

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

Monday, 11 December 2023, 10:30am
70 Redcliff Street

Present:

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

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

Officers In Attendance:

Richard Ennis, Interim Chief Executive
Clive Sheldon, Deputy Monitoring Officer
Rachel Musson, Strategic Director of Resources (joined remotely)
Selonge Russell, Head of Finance
Steve Finnegan, Financial Accountant

Rachel Pykett, Head of Policy (for items 13 & 14)
Pete Davis, Head of Grant Management and Assurance (for Item 15)
Stephen Bashford, Strategic Director of Economy & Skills (for Item 15)
Abbie Evans, Governance and Delivery Assurance Manager (Item 15)

Also Present:

Jon Roberts, Liam Royle & Alexa Ngini (Grant Thornton, External Audit)
Tariq Rahman, Internal Audit

Apologies:

Mark Hatcliffe, Independent Member of Audit Committee

Minutes

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| 1 | Welcome & apologies for absence The Chair welcomed everybody to the meeting. Apologies for absence had been received from Mark Hatcliffe. |
| 2 | Declarations of Interest under the Localism Act 2011 There were no declarations of interest declared under the Localism Act 2011. |
| 3 | Minutes The minutes of the meeting held on 18 September 2023 were agreed as a correct record and signed by the Chair. |
| 4 | Chair's Announcements The Chair stated that the agenda items and running order had been agreed after careful consideration but that he had requested that the Unlawful Expenditure Report be added as an item at late notice as an issue of significant concern. He reminded the Committee that, however, the more time taken in discussion of this item would impact the time available for discussion on other agenda items. It was noted that the Unlawful Expenditure Report would be discussed by the reconvened meeting of the West of England Combined Authority Committee on 12 December 2023 following an adjournment of the meeting on 1 December 2023. |
| 5 | Items from the Public (Questions, Statements and Petitions) |

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| | <p>No questions had been received from Members of the Public in advance of this meeting.</p> <p>One statement had been received from a Member of the Public in advance of the meeting, The following person attended the meeting and addressed the Committee for up to three minutes on the topic of their statement:</p> <ul style="list-style-type: none"> • Dave Redgewell. |
| 6 | <p>Feedback from the Committee meetings held on 6 October 2023</p> <p>The Committee was asked to give feedback on the Committee meetings held on 6 October 2023 to which the Chair of the Audit Committee addressed to give the views of the Audit Committee.</p> <p>The Chair gave a statement in respect of the meetings held on 6 October 2023 as summarised below:</p> <p>He stated that the majority of the meeting had gone reasonably well, but sadly those moments were insignificant compared to the two small parts of the meeting that went very badly.</p> <p>Including:</p> <ul style="list-style-type: none"> • A discussion about BSIP and the practice of members of the committee tabling amendments. It was felt impossible for informed bystanders to follow in the room and would have been meaningless to anyone trying to watch online, The Committee asked that this be corrected as a matter of urgency. In the end this proposal had been approved because the Metro Mayor was in favour; • In relation to the item on mass transit. A detailed paper had been prepared and circulated. There was no agreement, a debate took place. The metro mayor said he would oppose anything that involved any underground work whatsoever, and Mayor Rees said he would oppose anything that would not consider underground. The chair of the LEP made an impassioned plea to continue highlighting the cost to the Authority of delay. The metro mayor voted against a motion supported by the 3 UAs and vetoed the decision. <p>The Chair stated that he had highlighted these specific examples to help explain the story. However he wanted to make clear that, a year on from the GT VFM report, which in turn was two years on from the major falling out, this poor level of communication was continuing. There appeared to have been no improvement made to</p> <ul style="list-style-type: none"> • SR1 Working Relationships; • SR2 Consultation on Key Proposals <p>As though those recommendations had never been made.</p> <p>The Chair stated that he hoped that the Audit Committee would agree with him that better was expected from the Metro Mayor and our Leaders.</p> |
| 7 | <p>Forward Plan</p> <p>The Committee received both the Audit Committee and the Authority’s Forward Plans and was asked to review the Forward Work Plans and to suggest any amendments. It was explained that the Authority had produced a twelve-month forward plan in June 2023 for consideration by the Committee’s Annual General Meeting (AGM). Subsequent updates had been published at least 28 days ahead of each main Committee meeting. The Interim Chief</p> |

