report Author	Contact Details
Stephen Fitzgerald	directorinvestmentandcorporate@westofengland-ca.gov.uk



# West of England Combined Authority audit plan

Year ending 31 March 2023

June 2023

Page 109



# Contents



## Your key Grant Thornton team members are:

### Jon Roberts

Key Audit Partner

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### Liam Royle

Manager

E liam.c.royle@uk.gt.com

### Aman Gandhi

Audit In-charge

E Aman.Gandhi@uk.gt.com

Section	Page	
Key matters	3	The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Combined Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
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# Key matters



## National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, Combined Authorities are also essential in driving strong and inclusive local economies, through their economic development functions and measures like transportation strategy, increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time. Locally, our work at the Combined Authority in recent years has focussed on governance and partnership working and key recommendations for improvement have been made, which the organisation is responding to, with support from SOLACE and the LGA.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

## Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

# Key matters



## Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Deputy s73 Officer.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We have considered progress against the prior year recommendations in our Action Plan on page 10.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk with regard to management override of control- refer to page 7.



# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of West of England Combined Authority ('the Combined Authority') for those charged with governance.

## Respective responsibilities

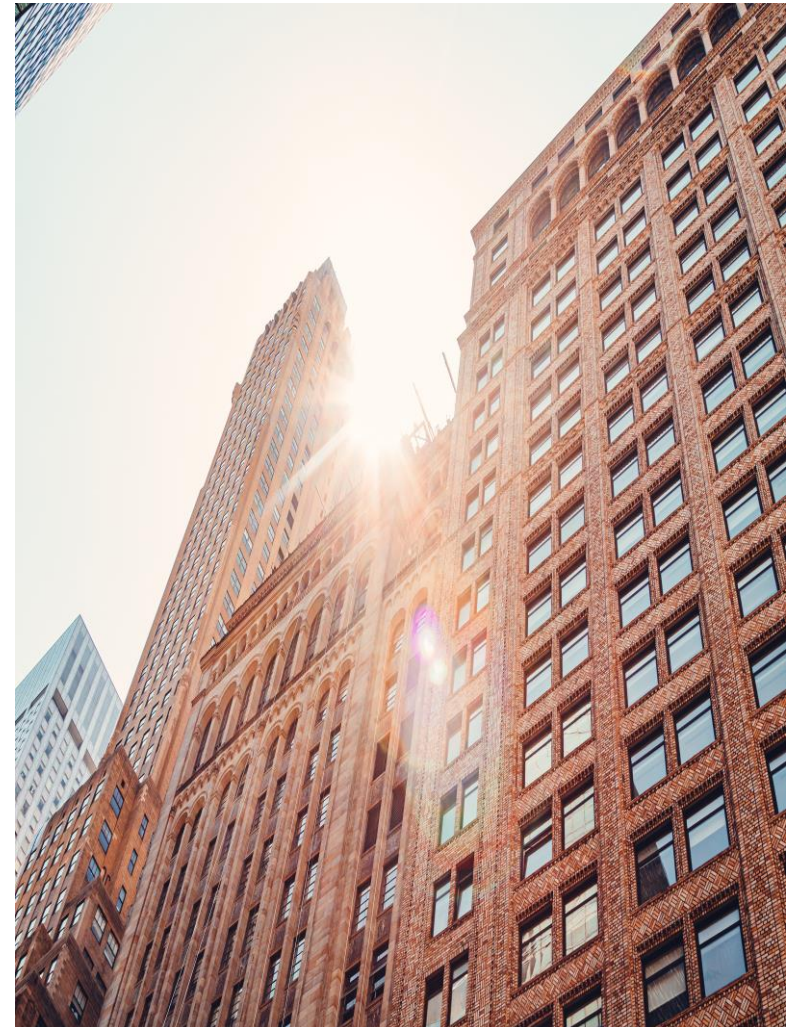
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Combined Authority. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Combined Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Combined Authority for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Combined Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Combined Authority is fulfilling these responsibilities.

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



# Introduction and headlines

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of the net pensions liability
- Management override of controls

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £2.682m (PY £2.575m) for the Combined Authority, which equates to 2% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance

Clearly trivial has been set at £0.143m (PY £0.128m).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money in 2022-23 is yet to be completed as we have recently finalised our Auditor's Annual Report (AAR) for 2021-22 for the Authority's July 2023 Audit Committee.

This report commented on improvements from the previous assessment but, given the nature of the original improvement required, we still considered a number of the previously reported significant weaknesses in arrangements to be extant at this time.

Following publication of the 2021-22 AAR, we will complete our 2022-23 risk assessment and report it to the September Audit Committee.

## New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

## Audit logistics

Our interim visit took place in March 2023 and our final visit will take place in July to September 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £46,247 (PY: £46,884) for the Combined Authority, subject to the Combined Authority delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 revenue recognition risk	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Combined Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including the Authority, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>We therefore do not consider this to be a significant risk for The West of England Combined Authority</p>
Risk of fraud related to expenditure recognition PAF Practice Note 10	In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)	<p>We have rebutted this presumed risk for the Combined Authority because:</p> <ul style="list-style-type: none"> <li>• expenditure is well controlled and the Authority has a strong control environment;</li> <li>• there is very little incentive for management to mis-represent expenditure; and</li> <li>• the Authority has clear and transparent reporting of its financial plans and financial position to those charged with governance.</li> </ul> <p>We therefore do not consider this to be a significant risk for The West of England Combined Authority. However, our testing will cover the legitimacy of year end creditors and accruals.</p>
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals;</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gain an understanding of the accounting estimates and critical judgments applied/made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluate the rationale for any changes in accounting policies, estimates, or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Authority's net defined benefit liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p> <p>The pension fund liability is considered a significant estimate due to its size (£13.778m in the Authority's prior year balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We have therefore identified the valuation of the Authority's pension fund liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's net defined benefit liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (the actuary) for this estimate and the scope and the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from the auditor of Avon Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data, and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.



# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Combined Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.

We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
  - issuing a report in the public interest or written recommendations to the Combined Authority under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the Combined Authority's financial statements, which resulted in 3 recommendations being reported in our 2021/22 Audit Findings Report. We will follow up the implementation of these at our final audit visit.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Complete	There were a number of issues identified regarding the accuracy of the Combined Authority's creditors in 2020/21 and 2021/22.	For suppliers, the relevant project manager/ budget holder was consulted for any costs that there were expecting before the end of the financial year but had not been invoiced. They got confirmation from third parties on the amounts of the accruals via email. For grant payments, internal record where checked for the approved grants for the financial year. Each of the third parties was then contacted, in March, directly by the finance team asking for confirmation on total spend to date and the spend anticipated to the end of the year. For both supplier accruals and grant payments written confirmation was obtained from an external source before accruals were added to the system.
Complete	<p>The Combined Authority strengthened its internal controls during the year and journals are now required to be approved within the ledger. Previously there was an inefficient manual process in place.</p> <p>However, the Authority was unable to provide a report listing the journals processed in the year, the poster and approver and the Financial Accountant needed to produce this manually.</p>	This is now in place.
Complete	We noted that a member of the finance team had administrative rights and was able to process, but not authorise, journals. While the Combined Authority is a relatively small organisation, this is unusual as normally staff with administrator access are not able to process journals.	This has now been removed from staff members and streamlined. A new control has also been put in place where we check who is a system administrator each month.

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p><b>Determination</b></p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the Combined Authority for the financial year. Materiality at the planning stage of our audit is £2.862m, which equates to 2% of your draft gross expenditure for the period.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements</li> <li>– assist in establishing the scope of our audit engagement and audit tests</li> <li>– determine sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements</li> </ul>
2	<p><b>Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
3	<p><b>Other communications relating to materiality we will report to the Audit Committee</b></p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Combined Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.143m (PY £0.128m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.</p>

# IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 21.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Spend/Income	Planned level IT audit assessment
Unit 4 Agresso	Financial reporting	£146.229m	<ul style="list-style-type: none"> <li>Detailed ITGC assessment (design effectiveness only)</li> </ul>
iTrent	Payroll	£12.25m	<ul style="list-style-type: none"> <li>Detailed ITGC assessment (design effectiveness only)</li> </ul>

# Value for Money arrangements

## Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office-issued its latest Value for Money guidance -to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

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### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



### Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



### Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Our risk assessment regarding your arrangements to secure value for money in 2022-23 is yet to be completed as we have recently finalised our Auditor's Annual Report (AAR) for 2021-22 for the Authority's July Audit Committee.

This report commented on improvements from the previous assessment but, given the nature of the original improvement required, we still considered a number of the previously reported significant weaknesses in arrangements to be extant at this time.

Following publication of the 2021-22 AAR, we will complete our 2022-23 risk assessment and report it to the September Audit Committee.

# Audit logistics and team



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## Aman Gandhi, Audit Incharge

Key audit contact responsible for the day-to-day management and delivery of the audit work



## Liam Royle, Audit Manager

Plans and manages the delivery of the audit including regular contact with senior officers.



## Jon Roberts, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers

## Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for The West of England Combined Authority to begin with effect from 2018/19. The fee agreed in the contract was £18,634. Since that time, there have been a number of developments, particularly in relation to significant increases in the size and complexity of the Authority and the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

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- Enhanced requirements around understanding the Combined Authority's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.

- Additional documentation of our understanding of the Combined Authority's business model, which may result in us needing to perform additional inquiries to understand the Combined Authority's end-to-end processes over more classes of transactions, balances and disclosures.

- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.

- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £1,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

- Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf and has been agreed with the Deputy s73 Officer.

# Audit fees

Actual Fee 2020/21    Actual (or estimated) Fee 2021/22    Proposed fee 2022/23

	Actual Fee 2020/21	Actual (or estimated) Fee 2021/22	Proposed fee 2022/23
West of England Combined Authority Audit	£105,884	£46,884	£46,247

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## Assumptions

In setting the above fees, we have assumed that the Combined Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.



# Audit fees – detailed analysis

New Scale Fee published by PSAA for 2022-23	£23,947
Increase in the size and complexity of the Combined Authority 2022 and subsequently (still under consideration by PSAA)	£7,500
Additional work on Value for Money (VfM) under new NAO Code	£5,000
Increased audit requirements of revised ISA 540	£1,200
Increased audit requirements of revised ISA 240 journals testing	£2,100
Increased audit requirements of revised ISA 315	£1,000
Payroll change of circumstances testing	£500
Local risk factors*	£5,000
<b>Total audit fees 2022-23 (excluding VAT)</b>	<b>£46,247</b>
<i>*in respect of governance and related follow up matters</i>	

All variations to the scale fee will need to be approved by PSAA

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Combined Authority's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Combined Authority.

## Other services

No other services provided by Grant Thornton were identified.

