

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

Thursday, 25 February 2021, 10:30am
Zoom virtual meeting, broadcast on the WECA YouTube channel

Present:

Cllr Geoff Gollop, Bristol City Council (Chair)
Cllr Gary Hopkins, Bristol City Council
Mark Hatcliffe, Independent Member of WECA
Audit Committee
Cllr Andy Wait, Bath and North East Somerset
Council
Cllr Tom Davies, Bath and North East Somerset
Council
Cllr Mark Bradshaw, Bristol City Council

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

Officers In Attendance:

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

Tim Milgate, Democratic Services Officer
Lynda Bird, Head of Performance, Planning and
Projects

Apologies:

Minutes

1	WELCOME AND INTRODUCTIONS The Chair welcomed everybody to the meeting which was being held via Zoom and broadcast on the Authority's Youtube channel.
2	APOLOGIES FOR ABSENCE No apologies for absence had been received.
3	DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011 There were no declarations of interest declared under the Localism Act 2011.
4	MINUTES OF THE MEETING HELD 10 DECEMBER 2020 The minutes of the meeting held on 10 December 2020 were agreed as a correct record.
5	ITEMS FROM THE PUBLIC (QUESTIONS; PETITIONS; STATEMENTS) One statement had been received on behalf of the WECA Overview & Scrutiny Committee by the Chair of that Committee, Councillor Stephen Clarke. The statement was circulated prior to the meeting and published on the Authority's website.
6	CHAIR'S BUSINESS / ANNOUNCEMENTS

	<p>Jon Roberts and David Bray from the Authority’s external auditors, Grant Thornton, were welcomed to their first meeting of WECA Audit Committee.</p>
<p>7</p>	<p>AUDIT PLAN CONSULTATION</p> <p>Jeff Wring, Internal Audit (Audit West) introduced a report updating the WECA Audit Committee on the methodology used to create the Internal Audit Plan and seeking comments on areas or themes that Members of the Committee would like to be considered within the plan for 2021/22.</p> <p>It was noted that, currently, the Plan had resources of 100 days per year which have currently been allocated and left approximately 30 days for consideration of input from key stakeholders. Professional bodies such as The Chartered Institute of Internal Auditors had provided advice on key areas for organisations to consider when compiling audit plans and these had been set out in the report. The plan was flexible and could be adjusted through the year as necessary.</p> <p>The following comments were raised:</p> <ul style="list-style-type: none"> • It was asked whether there were any differences in conducted audits during the current pandemic. In response it was noted that working from home did provide some issues and challenges and after a partial return to the work place, WECA would still need to ensure processes were being followed correctly; • Was there any particular area of risk that Internal Audit were concerned about? It was noted that Fraud Risk and Cyber Risk were areas of focus but the risk was lower in the Combined Authority due to the lower number of grants administered; • It was welcomed that “Managing talent, staff wellbeing and diversity challenges post pandemic” was listed as a key area of focus although it was noted that WECA had a much smaller number of staff compared to a constituent unitary authority; • It was asked that IT Audit and Counter Fraud and Corruption include cyber crime specifically as well as a focus on corporate governance of the LEP; • A query was raised on how systems and controls were audited when staff were working from home and paper copies of documents were not being produced. It was suggested that a ‘case study’ or flow chart be brought before members as way of illustration; • It was asked whether Brexit was a concern specifically around “Supply chain disruption and third-party solvency for critical suppliers”. It was a key risk for constituent authorities but was more easily contained within WECA which had fewer critical suppliers. Malcolm Coe stated that the supply chain was an issue coming out of the pandemic, for example around delivery of major capital projects; • A point was raised about the climate emergency declaration and queried how consideration to this was imbedded in an internal audit approach. It was noted that Internal Audit had been looking at this issue and whether there was a corporate plan in place to tackle the issue throughout the corporate governance and decision-making process. Malcolm Coe stated that the biggest issue was where the Authority placed its main project investments, and audit could give a steer on this if necessary. There were other risks such as reputational risks to take into account, and this could be an issue for the Authority’s Risk Management Register to link these issues together; <p>Agreed: That the WECA Audit Committee’s comments on the areas or themes that they would like to be considered be taken into account for the Internal Audit Plan 2021/22.</p>
<p>8</p>	<p>RISK MANAGEMENT FRAMEWORK</p> <p>Lynda Bird, Head of Performance, Planning and Projects introduced a report which provided an annual update to Audit Committee on WECA’s approach to managing risk.</p>

The risk management framework sets out the Authority's approach to identifying and managing the risks associated with delivery of the WECA business plan. The framework had evolved over the past three years and formed an integral part of WECA's performance reporting process. The framework had been reviewed by WECA's SMT and no substantive changes have been recommended this year. A draft of the updated risk management framework had been attached as an appendix together with the current corporate risk register.