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| | <p>Executive confirmed that it was the intention to produce a rolling twelve-month forward plan as soon as practicable which would help inform work of both the Authority's Audit and Scrutiny Committees.</p> <p>Cllr Simon requested that a report be brought to a subsequent meeting setting out the relative responsibilities of the combined authority and the constituent authorities with regards to supported bus services. The Interim Chief Executive stated that a wider report would come forward for the Committee's consideration on this issue.</p> <p>It was acknowledged that there may be some role for the Authority's Scrutiny Committee in this issue and the Interim Chief Executive stated that the roles of each of the Committees will be defined in any reports coming forward.</p> <p>It was confirmed that a number of informal briefing sessions had been arranged including on the Westlink/DRT service in January 2024.</p> |
| 8 | <p>Unlawful Expenditure Report</p> <p>The Committee received the Unlawful Expenditure Report which had due to have been considered at the West of England Combined Authority Committee on 1 December 2023. However, that Committee had been adjourned until 12 December 2023 [and subsequently to 14 December 2023]. The Chair made the following statement in respect of this item:</p> <p>"Members need to be aware that under the legislation the report must go to the Combined Authority Committee. Because the initially convened meeting was adjourned without decision, we are seeing this report before the committee have considered it.</p> <p>Whilst we can and will each have individual views on the issues raised, Audit Committee is where we have to consider the governance and control issues.</p> <p>The nature of the report is such that it is a professional opinion of a statutory officer. The critical points to note are that an item of expenditure that appears unlawful was incurred. It arose because the system of internal control was flawed, but nevertheless the expenditure was picked up and isolated before it had impacted. The internal controls have been reviewed and tightened.</p> <p>It would be reasonable for the Audit Committee to ask to see the Mayoral Communications policy if members feel that would be helpful.</p> <p>We only need to consider the matter further if we feel there is more for the Committee to do.</p> <p>I will take comments or questions that help with the understanding of the issues but remind you that the substance of the report for the Committees consideration when they meet".</p> <p>The Chair suggested that the Audit Committee submit a statement to the West of England Combined Authority setting out its views. It was agreed that the Chair circulate a draft statement for comment and agreement to be circulated to the West of England Combined Authority Committee for its consideration in advance of that meeting.</p> <p>The Committee asked the Authority's External Auditors whether an elector could object to the spending during the annual audit, and the effect of such an objection.. Jon Roberts, Grant Thornton, confirmed that such an objection could be made and an assessment would be made on the validity of such an objection and a judgement would be made accordingly. Jon also confirmed that the management actions would continue to be monitored.</p> <p>The Authority's S73 officer, Rachel Musson, confirmed that the Audit Committee would have oversight of the recommendations contained in the Unlawful Expenditure Report once the</p> |

