

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

Thursday, 21 February 2019, 10am  
The Board Room, WECA Offices, 3 Rivergate, Temple Quay, Bristol BS1 6ER  
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**Present:**

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

**Officers In Attendance:**

Mark Angus, Financial Services Manager	Tim Milgate, Democratic Services
Jeff Wring, Audit West (Internal Audit)	

**External Auditors in Attendance:**

Michelle Burge, Engagement Manager, Grant Thornton	Barrie Morris, Engagement Lead, Grant Thornton
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**Apologies:**

Cllr John Ashe, South Gloucestershire Council	Cllr Roger Avenin, South Gloucestershire Council
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**Minutes**

1	<b>EVACUATION PROCEDURE</b>  The Chair, Councillor Geoff Gollop, welcomed everybody to the meeting and the evacuation procedure was set out.		
2	<b>APOLOGIES FOR ABSENCE</b>  Apologies for absence were received from Councillors John Ashe and Councillor Roger Avenin.		
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 OF THE PREVIOUS MEETING</b>  The minutes of the meeting held on 8 November 2018 were agreed as a correct record and signed by the Chair.		
5	<b>ITEMS FROM THE PUBLIC (PETITIONS; STATEMENTS; QUESTIONS)</b>  There were two statements submitted by members of the public as follows:  <table><tbody><tr><td>1</td><td>David Redgewell Public funding for bus services</td></tr></tbody></table>	1	David Redgewell Public funding for bus services
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	<b>2</b>	Christina Biggs, Friends of Suburban Bristol Railways and Transport for Greater Bristol Alliance	
	Mr Dave Redgewell was in attendance and addressed the meeting accordingly. Full copies of the statements received were made available on the Authority's website following the meeting.		
6	<p><b>INTERNAL AUDIT UPDATE</b></p> <p>Jeff Wring, Audit West (the Authority's internal auditors) presented a report updating the Committee on Internal Audit work in 2018/19 and setting out the latest position of the Reasonable Assurance Model.</p> <p>The Committee had considered the proposed Audit Plan at its meeting in April 2018. This was attached for information at Appendix 1. The table in section 4.5 of the report summarised the status of work as either completed, planned or work in progress. None of these items scored in level 1 or 2 (weak or poor). There were currently no areas or issues of concern.</p> <p>An update on the work undertaken on the eight themes in the Authority's 'Reasonable Assurance Model' was given at the meeting via a presentation. The presentation was made available on the Authority's website following the meeting.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> <li>• It was queried whether WECA spoke to other Combined Authorities on the benchmarking exercise. The reply was that they did although not all had the same level of experience;</li> <li>• It was asked what the capacity was within the procurement team. It was stated that there was one primary officer who worked closely with framework officers from the other Unitary Authorities;</li> <li>• Bath and North East Somerset had given notice that they would no longer be providing IT support to the organisation. Although there was a level of risk involved in changing providers it was felt that there was also an opportunity in finding a supplier who could provide the appropriate IT function. The position on the risk matrix would be kept under review;</li> <li>• Jeff stated that the work helped form an opinion on whether things were under control and this was his formal opinion on that. The ideal position was not everything be low risk but managing the risks correctly;</li> <li>• It was very difficult to capture whether the Authority had failed to capture any funding or project opportunities and there was both a role for being proactive and reactive. Jeff's job was to try to provide an independent view of the Authority's position;</li> <li>• The Committee felt that it should explore the possibility of attending meetings of the WECA Overview &amp; Scrutiny Committee to get a better overall picture and 'dialling in' if necessary (venue facilities allowing). It was felt a more intense scrutiny of the accounts was needed. It was asked whether this could form part of the induction for new members following the elections in May 2019.</li> </ul> <p>It was anticipated internal audit planned work would be completed by March 2019 and an update report would be brought to the next meeting. The full audit reports are available from Jeff Wring on request.</p> <p><b>Resolved: That the report be noted.</b></p>		
7	<b>EXTERNAL AUDIT PLAN FOR THE YEAR ENDING 31 MARCH 2019</b>		