The following points were raised:

- It was asked how the impact of a declaration of climate emergency and statements of intent could be embedded into the corporate risk register. The climate change item was on the register but whether sufficient mitigation was in place was possibly a debate for the WECA Overview & Scrutiny Committee. It was noted that £250,000 had been allocated to business cases to see whether the Authority had included the correct mitigations in its programmes and overall plan. It was suggested that the Chairs and Vice-Chairs of WECA Audit & Overview and Scrutiny Committees look at this issue in more detail at a later time;
- A question was asked about how the goals within the framework were challenged. Internal Audit looked at the reasonable assurance model yearly where the scoring criteria was challenged, and in terms of operational challenge each directorate risk register was reported regularly to SMT who ensured the RAG status was consistent throughout the authority;

Agreed:

(1) That the updated risk management framework be endorsed;

(2) That following the local and Mayoral elections in May 2021, the Chairs and Vice-Chairs of WECA Audit & Overview & Scrutiny Committees be asked to look in detail at how the climate emergency declaration and statements of intent were embedded within WECA's activities;

9 **MONITORING & EVALUATION FRAMEWORK**

Lynda Bird, Head of Performance, Planning and Projects submitted a report on the annual review and update of the WECA Monitoring & Evaluation Framework.

The monitoring and evaluation framework brought together WECA's reporting requirements into one single document and a draft had been appended to the report. The Framework was updated annually and shared with Government. Due to the pandemic the date for submission of a draft had been postponed and would be shared as a draft following feedback and discussion with WECA Audit Committee.

The following points were raised:

- Submission of such a document was a requirement by BEIS for all Mayoral Combined Authorities;
- The current funded projects included delivery of 13km of improved cycle and walking paths but this was a short term measure with an additional £10m of WECA funding being invested into Walking and Cycling schemes with business cases still to be finalised. Some of the estimated outcomes from the Investment Programme had been calculated prior to the Covid pandemic and were constantly reviewed;
- Projects and Programme evaluation – it was asked how the monitoring of grants was carried out and that they could be delivered. All the plans had a requirement to

provide enough resources to carry out effective monitoring and evaluation. Regular updates on the investment fund were also submitted to WECA Committee/Joint Committee. Malcolm Coe also confirmed that each project had defined outcomes which were constantly monitored. In terms of the Adult Education Budget (AEB) the information was reported quarterly and could be brought before the Committee if needed;

Agreed: That the Monitoring & Evaluation Framework for 2021 be endorsed.

10

AUDIT PROGRESS REPORT AND SECTOR UPDATE

WECA Audit Committee received a report on the progress on delivering Grant Thornton's responsibilities as the Authority's external auditors. Jon Roberts, Engagement Lead, Grant Thornton and David Bray, Engagement Senior Manager, Grant Thornton attended the meeting and introduced the report.

Grant Thornton had reported its work in the Audit Findings Report and gave its opinion on the Statement of Accounts on 18 November 2020. Grant Thornton's planning procedures for the 2020/21 audit were underway for the financial statements and Value for Money work. This work would be summarised in the Audit Plan which would be brought to the next WECA Audit Committee.

Jon Roberts and David Bray highlighted the following aspects of their update:

- In terms of timing of the external audit it was noted that the timetable had not yet been agreed and guidance from MHCLG was awaited. Only around 50% of local authorities had been audited by November 2020;
- A change to the Code of Practice set out changes to the Value for Money (VfM) aspect of the audit. This change was described as significant;
- There had been a change to ISA (UK) 540 (Revised December 2018) where auditors were required to understand and assess an entity's internal controls over accounting estimates. As part of this process auditors would also need to obtain an understanding of the role of those charged with governance, particularly important where the estimates had high estimation uncertainty, or require significant judgement. This included a more formal role for the WECA Audit Committee including overseeing management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management;
- The Redmond Review had been an Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting and was published on 8 September 2020. The review examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority's annual accounts enabled the public to understand this financial information and receive the appropriate assurance that the finances of the authority were sound. Key recommendations in the review included:
 - Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements;
 - Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year;
 - Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

	<p>MHCLG's response to Sir Tony Redmond's independent review into the effectiveness of external audit and transparency of financial reporting in local authorities was published on 17 December 2020.</p> <p>It was noted that the Audit would be carried out once again during the Covid pandemic restrictions.</p> <p>The following issues were raised:</p> <ul style="list-style-type: none"> • Officers were asked to give their thoughts on meeting the timetable for the external audit. It was noted that draft accounts should be on the website by 30 June 2021 but challenges included the implementation of the new finance system. An additional layer of information had been added to the system to assist with the audit. It was hoped that the data flow could be driven through the accounts to the Audit. It was noted that the challenges of home working exacerbated some of these issues although the Authority was in a better position than a year ago; • Assurances were sought that the accounts could be audited in time. Jon Roberts stated that the current deadlines were considered to be unachievable. Around 45% of all national audits were signed by November 2020, and some still remained unsigned now. The complexity of local authority accounts had placed extreme pressure on the audit market. However, WECA was more straightforward than a local authority. It was anticipated that the timescale would be around autumn 2021. A staggered approach would help; <p>Agreed: That the Audit Progress Report and Sector update be welcomed.</p>
11	<p>FUTURE MEETING DATES</p> <p>The Committee noted the proposed dates for meetings in 2021/22 as follows:</p> <p>(All Meetings to commence at 10:30am, timings will be adjusted if necessary depending on level of business, etc.). All dates subject to change.</p> <p>Thursday 27 May 2021 [this is a provisional date. The date of this meeting will be confirmed in due course]</p> <p>Wednesday 22 September 2021 Thursday 9 December 2021 Wednesday 23 February 2022</p>
	<p>The next meeting was provisionally arranged for Thursday, 27 May 2021, 10.30 am, to be held virtually (subject to review depending on Covid situation).</p>

The meeting commenced at 10:30am and closed at 11:44pm.