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	
Significant matters in relation to going concern	•	•	We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	<p><b>Respective responsibilities</b></p> <p>As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.</p> <p>The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud[ deliberate manipulation] involving management and/or which results in material misstatement of the financial statements ( not typically Combined Authority tax fraud)		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	



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

**DATE: 3 July 2023**

**REPORT TITLE: FRAUD RISK REGISTER AND RISK MANAGEMENT  
UPDATE**

**DIRECTOR: STEPHEN FITZGERALD**

**AUTHOR: MARK WAKEFIELD,  
HEAD OF CHIEF EXECUTIVE'S OFFICE**

### **Purpose of Report**

- 1 To present the current Fraud Risk Register.

### **Recommendation**

- 2 For Audit Committee to note and comment on the Fraud Risk Register and framework

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

- 3 At the Audit Committee held in March 2023, a timetable for regular review of selected risk registers was approved for consideration at future Audit Committee meetings.
- 4 The forward timetable is as follows:
  - 2023 Q2 – Fraud Risk Register
  - 2023 Q3 – Climate Risk Register
  - 2023 Q4 – Business & Skills Risk Register
  - 2024 Q1 – Strategy & Innovation Risk Register
- 5 Regular review of directorate risk registers takes place and informs updates to the mitigation activity underway.
- 6 Further refinement of governance and risk management arrangements are underway through the corporate governance board. This work will lead to proposals to update the risk management framework, establishing our risk appetite and refreshing the corporate risk register.

### **Fraud Risk Register**

- 7 As agreed in March, the fraud risk register is brought for review and is attached at Appendix A.

- 8 Current most significant /active risk/mitigations/notables are:
- a. The risk of data fraud is being mitigated further with the appointment of a data protection officer. Internal Audit are undertaking a cyber security review in the autumn.
  - b. This audit will be an opportunity to identify additional mitigations to address the risk of cyber-crime. Business continuity reviews by all service areas are also planned in 2023/24.
  - c. Monthly meeting of the officer Corporate Governance Board to rapidly identify and address changes to risks across the organisation.

### **Consultation**

- 9 The risk registers are produced in consultation with risk and mitigation owners. Escalation follows project and programme reviews of the risks and mitigations, into the directorate risk registers and the corporate risk register.

### **Other Options Considered**

- 10 None, Audit Committee have asked to be kept informed.

### **Risk Management/Assessment**

- 11 Without a formal risk management framework and processes we will be unable 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**

- 12 There are no equality implications arising directly from this report.

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

- 13 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: Stephen Fitzgerald, Interim Director of Investment and Corporate Services

### **Legal Implications:**

- 14 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". The risk management framework meets this requirement and is an essential part of good governance for the Combined Authority.

Advice given by: Stephen Gerrard, Interim Director of Legal and Democratic Services

### **Climate Change Implications**

- 15 There are no specific climate implications arising directly from this report.

### **Land/property Implications**

- 16 n/a

**Human Resources Implications:**

- 17 None arising from this report. If specific workforce risks are identified 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:**

Appendix A – West of England Combined Authority Fraud Risk Register

**Background papers:** n/a

**West of England Combined Authority Contact:**

Report Author	Contact Details
Mark Wakefield	Mark.Wakefield@westofengland-ca.gov.uk

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Fraud Register			Scores					Residual Risk Score						
ID	Category	Date entered on register	Risk Description	Risk Impact	L	I	Priority	Mitigation	L	I	Score	Owner	Status	Date of Last Update
FR-01	Legal & Governance / Financial	12.09.2022	Risk of Fraud, Bribery and Corruption	Financial loss, reputational damage.	3	4	12	Controls & prevention measures incorporated in key operational processes. Governance arrangements & scrutiny, including Financial & Procurement Regulations, role of Audit Committee, Internal and External Audit reviews. Counter-Fraud Strategy & Policy to be published & communicated to staff. Employee & Member Codes of Conduct. Staff Training sessions, with focus on main fraud risks to the Authority to be run with staff. E-learning package to be rolled out Re-communication of Whistle-blowing policy to all staff. Registers of Interests and Gifts & Hospitality. Data analysis & sharing, including under National Fraud Initiative. Annual review of arrangements.	2	4	8	Director of Investment and Corporate Services	Open	24.02.2023
FR-02	Procurement	12.09.2022	Risk of Fraud	Tendering issues, split contracts (value disaggregated to circumvent thresholds), double-invoicing, price-fixing, bid rigging, cartels. Spanning whole period from agreeing a project to contract monitoring, extensions and re-letting. Inflated claims by consultants.	3	4	12	Create a procurement fraud map, defining stages that fraud can happen and highlighting low, medium and high potential risks. Suppliers' Code of Practice. Monitoring patterns of spending with suppliers. Authorised staff to sign contracts.	2	4	8	Director of Investment and Corporate Services	Open	24.02.2023
FR-03	Payroll	12.09.2022	Risk of Fraudulent payroll claims	False employees, fraudulent overtime, allowance and expenses claims.	3	4	12	Strict controls on setting up of new staff, use of Authorised Signatories list, monthly payroll pre-checked & authorised prior to payment run, rigorous ID checks on all employees. Corporate Governance Board has now been established to ensure that risk is properly managed across the organisation, and regular audits take place on payroll processes.	2	4	8	Director of Investment and Corporate Services	Open	01/04/2023
FR-04	Grants	12.09.2022	Risk of Fraudulent Grant Claim Submissions	Work not carried out, funds diverted, ineligibility not declared. False application or payment of grants to any person, agency or organisation.	4	4	16	Regular monitoring of progress and outputs. Audit reports to confirm funds expended in line with Grant Offer Letters.	3	4	12	Director of Investment and Corporate Services	Open	24.02.23

Fraud Register					Scores				Residual Risk Score					
ID	Category	Date entered on register	Risk Description	Risk Impact	L	I	Priority	Mitigation	L	I	Score	Owner	Status	Date of Last Update
FR-05	Internal Fraud	12.09.2022	Risk of Internal Fraud	Any employee might perpetrate fraud against his or her employer and delegation of responsibilities to officers brings inherent risks. Diverting monies to a personal account, accepting bribes, working elsewhere while claiming to be off sick, wrongfully claiming benefit while working, failing to declare conflicts of interest or acceptance of gifts and hospitality. Staff pre-employment fraud, where false information given to gain employment. Stealing property and selling it on for personal gain.	3	4	12	Proper and adequate vetting, strong management-led anti-fraud culture. Managers should be made aware of their role in preventing and identifying employee fraud, ensuring clear controls and separation of duties. Employee Code of Conduct and the Anti Fraud and Counter Fraud Strategy and policy is signposted as part of induction process. Strengthening fraud awareness as part of induction.	3	4	12	Director of Investment and Corporate Services	Open	01/04/2023
FR-06	Debt Fraud	12.09.2022	Risk of Debt Fraud	Fraudulently avoiding a payment of debt to the Authority.	3	4	12	Official Write Off policy and procedure in place.	3	4	12	Director of Investment and Corporate Services	Open	24.02.2023
FR-07	Mandate Fraud	12.09.2022	Risk of Fraud on Mandates	Change to a direct debit or bank transfer mandate by fraudster purporting to be an organisation you make regular payments to, for example, a subscription or membership organisation or business supplier.	3	4	12	Centralised supplier maintenance team responsible for creating, validating and reviewing new supplier set-up. Strict controls over authority to set up new suppliers and approve same-day payments. Purchasing permission levels to raise purchase orders	3	4	12	Director of Investment and Corporate Services	Open	24.02.2023
FR-08	Manipulation of Data Fraud	12.09.2022	Risk of Data Fraud	Most commonly, employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation.	3	4	12	Employee's Code of Conduct & Data Protection/Security Policies and training. Undertaking internal audit of cyber security in autumn 2023, and will be recruiting a data protection officer to support compliance.	2	4	8	Director of Investment and Corporate Services	Open	01/04/2023
FR-09	Concessionary Travel Scheme	12.09.2022	Risk of Fraud on the Concessionary Travel Scheme	Use of concession by ineligible person, bus operator claims	2	3	6	Prevention measures undertaken using data analytics where possible.	2	3	6	Director of Infrastructure	Open	24.02.2023
FR-10	Declarations of Interests	07.11.2022	Risk of Declaration Risks	Financial loss, reputational damage.	3	4	12	Ensuring the Declarations of Interests are complete and up to date. Cross referencing of Declarations of Interests to Grant Funds or companies we trade with.	3	4	12	Director of Legal	Open	24.02.2023
FR-11	Cyber Crime	30.11.2022	Risk of Cyber Crime taking place across the authority	Financial loss, reputational damage, service delivery risk. Cyber crime could result in loss of some or all IT services which would have a significant operational impact	3	4	12	Business Continuity plans (owned by the service areas, mitigates service delivery impact) – these are being reviewed by service area in 23/24. Internal audit are also carrying out a cyber security audit in the 23/24 financial year. Monthly IT Security Forum; Cyber Awareness - policies and training.	2	4	8	Head of Digital, Data and Technology	Open	24.02.2023



## ITEM 16

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

**DATE: 3 JULY 2023**

**REPORT TITLE: TRANSFORMATION PROGRAMME & REGIONAL STRATEGY**

**DIRECTOR: JESS LEE, HEAD OF STRATEGY & INNOVATION**

**AUTHOR: RACHEL PYKETT, HEAD OF POLICY**

### **Purpose of Report**

- 1 This report sets out progress and next steps on the West of England Combined Authority's route to improvement. The report provides Audit Committee with an update on the West of England Combined Authority transformation programme that is underway to respond to and take forward recommendations from: the recent Grant Thornton external audit report; the West of England Combined Authority commissioned Independent Peer Review; and the West of England Combined Authority Committee approved action plan.

### **Recommendation**

- Audit Committee is recommended to:
  1. Note that the structure and content of the transformation programme was discussed by CA Committee on 16<sup>th</sup> June 2023.
  2. Consider and comment on the structure and actions of the West of England Combined Authority transformation programme.
  3. Note that a further update on the transformation programme will be provided to the October Committee meeting; and will be brought to Audit Committee in advance of that meeting.
  4. Note intention to invite further external review of progress after approximately 12 months.

### **Reasons for recommendation**

- Audit Committee has asked for ongoing input to the transformation programme. The feedback from Audit Committee will help shape next steps in delivery.

