

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

Thursday, 27 February 2020, 10.30 am
Board Room, 3 Rivergate BS1 6EW

Present:

Cllr Geoff Gollop, Bristol City Council (Chair)
Cllr Tom Davies, Bath and North East Somerset
Council
Cllr Andy Wait, Bath and North East Somerset
Council
Cllr Mark Bradshaw, Bristol City Council

Cllr Cleo Lake, Bristol City Council
Cllr Brenda Massey, Bristol City Council
Cllr John O'Neill, South Gloucestershire Council
Cllr Brenda Langley, South Gloucestershire
Council

Officers In Attendance:

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

Lynda Bird, Head of Performance, Planning and
Projects (for Items 13 & 14)

Also Present:

Jeff Wring, Audit West (Internal Audit)
Barrie Morris, Grant Thornton (External Audit)
Michelle Burge, Grant Thornton (External Audit)

Apologies:

Cllr Tim Kent, Bristol City Council
Cllr Donald Alexander, Bristol City Council

Cllr John Ashe, South Gloucestershire Council

Minutes

1	EVACUATION PROCEDURE The Evacuation Procedure was set out.
2	APOLOGIES FOR ABSENCE Apologies for absence were received from Councillor Tim Kent, Councillor Donald Alexander and Councillor John Ashe.
3	DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011 There were no declarations of interest declared under the Localism Act 2011.
4	MINUTES The Minutes of the meeting held on 16 October 2020 were agreed as a correct record and signed by the Chair. The Chair reported that he, the Vice-Chair and the Director of Investment and Corporate Services had held interviews prior to the meeting for an Independent Member for the WECA Audit Committee and would be making an offer to the successful candidate shortly.
5	ITEMS FROM THE PUBLIC

	<p>Two questions had been received by the deadline as follows:</p> <ol style="list-style-type: none"> 1. Cllr Clive Stevens, Risk Management Update (Item 13) 2. Cllr Clive Stevens, Risk Management Update (Item 13) <p>and the responses had been provided and circulated. The full text of the questions and replies were published on the Authority's website following the meeting.</p>
6	<p>PETITIONS</p> <p>No petitions had been received.</p>
7	<p>CHANGES MADE TO THE 2018/19 STATEMENT OF ACCOUNTS</p> <p>The Committee received a report informing it of a few minor narrative changes that had been made to the published Statement of Accounts for the 2018/19 financial year.</p> <p>The report stated that the 2018/19 draft Statement of Accounts were published on the Authority's website by the statutory deadline of 31 May 2019. Final approval of the accounts was given by the Committee at its meeting on 16 October 2019.</p> <p>Subsequent to the meeting a number of minor changes were made to the narrative text, and were approved in consultation with the Chair. These changes were set out in Appendix 1.</p> <p>Agreed: That a small number of narrative changes to the 2018/19 Statement of Accounts, as detailed in Appendix 1, be noted.</p>
8	<p>GRANT THORNTON ANNUAL AUDIT LETTER FOR YEAR ENDING 31 MARCH 2019</p> <p>The Committee received a report detailing the Annual Audit Letter which summarised the key findings arising from the external audit work that Grant Thornton had carried out at the West of England Combined Authority for the year ended 31 March 2019. The Annual Audit Letter was appended at Appendix 1.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> • GT had issued its opinion on the 2018/19 Statement of Accounts on 25 October 2019. There were a number of minor changes to the accounts, which were contextual in nature, after the accounts had been approved by the Audit Committee. It was noted that several authorities had not reached this stage at the present time; • GT were satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019; • It was reported that the Authority had now its own Finance team in place and would be using a new financial system from April 2020. The Committee asked that an update on the new system, highlighting any potential teething problems going forward, be brought to the next meeting. <p>Agreed: That the (Grant Thornton) Annual Audit Letter for year ended 31 March 2019 be noted.</p>
9	<p>EXTERNAL AUDIT PLAN FOR YEAR ENDING 31 MARCH 2020</p> <p>The Committee received a report on the External Audit Plan which detailed the key industry</p>