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| | <p>Committee had reached its decision, and would be asked to monitor the management actions contained therein.</p> <p>It was confirmed that the West of England Combined Authority had a statutory duty to hold its meeting within 21 days.</p> <p>Agreed:</p> <ul style="list-style-type: none"> (1) That the Unlawful Expenditure Report be noted; (2) That a statement on behalf of the Committee be formulated for circulation to the West of England Combined Authority Committee for its consideration when the Committee meets to discuss this item; |
| 9 | <p>Update on the Recruitment of a Second Independent Member [Verbal Update]</p> <p>The clerk updated the Committee on the latest situation with the recruitment of a second independent member.</p> <p>The Committee was reminded that there was a requirement for the Audit Committee to have amongst its members at least one independent member. However, recent Cipfa guidance had set out a recommendation that Audit Committees should aim to have at least two independent members. This position was endorsed by both the Audit Committee and subsequently the West of England Combined Authority Committee.</p> <p>A recruitment process was carried out during the summer of 2023 and two candidates had been shortlisted for interview. One candidate was not appointable due to the nature of their work. The other interviewee did not score highly against the criteria and their geographical location would have made it impractical for them to attend meetings.</p> <p>Therefore a decision had been taken to re-run the recruitment process with more emphasis on attracting somebody who was based more locally.</p> <p>Agreed:</p> <p>That the update be noted.</p> |
| 10 | <p>Treasury Management Strategy Statement 2024/25, including Treasury Management 2023/24 Monitoring Update</p> <p>Steve Finnegan, Financial Accountant, introduced a report which informed the Committee that the Chartered Institute of Public Finance and Accountancy's, (CIPFA), Treasury Management in the Public Services Code of Practice, required the Authority to approve a Treasury Management Strategy before the start of each financial year. The 2024/25 Strategy would be submitted to the January 2024 West of England Mayoral Combined Authority Committee for approval alongside the 2024/25 budget papers.</p> <p>The budget for the West of England Mayoral Combined Authority investment income in 2024/25 was £11.7m million, based on an average investment portfolio of £300 million at an average interest rate of 4.25% and making an allowance for impairment as required.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> • It was queried why the Authority borrowed £5m when its balance exceeded £50m. It was explained that at that stage, the Authority had lower liquidity value and a return had been needed at that particular stage; • It was asked whether there was any issue with lending to local authorities as some where in reported financial difficulties. In response it was noted that the rules |

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| | <p>governing this type of loan had been tightened and the Authority followed the guidance of its treasury management advisors, Arling Close in such matters, as well as the Authority's own due diligence. The guidance and 'watch list' was updated regularly.</p> <p>Agreed:</p> <p>(a) That the Treasury Management Strategy for 2024/25 be noted and any comments received from the Audit Committee prior to it being submitted to the January 2024 West of England Mayoral Combined Authority Committee for approval be taken into account;</p> <p>(b) That the Treasury Management Monitoring update to 31st October 2023, prepared in accordance with the CIPFA Treasury Code of Practice and the Treasury Management Indicators, be noted.</p> |
| 11 | <p>Internal Audit Update [Internal Audit]</p> <p>Tariq Rahman, Audit West, the Authority's Internal Auditors, submitted a report updating the Committee on Internal Audit work in 2023/24. The Committee was asked to note both the areas under review and the progress against the Internal Audit Plan 2023/24 as at 17 November 2023.</p> <p>He reported that both CRSTS Programme Management and the CRSTS Risk Management work were both work in progress leaving just two pieces of audit work scheduled for Q4.</p> <p>In terms of follow-up work, it was noted that 100% of agreed recommendations for the four audit reports subject to 'Follow-Up' have been implemented for the three pieces completed.</p> <p>Internal Audit had liaised with the Strategic Director of Resources and the Head of Finance to ensure that grant certification work was programmed / planned and completed by the specified deadlines recorded in the Funding Body Grant Offer Letter. Internal Audit has carried out four grant certifications to date. it was the Internal Auditor's opinion that the claims for grant payments above met the conditions of the Grant Offer Letters and this was recorded in the letters sent to the relevant funding body.</p> <p>Agreed:</p> <p>That the Committee note the areas under review and the progress against the Internal Audit Plan 2023/24 as at 17th November 2023.</p> |
| 12 | <p>The Auditor's Annual Report [External Audit]</p> <p>Jon Roberts, Liam Royle and Alexa Ntini, Grant Thornton, the Authority's External Auditors. submitted a paper which provided the West of England Audit Committee with an overview of Grant Thornton's findings to date on the Mayoral Combined Authority to secure economy, efficiency, and effectiveness in its use of resources as prescribed by the National Audit Office (NAO) Code of Audit Practice. The "Interim Auditor's Annual Report" had been appended and set out the following key information:</p> <ul style="list-style-type: none"> • Executive Summary. • Use of Auditors Powers. • Securing Economy, Efficiency and Effectiveness in its Use of Resources. • The Current Local Government Landscape. • Financial Sustainability. • Financial Governance. • Improvement Recommendations. • Governance. |