## Background / Issues for Consideration

- 2 At the West of England Combined Authority Committee meeting on 17<sup>th</sup> March 2023, Committee:
- Approved the action plan that had been developed in response to the Grant Thornton external audit report.
  - Agreed the conclusions of the Independent Peer Review that was committed to in December 2022.
  - Delegated to the Combined Authority Chief Executive, in consultation with the Chief Executives of the Unitary Authorities, to incorporate recommendations from the Independent Peer Review into the action plan as appropriate.
- 2.1 Since March Committee, CEOs have worked together to establish a Combined Authority transformation programme. The programme draws together the conclusions and recommendations from the work highlighted in paragraph 2. As there is a degree of duplication and overlap in the conclusions that have been reached, the transformation programme actions have been streamlined.
- 2.2 Four workstreams have been established, along with a set of programme level actions. Workstreams cover:
- Purpose and strategy
  - Workforce and culture
  - Governance and structures
  - Effectiveness, efficiencies and delivery
- 2.3 Figure 1 provides an overview of the transformation programme, including a summary of the aims and core actions within each workstream. An update on actions across each workstream are set out in more detail later in this report.

Figure 1: Transformation programme overview

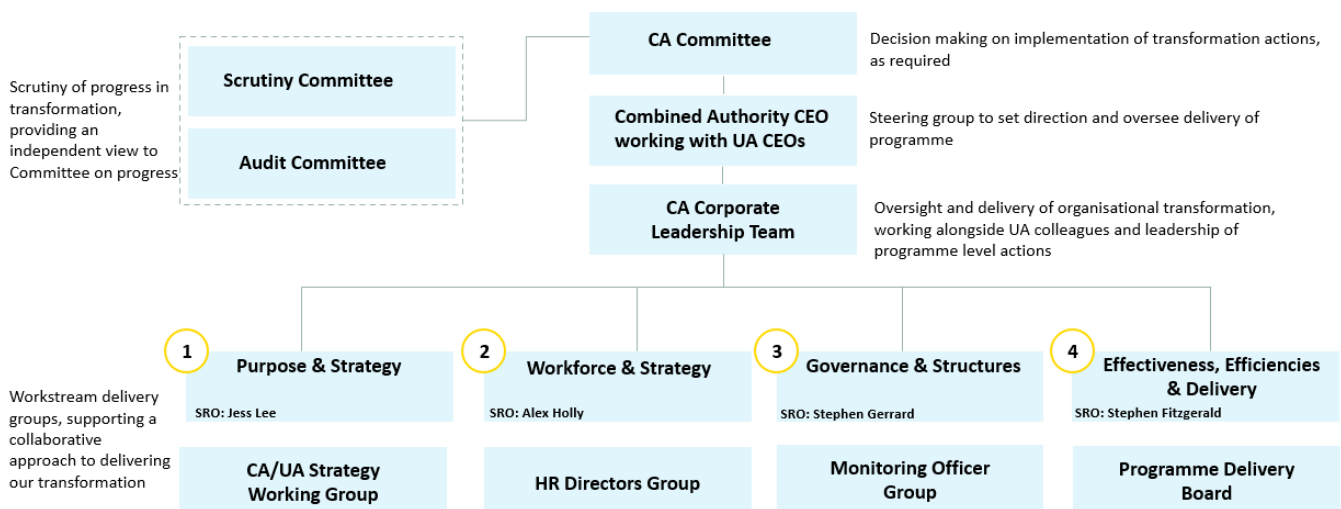
	1	2	3	4
	Purpose & Strategy	Workforce & Culture	Governance & Structures	Effectiveness, Efficiencies & Delivery
	Programme Level Actions (actions that cut across all workstreams, including stakeholder comms and engagement)			Workstream lead: Jess Lee
Aims of workstream	Developing a shared view of the role and purpose of the Combined Authority	Ensuring that the Combined Authority has the right resources, people management processes and culture to enable successful delivery	Ensuring that the Combined Authority has the appropriate governance structures and constitutional arrangements to support effective decision making	Ensuring that the Combined Authority can deliver on corporate objectives and achieve efficiencies, delivering value for money
Summary of core actions to deliver	<ul style="list-style-type: none"> <li>• Discussion of regional priorities</li> <li>• Facilitated, structured discussions on core purpose of the CA</li> <li>• Refreshed regional strategy</li> <li>• Facilitated work with business community to redefine role of Business Board</li> <li>• Joint Committee meetings held alongside the CA Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Roll out 'step change' programme that will:                             <ul style="list-style-type: none"> <li>• Establish working behaviours and principles for the CA</li> <li>• Strengthen the corporate core</li> <li>• Build enhanced relationships with UAs</li> <li>• Complete a management restructure</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Develop CA operating principles</li> <li>• Establish a set of committees/ meetings to deliver on CA operating principles</li> <li>• Consider use of Leader portfolio model</li> <li>• Revise CA constitution as required to deliver ambitions of the transformation programme</li> </ul>	<ul style="list-style-type: none"> <li>• Revisit the business case/project evaluation process</li> <li>• Build use of the Programme Delivery Board to ensure delivery remains on track and delivers <u>vfm</u></li> <li>• Build the internal CA organisational Governance Board to strengthen governance and processes within the organisation</li> <li>• Consider routes to maturing the approach of the CA to attracting and delivering investment</li> </ul>
Workstream lead	<b>Jess Lee</b> Head of Strategy & Innovation	<b>Alex Holly</b> Head of People & Assets	<b>Stephen Gerrard</b> Director of Law	<b>Stephen Fitzgerald</b> Interim Director of Finance & Resources

\* The table above sets out workstreams. Work will progress on all the different workstreams both simultaneously and sequentially as appropriate.

## Programme Governance

- 2.4 At March Committee, members delegated to the Combined Authority CEO, in consultation with the Chief Executives of the Unitary Authorities, the incorporation of the areas set out in the Independent Peer Review into the West of England Combined Authority action plan.
- 2.5 CEOs have agreed the structure of a transformation programme to take forward this work and the CEO group is acting as the steering group for this programme, providing oversight and direction. They are receiving regular updates on programme wide progress and are in the process of receiving workstream specific updates. CEO oversight is ensuring actions remain on track as appropriate, and that work underway reflects the perspectives of all partners as much as possible given accountabilities.
- 2.6 For each workstream, arrangements are in place to ensure delivery is progressed in collaboration between Unitary Authority and Combined Authority officers. Where needed, new officer groups have been established to support collaboration. Where appropriate working groups are already in place, arrangements to ensure collaboration have been strengthened where required.
- 2.7 Decisions flowing from the transformation programme that require Committee decisions will come to Committee as required, with independent review from the Audit and Scrutiny Committees. Figure 2 provides a summary of transformation programme governance. For workstream 4, work that falls outside the remit of the Programme Review Board will be taken direct to CEOs.
- 2.8 As Figure 2 shows, Audit Committee will have an ongoing role in scrutinising and informing the transformation programme as delivery progresses.

**Figure 2: Transformation Governance**



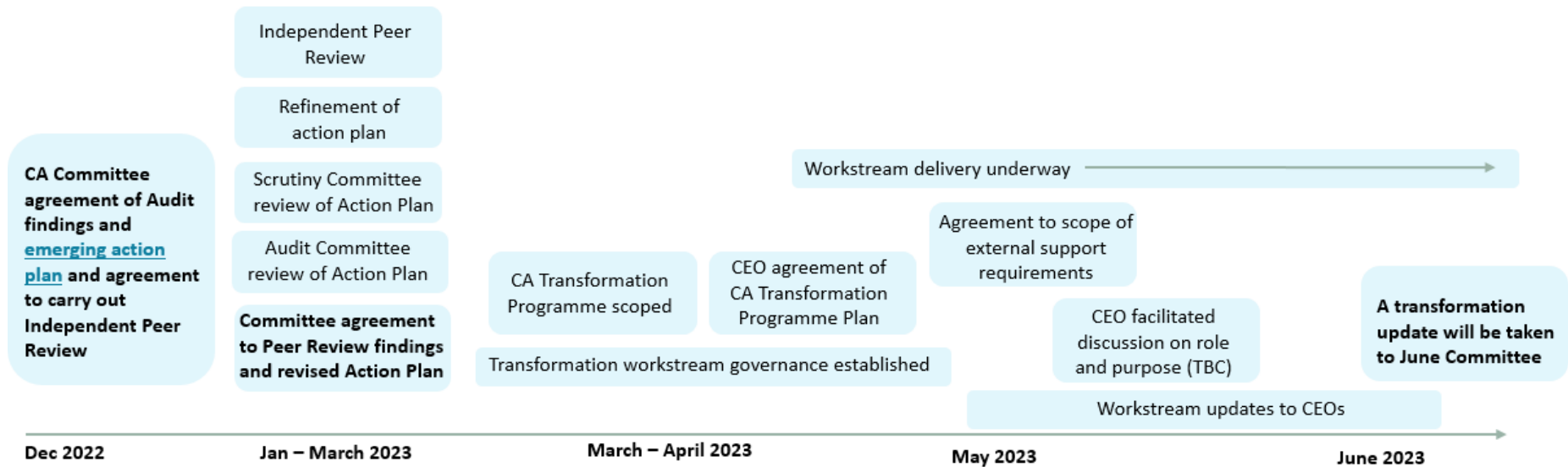
**Action to date**

2.9 Since Audit Committee last considered the emerging action plan (which was agreed by CA Committee), swift work has taken place to conduct an Independent Peer Review and establish a transformation programme. Figure 3 provides an overview of progress to date.

**Figure 3: Progress to date in delivering the West of England Combined Authority transformation programme**

Phase 1 of the Transformation Programme has focused on identification of areas for action and agreement of the work programme required to deliver

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2.10 The timeline for the next phase of the transformation programme is in development and each workstream is in the process of detailed CEO review.

- 2.11 CA Committee discussed progress across the transformation programme at their 16<sup>th</sup> June meeting.
- 2.12 The draft external audit value for money report for 2021/22, which is also on the Audit Committee agenda for 3<sup>rd</sup> July, recognises the progress that has been made in addressing the issues previously raised by Grant Thornton and highlights where further work is needed. It highlights the recommendations that have been addressed in full and acknowledges the progress towards the outstanding actions. The conclusions of the 2021/22 value for money report will be reflected as the transformation programme progresses.

### **Workstream updates**

- 2.13 The following sections of the report provide an update on each workstream across the transformation programme.
- 2.14 Key progress to note since the March 2023 Audit Committee discussion includes:
- The bringing together of recommendations and actions from independent reviews and West of England Combined Authority Committee agreed action plan into a single transformation programme plan.
  - The development of a forward plan of decisions for Committee approval.
  - A work programme approved by CEOs to deliver a refreshed regional strategy with the aim of completing this work by Autumn 2023.
  - Preparation for externally facilitated CEO discussion to help shape work in planning Mayors and Leaders discussions on the role and purpose of the West of England Combined Authority.
  - Progress in delivering a 'step change' workforce strategy across the West of England Combined Authority organisation, including progress in recruitment of permanent members of the West of England Combined Authority Corporate Leadership Team.
  - Completion of a range of governance actions recommended in the Grant Thornton external audit report to strengthen processes around the commissioning of legal advice.
  - The ongoing strengthening of the Programme Delivery Board, which brings together senior West of England Combined Authority and Unitary Authority officers to review progress on projects, providing challenge and support to ensure more timely delivery of projects.
  - The establishment of a new Governance Board within the West of England Combined Authority organisation to strengthen processes within the organisation.
- 2.15 Regional CEOs have signed off the transformation programme action plan and have guided the delivery of actions set out above. CEOs will continue to receive regular updates on progress across the programme, ensuring delivery is informed by all partners within the West of England Combined Authority.