	<p>and local risks that fed into the planned external audit work that would be undertaken by Grant Thornton for the year ended 31 March 2020.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> • The Financial Reporting Council had now set a 100% target for all audits to reach a “2a” standard whereas before a “2b” had been considered acceptable. Therefore more audit work would be required and the previous scale of fees would no longer be adequate. One of the major changes would be around Value for Money requirements, which could lead potentially to a further 15% increase (around £4,000); • Members asked that CIPFA be lobbied around the stricter requirements around pension fund balances as the additional work now required did not match the potential benefit; • In terms of the statutory audit plan for year ending 31 March 2020, the Auditors had determined planning materiality to be £1.50m for the Authority, which equated to 1.5% of its forecast gross expenditure for the year.; • A new standard would come in on 1 April 2020 around peppercorn rents, although leases were not a big issue for Combined Authorities; • The new payroll system introduced by the Authority in November 2019 would be monitored; • It was noted that it would not be achievable to complete the Audit of the accounts by 31 July 2020, instead it would be during September 2020, and this would impact the planned Committee date; • It was noted that the Combined Authority did not have any building assets and leased the building at 3 Rivergate; <p>Agreed:</p> <p>That the (Grant Thornton) External Audit Plan for year ended 31 March 2020 be agreed.</p>
10	<p>EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE</p> <p>This Committee received a report providing an update on the delivered, and planned, work from WECA’s external auditors, Grant Thornton. A sector update was also provided which summarised emerging national issues and developments which may have an impact on WECA, the wider local government sector and/or the public sector as a whole.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> • Particular attention was focussed on the progress to date around the financial statements audit and the value for money work which began in January 2020. More detailed work would be carried out from March 2020; • All the deliverables for 2018/19 were now marked as complete; • Grant Thornton’s Sustainable Growth Index Report sought to define and measure the components that created successful places. It was noted that Bristol City, Bath & North East Somerset and South Gloucestershire had all scored well on this index; <p>Agreed: That the (Grant Thornton) external audit progress report and sector update be noted.</p>
10A	<p>INTERNAL AUDIT UPDATE</p> <p>The Committee received a report on the Internal Audit work during 2019/20. The Committee was asked to note the areas under review and progress against the plan as at 31 December</p>

	<p>2019.</p> <p>A summary of the main items of audit work and the status of each was set out in a table in the report.</p> <ul style="list-style-type: none"> IT issues had been identified as a potential risk going forward and it was noted that Audit West is represented on the WECA IT Programme Board ; <p>The next report to WECA Audit Committee would be the Annual Report to its next meeting.</p> <p>Agreed: That the report be noted.</p>
11	<p>AUDIT PLAN CONSULTATION - 2020/21</p> <p>The Committee received an update the on the methodology used to create the Internal Audit Plan and was asked to support an increase in the level of coverage and any comments on areas or themes they would like to be considered within the plan for 2020/21.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> This shifting arena impacts on the risk and control framework and directly into the level of coverage from an Internal Audit perspective. The Audit Committee’s views were sought to support an increase in the level of audit coverage so that it receives the right level of assurances to fulfil its role from 80 days to 100 days per annum; If coverage was maintained at the current level of 80 days for any sustained period then a limited level of assurance could only be provided; For 2020/21 based on a new level of 100 days this would entail a focus on the following areas: LEP – 10 Days Corporate Governance – 15 Days Core (Financial) Systems – 15 Days Core Grant Audit Certification – 10 Days IT Audit – 5 Days Counter Fraud & Corruption – 5 Days Risk Management – 5 Days Follow-Up Audits – 5 Days with 30 Days available for allocation through the plan process; Some of the unallocated days would look at the Adult Education Budget proposals, and Metrowest; <p>Agreed:</p> <p>(1) That an increase in the level of Internal Audit coverage to 100 days from 2020/21 be supported;</p> <p>(2) That the following areas or themes be considered in relation to the Internal Audit Plan for 2020/21:</p> <ul style="list-style-type: none"> An overarching report on the Agresso implementation; A six-monthly report on implementation and year end compliance covering payroll, receivables and payables; A report on AEB including the commissioning process for courses and products; A larger piece on benchmarking performance against other combined authorities
12	<p>TREASURY MANAGEMENT STRATEGY 2020/21 AND UPDATE ON CURRENT PERFORMANCE</p> <p>The Chartered Institute of Public Finance and Accountancy’s, (CIPFA), Treasury Management in the Public Services Code of Practice, requires the Authority to approve a Treasury Management Strategy before the start of each financial year. The 2020/21 Strategy was approved by the WECA Committee, (as part of the Capital Strategy), on 31 January 2020 and was now presented to the Committee for consideration and review.</p>