- Improving Economy, Efficiency and Effectiveness.
- Follow Up of Previous Recommendations.
- Opinion on the Financial Statements.
- Other Reporting Requirements.

Jon Roberts stated that this was a statutory report produced under the existing guidance. He explained that this was the first annual report produced at this time of year for a couple of years due to delays in previous years. Some governance work was due to take place in January 2024.

Alexa Ntini went through the main conclusions of the report, stating that the Authority continued to be in a strong financial position and it had continued to strengthen its performance arrangements. An unqualified audit opinion on the audit of the Authority's financial statements had been issued on 30 October 2023. Remaining outstanding recommendations had been highlighted in the report.

The following comments were made:

- Reassurance was sought on the CRSTS rebaselining and the feedback from DfT. The Interim Chief Executive stated that his understanding that the DfT was agreeing to push the date back, although this position would be confirmed to the Committee;
- In follow-up it was stated on page 93 that the DfT had written to the Authority accepting its submission and was now awaiting the formal endorsement and approval accordingly. Alexa Ntini confirmed no formal response had been received from DfT. Rachel Musson stated that the DfT had posed some further questions so more correspondence was expected early in 2024;
- Clarification was sought on the 5% reserves. It was confirmed that this was set by the Authority but adequate reserves would be needed;
- It was confirmed that both the procurement strategy and the commercial strategy would be published prior to Christmas 2023;

In terms of objections in relation to the Unlawful Expenditure report Jon Roberts confirmed that if it related to an issue that the Auditors had already considered during their work then it should be fairly straightforward to investigate the objection. Jon Roberts also confirmed that this was his last meeting as he was retiring from the firm at the end of the year and his colleague Barrie Morris would be the main point of contact from thereon.

The Chair thanked Jon Roberts for all his diplomacy, patience and professionalism and, on behalf of the Committee, placed on record the Committee's thanks for his contributions. This was endorsed by the Interim Chief Executive on behalf of the Authority.

Agreed:

That Interim Auditor's Annual Report be noted.

13

Transformation Programme Update

Rachel Pykett, Head of Policy, updated the Audit Committee on progress across the West of England Combined Authority transformation programme, which was established following the Grant Thornton external audit vfm report and the SOLACE Independent Peer Review of the Combined Authority.

Key progress to note since the September 2023 included:

- Actions across the programme had been completed and clear arrangements

were in place for ongoing activity to be managed via business-as-usual arrangements;

- Significant steps had been taken to strengthen the corporate core of the organisation with the recruitment to a number of new roles that have been assessed as required;
- The Terms of Reference for the Programme Review Board has been
- refreshed, subject to Committee approval;
- The 2024/25 Budget setting process has been conducted with effectiveness and efficiencies as a core principle for all Budget planning.

During discussion of the item the following points were raised:

- In respect of Action PS1 it was noted that the planned dates for a facilitated structured conversation to revisit and clarify its core role and purpose were set out but a firm diary appointment was to be scheduled. Cllr Gollop stated that actions fell into two categories, one of which management action could be put in place and the second category was up to the elected politicians to be expedited;
- The Interim Chief Executive in response stated the transformation programme had delivered in many areas, and updates were given regularly to both Audit and Scrutiny Committees. Any steers and comments would be taken into account during the decision-making process when the next report was considered by the main Committee at its meeting on 26 January 2024 which would help shape the medium and longer term objectives of the organisation. The Audit Committee would have an important role and would continue to receive regular updates. It was important to set out a clear strategy going into the new year especially with national government elections likely in 2024;
- Regular meetings were taking place with the Department for Levelling Up, Housing & Communities who welcomed the progress being made while at the same time being helpful and robust with their feedback and recognising the work that the Authority was undertaking;
- In answer to a query there was a number of mayoral combined authorities who had transformation programmes in place as the authorities have had to grow rapidly since their formations;
- In terms of actions around the forward plan and the regional strategy it was noted that the actions reflected the management actions and improvements that had been put in place to ensure that the work could progress;
- With a £3m spend on arts and culture, it was queried how members could be kept up-to-date with Authority spending. The Interim Chief Executive stated that the budget would be setting out budgets in each area and would be considered at the meeting of the main Committee in January 2024. However, the Authority does receive various pots of money for specific purposes throughout the year. Members stated that it would be useful to receive alerts when these items were published;
- Members also stated it would be useful to be able track the work being undertaken via the transformation programme and the necessary resources needed to implement these actions. It was noted that there was a budget allocation for external support which could be provided but it was more difficult to quantify officer time spent on the various implementations;

Agreed:

That the Transformation Programme progress be noted and the comments from the Audit Committee be considered by the West of England Combined Authority Committee in its decision-making process.

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| <p>14</p> | <p>Best Value Guidance</p> <p>The Committee was asked to note a report which provides an overview of draft Best Value Guidance that had been published by Government, thus ensuring Audit Committee is sighted on the content of the guidance. Rachel Pykett, Head of Policy, introduced the report to the Committee.</p> <p>The report stated that the Government had recently published draft Best Value Guidance, providing greater clarity on how the Government expected the local government sector, including Mayoral Combined Authorities, to fulfil the Best Value Duty. The Guidance described what constituted best value, the standards expected by the department and the models of intervention at the Secretary of State for Levelling Up, Housing and Communities' disposal in the event of failure to uphold the standards. The guidance applied to MCAs and was therefore being reported to Audit Committee for its information.</p> <p>The best value guidance:</p> <ul style="list-style-type: none"> • Reiterated the Government expectation that all authorities had a corporate or finance peer challenge at least once every five years; • Set out seven principles underpinning best value that authorities must be able to demonstrate. For each principle, the government guidance set out the type of indicators that would show a risk of potential failure; • Highlighted that government would intervene where there was clear and significant failure and set out the range of interventions that could take place; <p>Agreed;</p> <p>That the report be noted.</p> |
| <p>15</p> | <p>Risk Management</p> <p>Pete Davis, Head of Grant Management and Assurance, and Governance, presented a report that gave an update on progress with the Corporate Risk Framework, and presented the Corporate and Economy and Skills risk registers for the Committee's attention. Stephen Bashford, Strategic Director for Economy & Skills was also present for this item.</p> <p>The Corporate risk register set out the key risks that could threaten the Authority's core business and the way it operated. This had been produced through a review of all the Directorate risk registers to identify the significant risks. At the Audit Committee's meeting in March 2023, a timetable for regular review of selected risk registers had been approved for consideration at future Audit Committee meetings. As per the agreed programme, the Economy and Skills register had been brought for review to this meeting. The key overall themes which cut across the individual risks were set out in Paragraph 4 and the most notable changes to individual risks since the register was last reported to the Committee in December 2022 were set out in Paragraph 5.</p> <p>Stephen Bashford, Strategic Director of Economy and Skills, gave more details specifically on the Economy & Skills Risk Register/ It was noted that most of the risks identified in the Economy and Skills Risk Register related to delivery. Most of the funding streams had challenging timetables set out by central government. Secondly there were some issues around partnership working in a complex environment trying to drive the local economy. The third main issue was around evaluating projects and targeting new funding streams as some funding areas came to an end.</p> |

The following points were raised during discussion of this item:

- Two risks on the register scored 25, It was noted that some funding streams were coming to an end and continuation of those would likely come from a number of different funding sources. The high scores reflect the risk that those services may not be continued. However, there was a degree of consensus around some of the projects leading to hope that they would continue to some extent. A list of the particular schemes at risk in this way could be circulated;
- It was noted that it was important that an organisation was aware of its risk position although the risk appetite would vary across different sectors of the Authority. The intention was to give a steer to the operation and decision-making of the organisation, with the Audit Committee providing guidance in this area;
- The Interim Chief Executive stated that all organisations should set a risk appetite for the executive to operate within. Some areas it would be beneficial to be risk adverse, some others there may be appetite to take more risk. The risk appetite should be set by the Committee but with Audit Committee playing a key role in its proposal across a range of areas. He stated that the Authority continued to lobby for more certainty in its funding settlements;
- The Chair stated that he did not feel the Committee was in a position to set a risk appetite but there did need to be a way of measuring and assessing these criteria on a regular basis with the pressures from local authorities. In response the Interim Chief Executive stated that it was important to demonstrate that things had been done correctly from a governance point of view and the correct functions, checks and balances were in place with robust challenge from the Audit Committee.
- A question was raised how the Authority measured its risk tolerances, and it was commented that the Audit Committee should not be setting such tolerances but reviewing them. The Strategic Director of Resources stated that although Risk Appetite was an umbrella term there was a whole range of possible response that sat underneath the appetite framework. It was also queried how the needs of young people was assessed and how flexibility was in-built in providing services. In response Stephen Bashford stated that through the careers hub there were links to every secondary school in the region which provided feedback from teachers and careers advisors on the needs of those young people. In addition businesses also visited schools to give careers and options advice. The further education sector was a big part of the careers budget at there was regular meetings with the principals of these educational establishments to ensure the funding was meeting the needs of the local economy. In terms of the culture sector there was a Cultural Compact which brought together all the local authorities;
- It was anticipated that the risk framework would be reported to the March 2024 Audit Committee;
- There was a general ask that the risk framework table be produced with a more readable font size.

Agreed:

That Committee:

- (1) Have noted and supported the development of the updated Corporate Risk Framework;
- (2) Have indicated a preference on how Members wished to develop the risk appetite;
- (3) Have noted and commented on the Corporate and Economy and Skills risk register.

16

Feedback Session

Members of the Committee were asked to give feedback on this meeting. This item was

taken together with the last item on the agenda [Points to Refer to Main Committee].

The Chair felt that the following statement should be brought to the main Committee's attention:

“Audit Committee is disappointed to note that whilst the issues in the Transformation Plan that relate to officers are making some slow progress, that those that relate specifically to the Mayor and to a lesser extent the Local authority leaders are not. We have repeatedly emphasised the importance of co-working. The MCA has to operate as a consensus not a personal platform. Cllr Guy and the report of the last committee meeting both highlight a failure to acknowledge or try to resolve the failures highlighted by the first 2 statutory recommendations. If the MCA and the metro mayor are incapable of solving those issues very quickly the solution will be taken out of our hands. We suggest the Committee commit to co working and prioritise external consultants such as SOLACE to expedite the adoption of consensual working with the constituent L.A.'s”

It was felt that the risks of not reaching agreement should be highlighted. Any statement on behalf of the Audit Committee would be circulated for comments and agreement prior to the main Committee.

A statement on behalf of the Committee would be circulated to the main Committee for consideration during its deliberations on the Unlawful Expenditure Report item.

The Chief Executive stated that he felt it was important to engage with external scrutiny of the Authority's functions.

The Chair stated that there may be another meeting scheduled prior to the meeting due on 4 March 2024. There were a number of training sessions that had been scheduled in the interim.

The meeting closed at 12:46pm.

17

Points to Refer to Main Committee

This item was minuted under the previous agenda item.

Monday, 4 March 2024, 10.30 am, 70 Redcliff Street