2.16 The following sections of the report provide updates across the transformation programme. Actions across the programme reflect the conclusions of the Grant Thornton Audit report, the Independent Peer Review, and the Committee approved action plan. Across these reports there has been a degree of duplication and overlap in conclusions and recommendations. The transformation programme streamlines actions into a clear set of activity. Annex 1 provides an overview of all source recommendations and actions that have informed the programme, providing clarity and transparency on how actions have been mapped.

## Programme level workstream

2.17 Figure 4 provides an update on programme level actions, including progress in the development of a forward plan of decisions that Committee is due to discuss during their meeting on 16<sup>th</sup> June.

**Figure 4: programme level workstream**

Action No.	Action	Activity Planned	Key dates
TP1	<b>Bring together recommendations and actions from independent reviews and West of England Combined Authority Committee agreed action plan into a single transformation programme plan</b>	Creation of a single transformation programme has taken place with workstreams approved by CEOs. This document brings the approved programme into a single programme plan.	April – May 2023
TP2	<b>Independent progress reviews to be carried out</b> , monitoring progress of the transformation programme and should be reported to Committee	The LGA and Solace are involved in the work and Solace will be invited to undertake a high-level independent progress report at the half year with a fuller more detailed 1 year on report.	Progress report: Sept 2023, 1 year on report: Mar 2024
TP3	<b>Senior Officers will continue to meet</b> collectively and on a 1:1 basis going forward	A range of senior officer groups are in place, including fortnightly meetings of CEOs. Attendance and regularity of meetings will be monitored via independent progress reports. 1 to 1's between the West of England CEO and the Unitary Authority CEO's have been set up and are being set up.	Progress to be reported via reports noted in action TP2
TP4	<b>Senior Leaders and officers will:</b> a. <b>Work collaboratively</b> and engage in meaningful consultation when developing solutions and proposals to help leaders to mitigate points of contention where possible ahead of West of England Combined Authority Committee meetings. Where possible, flagging matters of contention in good time to allow for solutions to be developed ahead of West of England Combined Authority Committee meetings. b. <b>Commit to promoting a culture of respect</b> and understanding at all times. c. <b>Seek mediation at an early stage if required</b> to ensure working practice continue and solutions can be developed.	TP4a. To be managed through CEO meetings or 121 discussions, as appropriate. TP4b. Progress to be considered via reports noted in action 2. TP4c. Progress to be considered via reports noted in action 2. Access to mediation to be considered as part of workstream 2.  A programme of external engagement (including with Government) will be developed to ensure stakeholders are aware of progress and able to provide constructive feedback.	Progress to be reported via reports noted in action TP2
TP5	<b>A forward plan of decisions and activities will be developed</b> to help with planning / resourcing / engagement for CEOs meeting.	An indicative 12 month forward plan for West of England Combined Authority Committee will be presented to the June meeting. As the forward plan is refined, this will contribute to forward planning of CEO meetings.	Progress to be reported via reports noted in action TP2

## Workstream 1: Purpose and strategy

2.18 Figure 5 provides an overview of workstream 1. A more detailed update on this workstream is set out below.

**Figure 5: purpose and strategy workstream**

Action No.	Action	Activity Planned	Key dates
PS1	<b>The West of England Combined Authority will engage in a facilitated structured conversation to revisit and clarify its core role and purpose</b> including the policy areas where we agree working together regionally to develop strategies and plans is beneficial. Discussions on role and purpose will also consider when and how to engage with partners outside the combined authority, potentially including deepening partnership arrangements where appropriate.	CEO discussion (with external facilitators) currently anticipated in late June, which will set scope for Mayors and Leaders discussions (timing TBC ensuring that new members of the committees are given appropriate time to understand the issues within the transformation plan).	June CEO discussion Mayors and Leaders timing TBC
PS2	<b>The West of England Combined Authority, in dialogue with partners, will co-produce a Regional Economic Strategy</b> , providing a common narrative for all regional stakeholders to be able to promote the economic vision of the region to external audiences. Through this work, highlighting investment opportunities across the region.	A series of workstreams are progressing, including reviewing investment opportunities, considering future devolution opportunities, reviewing existing strategies, etc.	Updates to future Committee meetings to ensure Mayors and Leaders continue to set strategic direction
PS3	Using independent facilitation, <b>work with the business and partner community to refine a Terms of Reference for a Business Board</b> to advise, support and challenge the West of England Combined Authority. Through this work, delivering a LEP integration plan	This action will be progressed as part of and ahead of the October committee report dealing with both the future of the Local Enterprise Partnership and the creation and significance of a business board.	TBC – following role and purpose discussions
PS4	<b>Align the West of England Combined Authority and the Joint Committee into the same business meeting.</b>	We will set these up to deliver the business as required.	Action Complete
PS5	<b>Activity to agree regional priorities</b> including allocation of resources.	A regional priorities workshop took place in February 2023. Out of this, Mayors and Leaders agreed work to progress a revised regional strategy; work to support refinement of regional investment opportunities; work to strengthen our investment in the region; and a strengthened focus on working together to deliver. The regional strategy will be refreshed on a regular	Workshop in Feb 2023. Actions now embedded across the transformation programme.

		basis as required. The conclusions of this workshop are being taken forward across the transformation programme.	
PS6	<b>Board members to be involved at an earlier stage in setting strategic regional direction</b>	Feb 2023 workshop set initial direction. CEOs are acting as a steering group for this work.	Mayors and Leaders will continue to set strategic direction

### Revised regional strategy update on activity

- 2.19 There are clear interdependencies between the transformation programme workstreams. Delivering a revised strategy for the region will help deliver the wider programme. , this work is therefore being progressed at pace and a more detailed update on this workstream is set out below.
- 2.20 The current overarching regional strategy is the Local Industrial Strategy (LIS), which was published in 2019. This document needs refreshing, reflecting the changed priorities of the region and reflecting the impact and continued response to the Covid pandemic and economic downturn.
- 2.21 As figure 6 shows, a revised regional strategy, developed in dialogue with partners, will give the region a common narrative for all regional stakeholders to be able to promote the vision of the region to external audiences. It will provide the context for other regional delivery plans.
- 2.22 The revised regional strategy will also provide an agreed vision and set of priorities to support Committee in its decisions over the coming period. It will also be a document we can share with a wide range of potential investors in the region, helping articulate the investment opportunity that exists in the West of England.
- 2.23 As part of the transformation programme, discussions between Mayors and Leaders will be taking place on the role and purpose of the West of England Combined Authority. The conclusions of these discussions will help shape the positioning of the refreshed regional strategy and will also inform the direction of the broader transformation programme.

## Workstream 2: workforce and culture

- 2.24 This workstream is primarily focused on ensuring that the West of England Combined Authority has the right resources, people management processes and culture to enable successful delivery, both through directly addressing the recommendations raised in the Grant Thornton and Solace reports, and through the implementation of themes of work as identified in the West of England Combined Authority's agreed HR strategy.
- 2.25 Figure 7 provides an overview of actions under workstream 2 of the transformation programme. The update notes the progress underway in recruiting permanent members of staff to the West of England Combined Authority Corporate Leadership Team.

**Figure 7: workforce and culture workstream**

Action No.	Action	Activity Planned	Key dates
WC1	<b>Through 'Step Change' programme, develop revised leadership structure for the West of England Combined Authority organisation</b> including review of senior pay and grading structures and titles and creation of consistent 'job families' across the authority	Develop revised leadership structure for the Combined Authority which provides appropriate senior capacity and capability to ensure successful delivery. This work will engage the LGA for benchmarking and the CEOs will be consulted in advance of Committee approval.	Target date: July 2023
WC2	Through 'Step Change' programme, <b>establish working behaviours and principles for the West of England Combined Authority</b> and revised values for the organisation, using established LA networks as appropriate	Proposal for revised values work agreed by leadership team on 30 <sup>th</sup> May 2023. Work to take place over the summer, with a view to launching agreed values in Autumn 2023. Benchmarking / external engagement to take place as needed.	Target date: September 2023
WC3	Through 'Step Change' programme, <b>strengthen the function of the 'corporate core' of the West of England Combined Authority organisation</b>	Further review capacity within Infrastructure and Corporate services, to finalise the 'step change' work and ensure that sufficient resource in both direct delivery and corporate enabling services	Target date: ongoing, but progress to be made by June 2023
WC4	<b>Complete management restructure to fill interim posts permanently</b> in consultation with the LAs, with external support, and in line with the constitution of the West of England Combined Authority. Ensure Monitoring Officer role is at Director level	Permanent Strategic Director of Infrastructure now in place. Solace have been appointed as Executive Search partner to support recruitment of Strategic Director of Resources (s.73 Officer) and Director of Legal Services (Monitoring Officer). Kick	Target: Autumn 2023 for Legal Director, Winter 2023 for Resources

		off meeting held on 25 <sup>th</sup> May 2023, and a planned schedule of recruitment activity is in place over the coming months. Once complete, all reports to the CEO will be permanent employees.	
WC5	<b>Ensure performance reviews are formally recorded</b>	The CEO has had year end performance reviews and target setting with all of the Corporate Leadership Team in April and early May 2023. Cascade to all areas of the organisation by early August 2023. Revised approach and new system to continuous Performance Management across the Combined Authority has been agreed by the Corporate Leadership Team.	All performance reviews by August 2023. New performance approach implemented by Sept 2023
WC6	<b>Consideration of the GT Auditing Culture report</b> made by the Head of HR in consultation with UA HR leads (and others as relevant), and recommendations for improvement made for consideration by the constituent member CEO group	Regular meeting between the HR leads of the authorities are already in place. Next meeting will specifically pick up collaboration and benchmarking. Values work will consider GT culture report and other best practice.	Ongoing
WC7	<b>Agree process for sharing performance indicators and information with member organisation relating to organisational culture and health</b>	HR dashboard has been in place for a number of years. This was brought for review to the leadership team in March 2023 and revised metrics agreed. Roll out of revised metrics over the coming months, to be shared as appropriate with HR network.	Regular reporting of agreed revised metrics. Target date: July 2023
WC8	<b>Review of recruitment and attraction strategy</b> to ensure that the Authority can bring in the right people with the right skills and reduce interim usage	Through organisational workforce strategy, external benchmarking will take place to support delivery of this action.	Target date: July 2023

## Workstream 2 – other related work

- 2.26 In addition to addressing the recommendations highlighted by Grant Thornton and Solace, it is important that delivery of this workstream is seen in the context of wider work covered in the HR strategy, to ensure that a holistic approach is taken to addressing workforce and culture considerations within the West of England Combined Authority. The activities highlighted below all form component parts of the wider HR strategy.
- 2.27 **Refreshing our organisational values** – an approach to this work was considered by the Corporate Leadership Team on 30<sup>th</sup> May 2023. This included a plan to engage the wider organisation to deliver a revised set of values and behaviours, to be rolled out late summer / early autumn 2023. This work is fundamental to ensuring we get the right culture within the authority

and that staff feel a sense of belonging and purpose.

