

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

Thursday, 9 December 2021, 10:30am
Council Chamber, Bristol City Council Offices

Present:

Cllr Hal MacFie, Bath and North East Somerset Council
Cllr Heather Mack, Bristol City Council
Cllr Alex Hartley, Bristol City Council
Cllr Geoff Gollop, Bristol City Council
Cllr Rob Appleyard, Bath & North East Somerset Council

Mark Hatcliffe, Independent Member of WECA Audit Committee
Cllr Mark Bradshaw, Bristol City Council
Cllr Brenda Massey, Bristol City Council
Cllr John Ashe, South Gloucestershire Council

Officers In Attendance:

Malcolm Coe, Director of Investment and Corporate Services
Selonge Russell, Head of Finance and Procurement
Patricia Greer, Chief Executive
David Bray, Grant Thornton (External Audit)

Steve Finnegan, Financial Accountant
Caroline Pegden, Service Lead: Digital and Technology
Tim Milgate, Democratic Services Officer
Jeff Wring, Audit West (Internal Audit)
Jon Roberts, Grant Thornton (External Audit)

Apologies:

Cllr Tim Kent, Bristol City Council
Cllr John O'Neill, South Gloucestershire Council

Cllr Brenda Langley, South Gloucestershire Council

Minutes

1	EVACUATION PROCEDURE The evacuation procedure was set out.
2	APOLOGIES FOR ABSENCE Apologies for absence were received from Councillors Tim Kent, Brenda Langley and John O'Neill.
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 22 September 2021 were agreed as a correct record.
5	ITEMS FROM THE PUBLIC Two questions had been received from members of the public prior to the meeting and the responses had been circulated. A member of the public, Mr Dave Redgewell, had submitted a statement, attended the meeting and addressed the Committee on the topic of transport issues. The wording of the statement as submitted had been circulated.

	<p>The Chair requested that the issue raised on the auditing of public transport functions be brought to the attention of Internal and External Audit with any issues arising being brought to the Committee's attention. It was noted that a bus audit had been scheduled for the fourth quarter of 2021/22.</p>
6	<p>CHAIR'S ANNOUNCEMENTS</p> <p>Further to Minute 6 of the meeting of the WECA Audit Committee held on 22 September 2021, the Chair asked Jon Roberts, External Audit to update the Committee on the matter raised at that meeting. Jon Roberts reported that that piece of Audit work had been completed with full cooperation from the Authority and recommendations had been shared with the Chief Executive. These recommendations had been fully accepted.</p> <p>Further discussion of this matter took place in closed session under item 13.</p> <p>The Chair also reminded the Committee that its responsibility lay with the governance of the organisation and therefore should not take a stance on the current political situation that had been reported in the public domain.</p> <p>The Chair also reported that both Malcolm Coe, Director of Investment and Corporate Services and Shahzia Daya, the Director of Legal and Democratic Services and the Authority's Monitoring Officer, were leaving the Authority in due course. He wished to place on record the Committee's appreciation for their guidance and support.</p>
7	<p>AVON PENSION FUND COMMITTEE</p> <p>Further to Minute 12 of the meeting held on 22 September 2021, when the Committee had asked officers to investigate whether the Authority had representation on the Avon Pensions Fund Committee, the Authority's Democratic Services Officer, Tim Milgate gave a brief update on those investigations.</p> <p>It was reported that Bath & North East Somerset Council was the administering authority for the Pension Fund with the Council delegating its responsibility for administering the Fund to the Avon Pension Fund Committee. This Committee had elected representatives appointed from all the Authority's constituent authorities but not a representative from WECA. It was noted that a formal request to join the Committee would have to be made but that WECA had only one elected representative.</p> <p>As the views of the Committee were divided on whether this matter should be pursued, with the growth of WECA staff members belonging to the pension fund being noted, it was requested that the Chief Executive be asked to raise the matter with the Chief Executives from the constituent authorities.</p> <p>Agreed: That the Chief Executive, Patricia Greer, be asked to raise the matter of WECA's representation on the Avon Pension Fund Committee with the Chief Executives of the Authority's constituent authorities to find a possible solution to this matter.</p>
8	<p>APPOINTING AN EXTERNAL AUDITOR</p> <p>Malcolm Coe, Director of Investment and Corporate Services, introduced a report stating that Grant Thornton were the appointed External Auditors for the West of England Combined Authority, appointed under the Public Sector Audit Appointments, (PSAA), process for the Statements of Accounts period up to, and including, the 2022/23 financial year.</p>