	<p>The following points were raised:</p> <ul style="list-style-type: none"> • The Committee asked in terms of pooled funds what had been invested, for how long and what the likely return was. This information was provided; • Assumptions had been made that the base-rate would remain static until around 2022; • No fees were incurred by lending money to other local authorities but some fees are incurred by the borrowers; • The Authority had been looking at increasing ethical investment opportunities through a possible arrangement with the Responsible Investment Association; • Possible investment opportunities with Creedos or credit unions could be explored although all institutions needed to be secure and match with the investment criteria as prescribed in the WECA Treasury Management Strategy ; • In terms of governance it was noted that day to day responsibility for transactions lay with the Authority’s chief financial officer, the Director of Investment and Corporate Services within a framework approved by the Committee, with Internal Audit checking any controls; • It was asked whether next year’s Treasury Management Strategy could be added to the Committee’s work programme and any work programme be circulated with the committee papers at subsequent meetings. <p>Agreed:</p> <p>That WECA Treasury Management Strategy for 2020/21 and update on the current investment portfolio and performance be noted.</p>
13	<p>RISK MANAGEMENT UPDATE</p> <p>The Committee received its annual update to Audit Committee on WECA’s approach to risk management.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> • It was noted that the internal audit matrix and the risk management matrix showed different profiles of risk but the reasonable assurance model was distinctly different; • It was noted that the Auditor’s findings were presented as reported at the point of the audit being completed and the findings should not be subsequently altered. <p>Agreed: That the updated risk management framework be endorsed.</p>
14	<p>WECA MONITORING & EVALUATION FRAMEWORK 2020</p> <p>The Committee was presented with an updated WECA Monitoring & Evaluation Framework for Audit Committee approval.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> • The Government’s feedback on the Framework included some specific recommendations around specific project metrics but was largely positive; • The Climate Emergency Framework would be published along with its own Monitoring and Evaluation framework; • Some frustration was reported that ward councillors had been unaware of projects affecting their areas; • A query was raised regarding the baseline figures for bus passengers and whether

	<p>this figure could be made available.</p> <p>Agreed: That the Monitoring & Evaluation Framework for 2020 be approved.</p>
15	<p>WOE LOCAL GROWTH ASSURANCE FRAMEWORK</p> <p>A report was submitted that informed the committee of the West of England Local Growth Assurance Framework, an overarching document that governs the allocation of WECA and Local Enterprise Partnership (LEP) growth funding.</p> <p>The following points were made:</p> <ul style="list-style-type: none"> • Some of the projects originated prior to the Authority being formed and were a legacy of LEP funding; • Some funding streams are time limited in nature; • The WECA funded projects were listed within WECA Committee reports with all LEP funded projects listed in the Joint Committee reports. Some WECA funded projects are carried out and implemented by the constituent authorities; • The Local Growth Fund was overprogrammed so there was only a small chance of funds not being spent by the required March 2021 deadline. • Business Cases, setting out what will be delivered, are required to access any LEP or WECA funding stream; • • Each funding stream was slightly different and all projects were under constant review; • It was confirmed that for every scheme there were criteria of how it could be assessed which is transparent and reported in the public domain. <p>Agreed: That the Committee note the West of England Local Growth Assurance Framework (as detailed in Appendix 1).</p>
	<p>Next meeting: Date to be arranged.</p>

The meeting closed at 12:33pm.