- 2.28 **Revised learning and development offer** – we are in the process of undertaking a learning needs analysis, which will be further informed by the development needs identified in the performance review process, to ensure that staff can access the right opportunities to develop the skills they need to excel in their role.
- 2.29 **Review approach to recruitment and attraction** – this work will review our recruitment, benefits and attraction strategies, to ensure that we are able to attract the best people to help us deliver for the region.
- 2.30 **Development of Equality, Diversity and Inclusion Advisory Group** – this will be rolled out in the coming months. The group will be chaired by a member of the Corporate Leadership Team, with the remit of ensuring that both internal policies and external interventions are critically evaluated to understand their impact on a range of diverse groups.

### Workstream 3: governance and structures

- 2.31 Figure 8 provides an overview of actions in the governance and structures workstream. As noted in the update, a number of the actions that fit within this workstream were completed before the transformation programme was established (details on these can be found in annex 1). The more substantial actions around reviewing the West of England Combined Authority constitution and meeting structures will be progressed through discussions on the role and purpose of the West of England Combined Authority. Planning for these sessions is underway, as noted in the update on workstream 1.

**Figure 8: governance and structures workstream**

Action No.	Action	Activity Planned	Key dates
GS1	<b>Following discussions on the role and purpose of the CA, develop revised West of England Combined Authority operating principles</b> as part of revisions to the Constitution of the West of England Combined Authority. Have regard to the Constitutions of other CAs as revisions are made. In reviewing the Constitution, revise the scheme of delegations.	A programme of potential constitutional changes will emerge, any change will require unanimous agreement of the constituent authorities and the Metro Mayor. This will be in addition to the recommended scheme of delegation changes on this agenda.	TBC - Following role and purpose discussions

GS2	<b>Establish a set of meetings with the purpose of enhancing ownership and collaboration of the agenda and the West of England Combined Authority.</b> Committees to have clear ToR, forward timetable and training programme to support implementation. This work should be independently supported	Through discussions on role and purpose of the West of England Combined Authority and by looking at other combined authorities, consideration can be given to the range of meetings / Committees in place and potential constitutional changes required, ensuring that any options take account of, and work effectively in the West of England.	TBC - Following role and purpose discussions
GS3	<b>Consider assigning Leader portfolios</b> and CEO portfolios to support Leaders.	Through discussions on role and purpose of the West of England Combined Authority, the question of Leader portfolios can be considered as and when appropriate.	TBC - Following role and purpose discussions
GS4	<b>West of England Combined Authority officers will ensure Cabinet Members from UAs can request briefings from senior CA officers as required</b>	The Combined Authority Chief Executive has offered briefings to all Local Authority member portfolio holders in advance of committee meetings.	To start from lead-in to June 2023 Committee
GS5	<b>Regional Monitoring Officers will meet regularly</b> to discuss matters regarding the constitution that need addressing	Regional Monitoring Officers meet as necessary, this meeting can be called by any of the Monitoring Officers in the region. Monitoring Officers will meet at least quarterly.	Ongoing
GS6	Following the 2023 local elections, <b>highlight the opportunity of joining the Audit and Scrutiny Committees to UA members.</b>	Material will be provided to new members as part of their induction process and all members will be offered the opportunity to meet with CA officers to discuss the role of Audit and Scrutiny Committees	June 2023

- 2.32 The West of England Combined Authority Action Plan, following the Grant Thornton external audit report, agreed a range of specific actions associated with agreement of a new protocol covering when legal advice can be sought. These actions have all been completed (as noted in annex 1) and a constitutional amendment was approved by Committee in March 2023.
- 2.33 As noted above, other actions associated with this workstream which are about improving working practices (i.e. briefing cabinet members, regular meetings of the regional Monitoring Officers group) have been taken forward and will become part of our ongoing approach to working across the West of England Combined Authority partnership.
- 2.34 As the steering group for the transformation programme, the CEOs have agreed that a number of the actions set out in Figure 7 will be taken forward following discussions on the role and purpose of the West of England Combined Authority.



## 2.35 Workstream 4: effectiveness, efficiencies and delivery

2.36 Figure 9 provides an update on workstream 4 of the transformation programme, including strengthened arrangements in place to review progress in project delivery.

**Figure 9: effectiveness, efficiencies and delivery workstream**

Action No.	Action	Activity Planned/Completed	Key dates
DE1	<b>Review the process for project evaluation of Business Cases</b> , having regard to the models used in other Combined Authorities – ensuring business case assessment and decision-making is transparent and streamlined, and that criteria are clear.	<p>We will review the Business Case process to ensure robust testing of proposals, involvement by decision-makers at the right time, and linkage to the strategic prioritisation exercise. This will include increasing external transparency on when funding is available for non-government delivery partners.</p> <p>A review of the business case process was recently undertaken including seeking feedback from scheme promoters on how this could be streamlined and made more efficient, whilst continuing to meet the requirements of the National Local Growth Assurance Framework guidelines. One outcome of this process was the rollout of a streamlined approach for smaller scale, less complex transport schemes in April.</p>	Ongoing
DE2	Use the <b>Programme Review Board to review progress on agreed projects</b> , providing challenge and support to ensure more timely delivery of all projects.	<p>The Programme Review Board meets once a month and has scrutinised delivery on a wide range of projects involving senior officers from both the West of England Combined Authority and the Unitary Authorities.</p> <p>The work of PRB informed the profiling of spend, a review took place of the profile of spend in the Capital Programme. This change of profiling was reported to the West of England Combined Authority Committee on 17<sup>th</sup> March 2023.</p>	Ongoing

		<p>The last meeting of the programme review board considered:</p> <ul style="list-style-type: none"> <li>• Changes to Key Projects</li> <li>• Metro West Scheme</li> <li>• City Region Sustainable Transport</li> <li>• Line by line review of projects</li> <li>• Longer term work program.</li> </ul> <p>The Infrastructure Directorate of the Combined Authority is implementing a change programme, ensuring it is positioned effectively to oversee the delivery of the significant infrastructure programme over the coming years.</p> <p>It is essential that the work of the PRB maximises the focus on delivery including consideration of all appropriate options to improve delivery across the region.</p>	
DE3	Use the West of England Combined Authority <b>Corporate Governance Board to strengthen governance throughout the organisation.</b>	The Corporate Governance Board has been established to lead on all aspects of Governance across the organisation in support of the statutory officers. This includes organisational processes and standards, financial management, employment practice, audit and risk, and health and safety. The board has undertaken a gap analysis of where Governance needs to be improved and this is being developed into a work program. It will deliver improved oversight for day-to-day delivery of the work of the organisation. The last meeting of the board took place on 26 May.	Ongoing
DE4	<b>Review approach to existing investment funds</b> providing CEOs with up-to-date position on commitments, headroom, delivery timeframes.	The West of England Combined Authority has initiated a detailed line by line review of projects both in infrastructure and across the totality of the West of England Combined Authority's operations. This line-by-line review was initiated by the Combine Authority Committee on 17 March. This work is now underway.	11 May
DE5	<b>Bring forward proposals for revisions on how we invest current funds and proposals for new investment approaches</b> to help money go further	The intelligence gained from the line-by-line review and the detailed work of the Program Review Board will provide revisions to how of how current funds are invested.	

		Additionally, the West of England Combined Authority is preparing a concept paper on how it develops its role as an investment organising to complement of its existing grant giving responsibilities the results of this initial work will be reported to the West of England Combined Authority Committee in October.	6 October
DE6	<p>Through a programme of <b>effectiveness and efficiency reviews</b>:</p> <p>a. consider the <b>appropriate routes to allocating the final 10% of the staffing budget</b> increase agreed at Jan '23 Committee</p> <p>b. Consider areas for <b>'shared services'</b></p>	<p>Then West of England Combined Authority is establishing a programme of efficiency reviews. These will be applied vertically across the organisation with each Directorate of the Combined Authority being reviewed in turn. These reviews will involve a detailed scrutiny of each directorate's operations to determine fitness for purpose and value to money. They will involve challenge sessions leading to the development of transformational change. An update on progress of the reviews will be provided at the West of England Combined Authority Committee on 6 October.</p> <p>The West of England Combined Authority is working to secure an external partner to provide support and independent input to the reviews. Discussions are currently ongoing with the Local Government Association about how this additional support will be delivered.</p> <p>The West of England Combined Authority is currently monitoring the spend of the allocation for additional staffing provided at 27 January Committee to determine at what point in the year the "final 10%" will be required.</p> <p>The West of England Combined Authority will actively work with the Unitary Authorities to explore the opportunity for the delivery of operations through shared service arrangements both within the West of England and beyond.</p>	6 October
DE7	<b>Strengthen monitoring and evaluation of all projects</b> to meet requirements of the Investment Fund Gateway Review and the CRSTS national evaluation. This will include updating the monitoring and evaluation framework and providing clearer guidance to project managers on proportionate requirements.	Preparation for the Gateway Review is underway. The Local Evaluation Framework for the second Investment Fund Gateway Review is to be submitted to Government in June 2023, including setting out those projects in scope for impact or progress evaluation, together with proposals for	30 June

		<p>complementary workstreams as set out in the National Evaluation Framework. This process has included a review of the evaluation plans of schemes selected for impact evaluation and there will be regular dialogue with project leads moving forward, through to conclusion of this second Gateway process in 2026.</p> <p>The West of England Combined Authority has recruited a Monitoring &amp; Evaluation manager, starting in July, who will lead work to update our M&amp;E framework for all funding streams. This will bring more consistency to the evaluation of projects to ensure that a proportionate approach is taken to identify lessons for future delivery and to meet the needs of funders.</p> <p>We are awaiting guidance from DfT on the framework for M&amp;E for CRSTS. We will develop a comprehensive approach that collects relevant data across the region and provides a framework for all projects to follow.</p>	<p>December</p> <p>October</p>
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- 2.37 As noted above, a range of activity is underway to deliver this workstream. To continue strengthening our focus on delivery, the Programme Review Board is continuing to meet regularly, providing support and challenge to ensure delivery remains on track. Action has also been taken to put new arrangements in place to strengthen processes within the West of England Combined Authority organisation with the establishment of a new internal governance board. This board is led by the Interim Director of Investment and Corporate Services and has senior representation from across the organisation. While the board is at an early stage in development, it will ensure there is appropriate rigour to internal processes.
- 2.38 A programme of effectiveness and efficiency reviews is currently being scoped. This programme will focus on ensuring each part of the West of England Combined Authority organisation is delivering value for money and supporting the delivery of our regional priorities. This will include ensuring the organisation is fit for purpose.
- 2.39 As part of this workstream, we will also be progressing work to consider how the West of England Combined Authority can evolve its approach to investment – ensuring each pound of investment is working as hard as possible and identifying new ways we might want to invest and new approaches to bringing further funding into the region. As part of this process, we will continue to ensure CEOs have regular sight of the current position of funding streams across the West of England Combined

Authority.