	<p>The External Auditor, Grant Thornton, provided the External Audit Plan for 2018/19 for consideration. Barrie Morris, Engagement Lead (Grant Thornton), attended the meeting and gave a full briefing on the plan.</p> <p>The External Audit Plan provided an overview of the planned scope and timing of the statutory audit of the West of England Combined Authority for consideration by the Audit Committee. The plan set out the Audit approach in relation to significant risks, materiality, value for money arrangements, audit logistics and independence.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> <li>• The ‘materiality’ figure had been raised to 2% this year from 1% last year. There would also be investigations into any figures out by more than £49,000 as a result of the testing;</li> <li>• The early work would be undertaken in March 2019. The final accounts would be signed-off in July 2019. As GT would also sign off Bath and North East Somerset’s accounts, it would make sense to do both at once as the two authorities shared some of the same systems. However, this meant that the scheduling of the July 2019 Audit Committee meeting would have to be carefully managed;</li> <li>• As there had been a high profile case in the news media recently it was enquired as to whether the company could offer assurances as to the robustness of the audit industry. Barrie stated that the case had opened a debate on the expectations of auditors. Although things did sometimes go wrong the industry sought to learn from each of these. There had been a recent run of very good reviews on public sector organisations. Each auditor was personally liable for their actions;</li> <li>• It was asked what would happen if the firm had requested access to information but did not get a satisfactory response. Barrie replied that the firm could refuse to sign off the accounts. Last year 85% of local authorities were signed-off and 15% had queries. Although there was a deadline sign-off would not occur until the firm was satisfied. Any problems would be reported to the Chair and a full report would be brought to Audit Committee. The auditors were entitled to access to all documents by law and any wilful obstruction could constitute a criminal offence.</li> </ul> <p><b>Resolved: That the External Audit Plan for 2018/19 be noted.</b></p>
8	<p><b>EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE 2018/19</b></p> <p>The Audit Committee were requested to consider and note the External Audit Progress Report and Sector Update attached as an appendix to the cover report. The appendix also provided references to a number of national initiatives, announcements and publications of potential interest to the Committee provided by Michelle Burge, Engagement Manager, Grant Thornton (the Authority’s External Auditors) provided a general update to the Committee.</p> <p>The appendix set out the progress as at February 2019 but the bulk of the work on the interim audit would begin in March 2019. Any findings from the interim audit would be reported to the Committee in the auditor’s Progress Report at the meeting on 11 April 2019.</p> <p><b>Resolved: That the Progress Report and Sector Update be noted.</b></p>
9	<p><b>WECA TREASURY MANAGEMENT MID-YEAR REVIEW 2018/19</b></p> <p>Mark Angus introduced a report reviewing the mid-year report for Treasury Management performance for 2018/19. It was noted that the CIPFA Treasury Management in the Public Services Code of Practice required the authority to approve a Treasury Management Strategy</p>

	<p>before the start of each financial year, review the performance during the year, and approve the annual report after the end of each financial year. This report provided a review of performance to 30 September 2018.</p> <p>The Authority's Prudential Indicators for 2018/19 were agreed by the WECA Committee at its revised meeting on 15 February 2018 and performances against the key indicators were shown in Appendix 1. All the indicators were within target levels.</p> <p>The Authority's investment position as at 30 September 2018 was set out in Appendix 2. This showed a change in Investment Balances to £198.2m at 30 September 2018 down from £203.3m at 30 June 2018 which reflected net payments made.</p> <p>The Authority currently has no External Borrowing as at 30 September 2018 as shown in Appendix 4. Appendix 5 showed the Authority's treasury management advisors' economic and market review for 2018/19. A breakdown of the revenue budget for interest and the year-end outturn position was included in Appendix 6. A summary guide to Credit Ratings was set out in Appendix 7.</p> <p>A short summary presentation was given at the meeting which was subsequently made available on the Authority's website.</p> <p>The following points were made:</p> <ul style="list-style-type: none"> <li>It was asked whether further information could be shown regarding which organisations the major investments were with. It was stated that all investments were made in line with the approved Treasury Management Strategy and the Authority was predominantly investing with other local Authorities and UK banks and building societies.</li> </ul> <p><b>Resolved:</b></p> <p class="list-item-l1">(1) That the Treasury Management report to 30 September 2018, prepared in accordance with the CIPFA Treasury Code of Practice be noted;</p> <p class="list-item-l1">(2) That the Treasury Management Indicators to 30 September 2018 be noted.</p>
10	<p><b>WECA TREASURY MANAGEMENT STRATEGY 2019/20</b></p> <p>Mark Angus introduced a report asking the Committee to consider the Treasury Management Strategy for 2019/20. The Authority was required to produce such a strategy in accordance with CIPFA Treasury Management in Public Services Code of Practice 2011. The Treasury Management Strategy for 2019/20 was appended to the report at Appendix 1.</p> <p>A short accompanying presentation was given at the meeting and this was subsequently made available on the Authority's website.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> <li>Treasury Management decisions were delegated to the Authority's S151 officer who reports to the Audit Committee;</li> <li>A query was raised as to what would happen if the base rate fell further, maybe to a negative value. It was noted that although this would be unlikely it would mean that the government would be trying to stimulate spending. Any major variants would be reported to the Audit Committee and/or WECA Committee as appropriate;</li> <li>It was also queried as to why the Authority was making long term investments at all</li> </ul>

	<p>when the funds should be being spent rather than accumulated. Mark Angus stated that this did not harm the Authority's ability to invest in projects but reflects the timing of grant funding being received from government in advance of the need to incur actual spend;</p> <ul style="list-style-type: none"> <li>• There was no current policy on ethical investment although it was reiterated that the majority of investments were with local authorities and only a limited number with commercial organisations;</li> <li>• Treasury Management would be wholly in-house from 1 April 2019 and the team was looking to increase its workforce capacity within current budget;</li> <li>• There was no derivatives trading unless this was embedded in pooled funds;</li> </ul> <p><b>Resolved: That the 2019/20 WECA Treasury Management Strategy Statement be endorsed.</b></p>
	<p>The next meeting would be held on Thursday, 11 April 2019, 10.00 am. The venue would be confirmed.</p> <p>There would be a meeting of Audit Committee towards the end of July 2019 on a date to be confirmed.</p>

**The meeting closed at 12:30pm.**