- 2.40 Underpinning this workstream, we will also be taking forward actions to strengthen and streamline our Business Case process and strengthening our monitoring and evaluation process, ensuring Committee has the best possible information available to support future decision making.

## **Consultation**

- 3 UAs have been partners in the development of this report. A regional strategy working group is in place to collaborate in delivering the revised regional strategy and the CEO group is acting as the steering group for both the strategy and the wider transformation programme.
- 3.1 All content in this report has been discussed by CEOs.

## **Risk Management/Assessment**

- 5 Failure to address the issues highlighted in the Grant Thornton Audit report and Independent Peer Review will hamper the West of England Combined Authority failing to deliver for the residents of the West of England. It may also impact on the highly successful track record of attracting additional funding from Government for the region.

## **Public Sector Equality Duties**

- 6 There are no specific equality implications arising directly from this report at this stage.

## **Climate Change Implications**

- 7 The West of England Combined Authority's Climate Emergency Action Plan has been considered in the production of this report and there are no specific implications at this stage.

Report and advice reviewed and signed off by: Roger Hoare, Head of Environment

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

- 8 The financial implications both in terms of supporting expenditure and potential savings are currently under consideration. As work across the transformation programme progresses, financial implications will be discussed with the CEO steering group and will be brought to Committee as appropriate for decision.

Report and advice reviewed and signed off by: Selonge Russell, Deputy Section 73 Officer.

## **Legal Implications:**

- 9 There are no direct legal implications contained in this report. The transformation programme will include work to consider revisions to the West

of England Combined Authority constitution. Legal implications will be set out as this work progresses.

Report and advice reviewed and signed off by: Tom Clark, Monitoring Officer.

### **Human Resources Implications:**

- 10 While there are no direct HR implications arising from this report, workstream two in particular highlights a programme of HR-related activity. Specific HR implications arising from the development and completion of this work will be highlighted to Committee as required as the programme progresses.

Report and advice reviewed and signed off by: Alex Holly, Head of People and Assets.

### **Land/property Implications**

- 11 There are no land or property implications contained in this report. Any land or property issues arising from the transformation programme as it progresses will be highlighted to Committee.

### **Appendices:**

*List any appendices to the report:*

Appendix 1 – overview of all recommendation and actions that have informed the development of the West of England Combined Authority transformation programme

### **West of England Combined Authority Contact:**

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## Annex 1: All recommendations and actions informing the West of England Combined Authority transformation programme plan

Actions have been identified through a range of pieces of work. A full list of actions is set out below, noting their original source, to ensure we do not lose sight of any action that has been agreed. Action sources are:

- The Grant Thornton external audit report
- The Independent Peer Review conducted by SOLACE
- The West of England Combined Authority Action Plan agreed by Committee in March 2023

There is a degree of overlap between actions. To keep the transformation programme coherent and manageable, a streamlined set of actions has been established. All actions below are incorporated into workstream actions – the tables on the following slides show where actions can be found in the programme plan and are included in this pack to ensure there is visibility on how actions recommendations have been incorporated into the transformation programme.

### Grant Thornton audit recommendations

Recommendation	Source Code	Where this can be found in the transformation programme	Action status
The Mayor and members of the West of England Combined Authority represented by the Council Leaders, must commit to improving their working relationship and demonstrate that significant progress has been made within a reasonable timeframe to be determined by the Mayor and the West of England Combined Authority. This should include a role for independent mediation and the constructive consideration of advice arising from this process.	SR1	Workstream 1, action PS1	Open
A formal protocol should be agreed between member organisations within the West of England Combined Authority to commit to consultation on key proposals, that they should define, at an earlier stage. The West of England Combined Authority members should engage effectively in this process, to help mitigate points of contention before they are published and debated in public. This should include a commitment to deliver proposals on a reasonable timetable.	SR2	Workstream 3, action GS1 and GS2	Open



In future, in all circumstances, including where there is a potential conflict of interest affecting individual statutory officers, adequate steps must be taken to ensure the statutory duties of these officers is effectively discharged	SR3	Action complete. Provision for a deputy to act now in the Constitution	Complete
The future management structure of the West of England Combined Authority should be reviewed in order to ensure it is fit for purpose in the context of new funding awards and strategic priorities and this must include appropriate consultation and agreement by the West of England Combined Authority Committee.	KR1	Workstream 2, action WC1	Open
The Constitution of the West of England Combined Authority should be revised to define the conditions under which it is acceptable for other officers and members to seek independent legal advice, without reference to the Monitoring Officer and/or Head of Legal Services.	KR2	Action Complete. Constitutional amendment made.	Complete
We recommend that consideration of relationships within the Chief Executive Group should be incorporated into any relationship development and mediation work undertaken.	IR1	Programme level workstream, action TP3, TP4	Open
We recommend that the Constitution be reviewed, as previously considered by the West of England Combined Authority members. This should incorporate the new Monitoring Officer protocol but also focus on the specific ambiguities raised in recent legal advice including the definition of statutory roles, delegated powers, managing conflicts of interest, decisions on all senior staffing matters including restructure and severance. The results should be reported to Committee and used alongside the points we have raised as a basis for revision. There may be value in reviewing other combined a authority constitutions to optimise the opportunity to improve the document in these areas.	IR2	Workstream 3, action GS1, GS2 (refer to constitutional review) – the new MO protocol on accessing legal advise is in place.	Open
We recommend that the annual performance reviews of senior officers be formally recorded, including reasonable steps taken to manage issues and provide access to resources to enable skills development as appropriate.	IR3	Workstream 2, action WC5	Open
We recommend that the Monitoring Officer role retains its current seniority at Director level in any future restructure or that sufficient safeguards are implemented to protect the authority and influence of the role.	IR4	Workstream 2, action WC4	Open

## Independent Peer Review recommendations

Recommendation	Source Code	Where this can be found in the transformation programme	Action status
The West of England Combined Authority to engage in a facilitated structured conversation to revisit and clarify its core purpose taking on views from strategic partners, business and other regional bodies.	S1	Workstream 1, action PS1	Open
The West of England Combined Authority to co-produce a Regional Strategic Economic Strategy which is accessible and provides a common narrative for all regional stakeholders to be able to promote the economic vision of the region to external audiences.	S2	Workstream 1, action PS2	Open
To explore whether the process of developing a Spatial Development Strategy could be revisited.	S3	Workstream 1, action PS1	Open
To consider expanding the membership of The West of England Combined Authority	S4	Workstream 1, action PS1	Open
Roll out the 'Step Change' programme with external support and facilitation. Establish working behaviours and principles for The West of England Combined Authority.	S5	Workstream 2, action WC2	Open
Strengthen the function of the 'corporate core' to be fit for the new West of England Combined Authority delivery function.	S6	Workstream 2, action WC3	Open
Continue to build on enhanced relationships with the LAs based on agreed principles.	S7	Programme level action TP3, TP4	Open
Complete a management restructure to fill interim posts permanently in consultation with the LAs	S8	Workstream 2, action WC1 and WC4	Open
Use independent facilitation to work with the business and partner community to redefine the role and Terms of Reference of a Business Board to advise, support and challenge The West of England Combined Authority. Ensure that the Board fits into policy/decision at an early stage in The West of England Combined Authority processes. Consider the collaboration of other regional bodies such as Western gateway, Universities and other Local Authorities in this work.	S9	Workstream 1, action PS3	Open

As part of the work in redefining the core purpose of the West of England Combined Authority , with independent support, develop fundamental the West of England Combined Authority operating principles.	S10	Workstream 3, action GS1	Open
With independent support, establish a set of meetings as above with the purpose of enhancing ownership and collaboration of the agenda and the West of England Combined Authority itself. Develop clear ToRs for these meetings and move in a phased way with a defined timetable and training programme to full implementation.	S11	Workstream 3, action GS2	Open
Consider assigning Leader portfolios to help with the work of The West of England Combined Authority as above. Consider assigning Chief Executive portfolios to support the Leaders with their work and co-design a working protocol for operation of the portfolios.	S12	Workstream 3, action GS3	Open
Revisit the process for Project Evaluation with regard to models adopted in other Combined Authorities.	S13	Workstream 4, action DE1	Open
Identify the issues with the constitution which would help The West of England Combined Authority to work in a more effective and agile way. Have regard to constitutions in other Combined Authority areas. This process would have regard to activity in other recommendations listed above and would need to be sequenced as such.	S14	Workstream 3, action GS1, GS2	Open
Hence, review the constitution making representations to government on proposed changes, if necessary.	S15	Workstream 3, action GS1, GS2	Open
As trust begins to become stronger, it will become necessary to align the West of England Combined Authority and the Joint Committee into the same business meeting. This will serve as an indicator as to the maturity of the West of England Combined Authority.	S16	Workstream 1, action TP5	Open
With independent support, the West of England Combined Authority should rework the action plan to include recommendations in this review and of any other external feedback, for example, any potential monitoring report from External Auditors Grant Thornton.	S17	Programme level action TP2	Open
Progress on the action plan should be subject to external independent review every four months and reported to Audit and Scrutiny Boards and through to the West of England Combined Authority Board for consideration.	S18	Programme level action TP2	Open

## West of England Combined Authority Action Plan agreed March 2023

Recommendation	Source Code	Where this can be found in the transformation programme	Action status
Leaders will continue to regularly meet with the West of England Combined Authority Metro Mayor as required to both address any concerns early and to identify opportunities.	AP1	Programme level action TP3, TP4	Open
A programme of activities to agree regional priorities will take place in 2023. This will involve free and frank discussion regarding the allocation of existing resources in the context of new and emerging challenges, such as inflationary pressures, to primarily focus on the delivery of projects. A Regional Priorities workshop which leaders have all agreed to attend is scheduled for January.	AP2	Workstream 1, action PS5	Complete
Board members will be involved at an earlier stage in setting a strategic regional direction	AP3	Workstream 1, action PS6	Open
Consideration of appropriate attendees (wider than Mayors, Leaders and CEOs) to attend the regional prioritisation workshop will be made (including regional finance officers (S.151) officers, Directors for Infrastructure, and independent voice(s)), to ensure the workshops results in meaningful outcomes	AP4	This workshop took place in Feb 2023. Mayors, Leaders and CEOs were in attendance	Complete
Senior Officers will meet collectively and individually with their counterparts as policies and projects progress, from conception to delivery and evaluation.	AP5	Programme level action TP3	Ongoing
The West of England Combined Authority will ensure that Cabinet Members from the Unitary Authorities can request briefings with senior CA officers as required. Any existing regular meetings will continue in line with agreed arrangements.	AP6	Workstream 3, action GS4	Ongoing
An officer delivery board has been established and meets twice a month to review progress on agreed projects and to provide challenge and support to ensure more timely delivery on all projects where relevant. These boards will continue and will report directly to regular joint CEO meetings. This process will be reviewed to further	AP7	Workstream 4, action DE2	Open

strengthen the board if necessary			
To help support driving delivery of key projects, proposals will include a commitment to deliver on a reasonable timetable (agreed by the Committee), which will be included in relevant papers going forward	AP8	Workstream 4, action DE2	Ongoing
The protocol will be shared with UA Leaders, Chairs of Audit and Scrutiny for comment before being adopted and published.	AP9	Action complete prior to transformation programme plan.	Complete
The protocol will be published on the West of England Combined Authority's website and shared with West of England Combined Authority officers.	AP10	Action complete prior to transformation programme plan.	Complete
The West of England Combined Authority Monitoring Officer will brief senior officers regarding the implications of the protocol.	AP11	Action complete prior to transformation programme plan.	Complete
A new Senior Leadership Structure of the West of England Combined Authority will be developed in 2023.	AP12	Workstream 2, action WC1	Open
The West of England Combined Authority will use expert support to determine necessary skills and appropriate structures are in place so as to recruit suitably skilled permanent staff at pace.	AP13	Workstream 2, action WC8	Open
It will be agreed in line with the Constitution by the West of England Combined Authority Committee	AP14	Workstream 2, action WC4	Open
Process regarding Senior Officer appointments to be guided by external expert support	AP15	Workstream 2, action WC4	Open
The West of England Combined Authority Monitoring Officer will provide wording for the constitution at the next suitable meeting of the West of England Combined Authority Committee (no later than March) in consultation with the Monitoring Officers of the Unitary Authorities.	AP16	Action complete prior to transformation programme plan.	Complete
Such a change would require unanimous support of the Mayor and Leaders at a West of England Combined Authority Committee meeting.	AP17	Action complete prior to transformation programme plan.	Complete
Senior Officers will continue to meet collectively and on a 1:1 basis going forward.	AP18	Programme level action TP3	Ongoing
All Senior officers will work collaboratively and engage in meaningful consultation when developing solutions and proposals to help leaders to mitigate points of contention where possible ahead of the West of England Combined Authority Committee meetings.	AP19	Programme level action TP4	Ongoing

Where possible, matters of contention will be flagged with all senior officers in good time to allow for solutions to be developed ahead of the West of England Combined Authority meetings.	AP20	Programme level action TP3, TP4	Ongoing
All Senior Leaders will commit to promote a culture of respect and understanding at all times.	AP21	Programme level action TP4	Ongoing
Where relationships require support, Senior Leaders will seek mediation at an early stage to ensure good working practice continue and solutions can be developed.	AP22	Programme level action TP4	Ongoing
A forward plan of decisions and activities to help with planning / resourcing / engagement for CEOs meeting will be developed.	AP23	Programme level action TP5	Open
The Constitution will be revised to include the new Monitoring Officer protocol.	AP24	Workstream 3, action GS1, GS2. However, the new MO protocol is agreed.	Complete
Regional MOs to meet regularly to discuss any matters regarding the constitution that need addressing.	AP25	Workstream 3, action GS5	Open
Internal actions put in place to ensure Performance reviews are formally recorded.	AP26	Workstream 2, action WC5	Open
Consideration of the GT Auditing Culture report made by the Head of HR in consultation with UA HR leads (and others as relevant), and recommendations for improvement made for consideration by the constituent member CEO group	AP27	Workstream 2, action WC6	Open
Process agreed by March 2023 for the recording and sharing of key organisation performance indicators and information with member organisations relating to organisational culture and health	AP28	Workstream 2, action WC7	Open
Monitoring Officer to be confirmed at Director Level in any future leadership structure. Any change would require a vote of the West of England Combined Authority Committee.	AP29	Workstream 2, action WC4	Open



## ITEM 17

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

**DATE: 3 JULY 2023**

**REPORT TITLE: AUDIT COMMITTEE ANNUAL REPORT 2022/23**

**DIRECTOR: STEPHEN FITZGERALD, INTERIM DIRECTOR OF  
INVESTMENT AND CORPORATE SERVICES AND  
SECTION 73 OFFICER**

**AUTHOR: SELONGE RUSSELL, HEAD OF FINANCE AND  
DEPUTY SECTION 73 OFFICER**

### **Purpose of Report**

- 1 The purpose of the Annual Report 2022/23 is to bring together in one document a summary of the work undertaken by the Audit Committee. The production of the report complies with current best practice for audit committees. It allows the Audit Committee to demonstrate it has fulfilled its terms of reference and share its achievements with the main CA Committee and is thought useful as a reminder to the organisation of the role of the committee in providing assurance about its governance, risk management, financial and business controls.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance to local authorities to help ensure that Audit Committees operate effectively. The guidance recommends that Audit Committees should report annually on how they have discharged their responsibilities. A copy of the annual report of this Audit Committee is attached. A copy of the Audit Committee's Terms of Reference is included for information.

### **Recommendation**

- Review and Comment on the Audit Committee Annual Report 2022/23.

## **Background / Issues for Consideration**

- 2 The Audit Committee is a key component of corporate governance and provides an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement.

The specific work undertaken by the Committee is set out in the Annual report.

## **Consultation**

- 3 Relevant officers and the Audit Committee were consulted in producing the Annual Audit Report.

## **Other Options Considered**

- 4 This report is presented to enable the Audit Committee to fulfil its responsibility for reporting on how they have discharged their duties.

## **Risk Management/Assessment**

- 5 The Audit Committee aims to comply with standards established by the Chartered Institute of Public Finance and Accountancy (CIPFA). The production of the Annual Report is consistent with the CIPFA standards.

## **Public Sector Equality Duties**

- 6 There are no direct Equalities implications arising from this report.

## **Climate Change Implications**

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

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

- 8 There are no Financial Issues arising from this report.

## **Legal Implications:**

- 9 There are no direct Legal Implications associated with this report.

## **Human Resources Implications:**

- 10 There are no Human Resources implications arising from the report.



**Appendices:**

Appendix 1 – Audit Committee Annual Report 2022/23

**Background papers:**

Audit Committee Terms of Reference – West of England CA Constitution.

Relevant reports presented to the Audit Committee and minutes of the meetings of the Audit Committee.

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## **West of England Combined Authority**

### **AUDIT COMMITTEE**

### **ANNUAL REPORT 2022/23**

## **1. FOREWORD**

1.1 As Chair of the Audit Committee, I have pleasure in submitting this year's Annual Report. This document summarises the work of the Audit Committee in providing assurance about the Combined Authority's governance, risk management, financial, and business controls. The year 2022/23 has presented challenges like no other.

There have been many benefits from the work of the committee. The main positive outcomes and improvements include:

- Active involvement in the review by the External Auditor of governance and VFM arrangements including extensive liaison with the West of England Combined Authority Committee
- An unqualified External Audit opinion on the Combined Authority Statement of Accounts.
- The timely sign-off of the accounts to the amended timetable.
- An Annual Governance Statement that reflected the developments within the Combined Authority.
- A satisfactory opinion from the Head of Internal Audit on the Internal Control Framework.
- Completing the first self-assessment review of the Audit Committee for the 2022/23.
- Acknowledging the continued developments in Risk Management within the Combined Authority.

However, on a less positive note the Audit Committee was also disappointed to find the Authority was slow in responding to the External Auditors Value for Money initial findings, which delayed the final report. Audit Committee was at least reassured that the final report with its 3 Statutory recommendations, 2 key recommendations and 4 recommendations, justified our ongoing concerns. The Initial Authority response did not recognise the seriousness of this report and we see the implementation of an effective action plan to overcome these failings as a top priority for the new financial year.

Cllr Geoffrey Gollop, Audit Committee Chair July 2023

## **2. INTRODUCTION**

2.1 It is important that the Combined Authority has an independent and effective Audit Committee that follows best practice. The Audit Committee is the primary means by which the Combined Authority obtains assurance that governance, risk management and control systems are in place and effective. It ensures that these are regularly reviewed and reflect regularity and propriety.

### **3. WORK AND ACTIVITY OF THE AUDIT COMMITTEE IN 2022/23**

#### **3.1 External Audit – Grant Thornton**

The Committee received an initial report in April 2022 which provided the West of England Audit Committee with an overview of Grant Thornton's initial findings to date on the Value for Money Arrangements 2020/21. The Audit Committee noted the report with the request that Grant Thornton bring an updated version of the report to a future meeting.

In October 2022, members received a follow up report on the Value for Money Arrangement 2020/21 – The updated position was discussed by the Committee.

Considered a final report in November 2022 and submitted their views on the Value for Money 2020/21 Report. The report included 3 Statutory Recommendations, 2 Key Recommendations and 4 Improvement Recommendations. The Committee discussed the findings at length and considered the recommendations. Officers were asked to re-consider the action plan and aim to achieve a more co-ordinated response with the three constituent authorities. Recommended that this jointly worked action plan be brought back to the next meeting of Audit Committee, with specific proposals for dealing with each recommendation setting out measurable actions against targets and progress made.

An updated Action Plan had been brought forward and was agreed by the Combined Authority Committee at its reconvened meeting on 9 December 2022. The Audit Committee acknowledged that positive progress had been made.

The Committee considered and accepted the Audit Findings and an Updated Audit Findings Report for the West of England Combined Authority for year ending 31 March 2022.

In December 2022, The Audit Committee were informed that Grant Thornton had been successful in winning a contract in the procurement, and the PSAA was appointing this firm as the auditor of West of England Combined Authority for five years from 2023/24.

Received and considered several Progress and Sector Updates including emerging national developments such as industry changes resulting from Climate Changes, Audit Fee Increases,

#### **3.2 Internal Audit – Audit West**

The Committee received and considered the Internal Audit Annual Report 2021/22 setting out progress against the plan, a summary of audit performance and key issues, and the formal opinion on the internal control framework.

Received and approved the Internal Audit Plan for 2022/23.

Considered a report updating the Committee on the Internal Audit work 2022/23. The report summarised the first six months of audit work. Members noted the areas under review.

The Committee also received an informal briefing on Counter Fraud & Corruption and a formal report outlining work carried out.

The Committee was consulted on areas for the audit plan and agreed to increased resources for audit activity and then approved the Internal Audit Plan for 2023/24.

### **3.3 Risk Management**

The Committee received a report on the annual review and update of the West of England Combined Authority Monitoring & Evaluation Framework and the Risk Management Framework. The Corporate Risk Register was considered throughout the financial year alongside the Infrastructure Directorate Risk Register considered in March 2023.

The Committee considered a report which set out the effective two-way communication between the Combined Authority's External Auditors and Audit Committee (as those charged with governance). The committee confirmed that the West of England Combined Authority management response to the Auditor Risk Assessment was a true reflection of the Authority's management processes.

### **3.4 Corporate Governance**

The Annual Governance Statement is a key consideration for the Committee each year. It outlines the governance arrangements at the Combined Authority and aims to conclude on how effectively those arrangements have been operating. The Committee considers the Annual Governance Statement to ensure it is reflective of the arrangements and identifies any significant governance issues. The Committee is assured by the review process and approved the 2021-22 Annual Governance Statement as a fair reflection of the Combined Authorities governance arrangements following the detailed Value for Money Review for 2020-21.

The Committee received a report that presented the Chartered Institute of Public Finance & Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022 for comments. The 2022 Position Statement set out the purpose, model, core functions and membership of an audit committee.

### **3.5 Financial Governance - Treasury Management**

The Committee reviewed the Combined Authorities Treasury Management arrangements. This included a briefing from ArlingClose (the Combined

Authorities advisors) and reviewed the Annual Treasury Management Report for 2023/24 which covered the actual Prudential Indicators, and the Monitoring Report which included the actual and proposed treasury management activity.

### **3.6 Financial Governance – Annual Accounts**

The Committee considered and reviewed the unaudited draft Statement of Accounts for 2021/22 and approved the 2021/22 Statement of Accounts with an accompanying presentation. The accounts were reviewed by the Committee on several occasions as the External Auditors' work progressed.

### **3.7 Training and Development**

In September 2022, the Audit Committee members attended an informal virtual workshop on the Draft Statement of Accounts carried out by the Combined Authority Finance Team officers. The workshop covered the following:

- Purpose of the Statement of Accounts
- Key Messages
- SWOT Analysis
- Key Ratios – 2020/21 & 2021/22
- Estimates and Assumptions
- External Auditor Updates

In December 2022, the Audit Committee members attended a virtual training session carried out by the West of England Combined Authority Treasury Advisors Arlingclose on a Treasury Management Overview. The training covered the following:

- Introduction to Treasury Management
- Regulatory Framework
- Member Scrutiny
- Risk Management
- Investment Management

In February 2023 the Audit Committee members attended a virtual training course carried out by The Chartered Institution of Public Finance and Accountancy (CIPFA). The training covered the following:

- The purpose of the Audit Committee and considered its relationships to other combined authority committees.
- The main areas of responsibility for the Audit Committee as set out in the CIPFA Position Statement on Audit Committees 2022.
- The role of the Audit Committee Chair.
- Review of the Knowledge and Skill Requirements of the Audit Committee members to be able to question and challenge constructively, enabling them to perform their accountability role and have impact.
- Guidelines on evaluating the effectiveness of the committee.

#### **4. AUDIT COMMITTEE WORKPLAN FOR 2023/24**

- 4.1 The Committee considered the workplan for the financial year 2023/24 at the March 2023 meeting. Whilst the Committee's work will be broadly in line with previous years it will keep under close review several key areas:
- Treasury management arrangements.
  - Risk Management Reviews.
  - Monitoring the issues recorded in the Annual Governance Statement 2021/22 and
  - Monitoring the responses to the Audit Findings and Live Action Plan arising from the critical VFM report.
- 4.2 The dates for the West of England CA Committee for 2023/24 will be taken to the AGM as part of the annual business report in June 2023. The provisional dates are as set out below:
- 3rd July 2023
  - 18th September 2023
  - 4th December 2023
  - 4th March 2024

#### **5. AUDIT COMMITTEE SELF-ASSESSMENT ANNUAL REVIEW**

- 5.1 A review of the effectiveness of the Audit Committee was facilitated and co-ordinated by Internal Audit during March and April 2023.. This consisted of an initial meeting with the Chair, Vice-Chair, and Independent Co-Opted Member to assess the current position using the CIPFA best practice checklist.

Subsequently, a workshop was held with the full Audit Committee to review the scores and key areas for improvement were identified as detailed below:

- The existing Terms of Reference require update and improvement as they have not changed since the original West of England Combined Authority Constitution was created. However, it is acknowledged that the Committee has broadly followed expected norms in terms of core priorities identified in CIPFA's Position Statement.
- The Committee has only one independent co-opted member, CIPFA recommend consideration of 2 independent members.
- The Committee has not carried out an evaluation of knowledge, skills and training needs of the Chair & Committee.
- The Committee has not established any annual review of its effectiveness against CIPFA best practice. This review is the first that has been carried out since the inception of the West of England Combined Authority.



5.2 An action plan has been created and progress, towards addressing the key areas for improvement, will be followed up later in 2023/24.

**6. MEMBERSHIP AND MEETINGS OF THE COMMITTEE**

6.1 Appendix 1 provides a schedule of the meetings that took place during 2022/23 and the corresponding papers that were considered.

6.2 Councillor Geoffrey Gollop has been Chair of the Committee since 2017. The Committee Members since April 2022 are as follows:

Cllr Geoff Gollop, Bristol City Council (Chair)  
Cllr David Wilcox, Bristol City Council (Vice Chair)  
Cllr Brenda Massey, Bristol City Council  
Cllr Hal MacFie, Bath & North East Somerset Council  
Cllr John Ashe, South Gloucestershire Council  
Cllr John O'Neill, South Gloucestershire Council  
Cllr Jonathan Hucker, Bristol City Council  
Cllr Mark Bradshaw, Bristol City Council  
Cllr Matthew Riddle, South Gloucestershire Council  
Cllr Rob Appleyard, Bath & North East Somerset Council  
Cllr Sarah Classick, Bristol City Council  
Mark Hatcliffe, Independent Member of Audit Committee

## **7. WEST OF ENGLAND CA AUDIT COMMITTEE RESPONSIBILITIES**

7.1 The Audit Committee has the following responsibilities:

1. Reviewing and scrutinising the authority's financial affairs;
2. Reviewing and assessing the authority's risk management, internal control and corporate governance arrangements;
3. Reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions;
4. Reports and recommendations to the Combined Authority in relation to the reviews they have conducted;
5. To consider and approve the Annual Statutory Accounts;
6. Frameworks and make recommendations where appropriate.

## **8 CONCLUSION**

8.1 This review gives an overview of the range of work undertaken by the Committee. The Committee's primary contribution to the Combined Authorities objectives is to ensure that Governance, Control, Risk Management and Audit systems which underpin the work of the Combined Authority are sound, reliable, robust and secure. This report provides sight of areas where that is not the case.

8.2 In an Authority with only one directly elected member, the need for openness, transparency and good governance is even more critical than it is in a traditional local authority. The need for co-operation and joint working is fundamental to the authority's existence and The Audit Committee has a responsibility to ensure the best possible standards of governance are in place.

8.3 The Audit Committee is made up of Councillors from the three constituent local authorities representing all the main political parties. We could not carry out our work without the highly professional support and guidance that we receive. The Committee would like to thank the following:

- The Internal Audit Service for their continued hard work and continuous assurance;
- Grant Thornton who have had a particularly challenging year with the West of England Combined Authority, for the professional and diplomatic way they have dealt with a difficult situation and helpful and constructive way in which they have dealt with the issues of concern;
- The Interim Chief Executive and Interim Chief Financial Officers for their openness and support;

- And the finance team for the support they provide the Committee in discharging its responsibilities and their technical and financial skill applied throughout the year to ensure timely and effective compliance.

**APPENDICES:**

Appendix 1: Details of the Reports Considered by the Audit Committee during 2022/23

## Appendix 1

### Details of Reports Considered by Audit Committee during 2022/23

Meeting Date	Papers Considered
<b>28<sup>th</sup> April 2022</b>	<ul style="list-style-type: none"> <li>• Monitoring &amp; Evaluation Framework 2022 Draft</li> <li>• Risk Management Framework 2022 Draft</li> <li>• Corporate Risk Register April 2022</li> <li>• Final Evaluation – Main Report</li> <li>• Informing the Audit Risk Assessment</li> <li>• Grant Thornton – West of England CA 2021-22 Audit Plan</li> <li>• External Audit Progress Report and Sector Update</li> <li>• Value for Money Arrangements 2020-21</li> <li>• Briefing on 2020-21 Financial Sustainability Element VFM work</li> <li>• Internal Audit Annual Report 2021-22</li> <li>• Internal Audit Plan 2022-23</li> </ul>
<b>12<sup>th</sup> October 2022</b>	<ul style="list-style-type: none"> <li>• Audit Committee Briefing on 2020-21 Financial Sustainability, Governance, 3Es and Financial Reporting VFM Work.</li> <li>• External Audit Progress Report and Sector Update</li> <li>• West of England CA Progress Report including CIPFA Audit Committee Position Statement 2022 Update</li> <li>• Draft Statutory Statement of Accounts 2021-22</li> </ul>
<b>17<sup>th</sup> November 2022</b>	<ul style="list-style-type: none"> <li>• External Auditors VFM Report on Governance</li> <li>• Audit Committee – Response from Officers</li> <li>• West of England CA Audit Findings Report 2021-22</li> <li>• Internal Audit Update</li> <li>• Concessionary Travel Audit Actions Update</li> </ul>
<b>12<sup>th</sup> December 2022</b>	<ul style="list-style-type: none"> <li>• West of England CA Audit Findings Report 2021-22 (December Update)</li> <li>• West of England CA Draft Letter of Representation 2021-22</li> <li>• Treasury Management Strategy 2023-24 including Treasury Management 2022-23 Monitoring Update</li> <li>• Risk Management – Corporate Risk Register December 2022</li> <li>• Appointment of External Auditors</li> <li>• Forward Plan of Committee Items</li> </ul>

**2<sup>nd</sup> March 2023**

- Audit Committee – Review of Effectiveness
- Internal Audit Plan 2023-24
- External Audit Committee Progress Report – March 2023
- Risk Management – Infrastructure Risk Register
- Risk Management – Corporate Risk Register
- Response to Audit Findings and Action Plan
- Audit Committee Forward Work Plan 2023-24

**Note: 3 meetings during the year were cancelled – 8<sup>th</sup> June 2022; 8<sup>th</sup> July 2022 and 14<sup>th</sup> July 2022.**

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