	<p>The PSAA were now inviting public sector bodies to ‘opt in’ for a further audit period from 2023/24 to 2027/28. Should the Combined Authority wish to take up this offer, this would require a formal decision through the Combined Authority Committee by 11 March 2022.</p> <p>The Committee were asked for their views and whether they wished the Combined Authority Committee to make a decision to opt in, or out, of the PSAA Framework at its meeting on 28 January 2022.</p> <p>The Chair stated that he felt opting in was the best solution and he would prefer the Committee to make that decision.</p> <p>Agreed:</p> <p>That the Audit Committee request that the Combined Authority Committee agree to opt in to the Public Sector Audit Appointment for the commissioning of external audit services at its meeting on 28 January 2022.</p>
9	<p>TREASURY MANAGEMENT STRATEGY 2022/23 AND TREASURY MANAGEMENT 2021/22 MONITORING UPDATE</p> <p>Malcolm Coe, Director of Investment and Corporate Services, introduced a report explaining 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 2022/23 Strategy would be submitted to the January 2022 WECA Committee for approval alongside the 2022/23 budget papers.</p> <p>The 2021/22 Treasury Management Strategy, as informed through the Authority’s Treasury advisors, ArlingClose, had been approved by the WECA Committee on 29 January 2021.</p> <p>The 2022/23 Strategy had built on the foundations of the previous year and had been updated to reflect Covid and economic factors, credit risk and cash flow forecasts.</p> <p>The 2022/23 Treasury Management Strategy, and update on 2021/22 performance, was attached as Appendix 1 to the report.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> • It was confirmed that the Authority’s Treasury Advisors regularly reviewed any risks and the Authority changed its practices throughout the year if required to do so to mitigate any risks; • In response to questions on ethical investments and affordable housing investments it was confirmed that most investments were business in nature and the number one priority was to safeguard taxpayer’s money, with the second priority to gain a return from the investments. There was no ethical investment policy as such but the Authority was looking at possible future housing investments. Bristol City Council’s ethical investment policy would be passed onto officers for their attention; • In terms of long term pooled fund investments the amount invested depended on cash flow forecasting. Although such investments deliver an above inflation return, there is a risk that annual revenue provision will need to be put aside from March 2023 when the existing statutory override expires.. The Authority will continue to monitor any legislative changes in this area and manage risks accordingly; <p>Agreed:</p>

	<p>That the committee:</p> <ol style="list-style-type: none"> 1. note the Treasury Management Strategy for 2022/23 and endorse it being submitted to the January 2022 WECA Committee for approval; 2. note the 2021/22 Treasury Management monitoring update as detailed at the end of Appendix 1.
10	<p>FINANCIAL RESERVES POLICY</p> <p>Malcolm Coe, Director of Investment and Corporate Services, submitted a report which gave an update on the holding and management of the Combined Authority and Local Enterprise Partnership, (LEP), financial reserves. It was reported that, as the Authority continued to grow, and whilst the volatility of revenue funding streams remained a significant issue, a Financial Reserves Policy has been drafted for consideration, (detailed in Appendix 1), as part of the 2022/23 budget setting process.</p> <p>The Financial Reserves Strategy, dated December 2021, was appended. The Committee welcomed the proposal.</p> <p>Agreed: The Committee having reviewed the policy, endorses the draft Combined Authority and Local Enterprise Partnership Financial Reserves Policy as detailed in Appendix 1.</p>
11	<p>CYBERSECURITY</p> <p>Caroline Pegden, Service Lead: Digital and Technology, introduced a report providing an update to the Audit Committee on the IT security controls implemented in light of the recommendations from Grant Thornton UK LLP.</p> <p>The report stated that following a change in outsourced IT supplier to Agilisys, the Combined Authority needed to update its IT security strategy and associated action plan. The Combined Authority had now developed a new IT Security strategy following the National Cyber Security Centre's (NCSC) best practices, adapted to the Combined Authority's specific context, and which were validated at the Digital Board in July 2021. A number of actions had been set out following the three areas highlighted by the Audit and these were detailed in the report.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> • In response to concern raised about not currently having automated monthly password changes it was noted that the best practice was currently that passwords not be changed as frequently as that because users then tended to chose passwords that could be less secure. However, a lot of work had been carried out in the past few months on the security of the Authority's IT systems and adequate controls were in place; • It was asked where in the organisation resilience sat. It was noted that inbuilt security was in place at the point of building systems and resilience built into our contract with Agilisys . An overall systems health check would be carried out in 2022; • It was asked whether policies had been updated in the light of more standardised home working arrangements. It was noted that there was no detailed policy as such on the use of personal devices but a series of multifactor authentication has been put in place. All CA laptops and phones were fit for purpose and usage of personal devices was very low. • It was asked whether there was mandatory training on document fraud – this would be clarified. <p>The Chair stated that the Committee saw this issue as a priority and asked whether there could be a briefing session on the monitoring of these issues and how the targets were doing</p>

	<p>against the key performance indicators. In response Malcolm Coe stated that an action plan had been drawn up by the auditors and that the controls were in place. The action plan would be reviewed early in 2022.</p> <p>Agreed: That the changes undertaken to enhance the Combined Authority's cyber-security and IT resilience be noted and welcomed.</p>
12	<p>INTERNAL AUDIT UPDATE</p> <p>Jeff Wring, Internal Audit (Audit West) introduced a report updating the Committee on Internal Audit work in 2021/22. The Internal Audit Plan 2021/22 was appended.</p> <p>It was stated that all the audit progress had been positive and no audit reviews needed to be escalated. The data analytics review was close to completion.</p> <p>It was explained that Audit West was contracted to provide Audit services and these were partially reviewed by external audit and via a peer review system. All outcomes were reported to the Audit Committee.</p> <p>Agreed: The Committee noted the areas under review and progress against the Internal Audit plan as at 15 November 2021.</p>
13	<p>GRANT THORNTON FINAL AUDIT FINDINGS REPORT</p> <p>Malcolm Coe and external Auditors, David Bray and Jon Roberts, Grant Thornton, presented to Members of the WECA Audit Committee the West of England Combined Authority Annual Statement of Accounts for 2020-21 for their review and approval. The following documents were appended. These documents had been updated since the meeting on 22 September 2021:</p> <p>Appendix 1 – WECA Audit Findings Report 2020-21; Appendix 2 – Draft WECA Statement of Accounts 2020-21; Appendix 3 – WECA Letter of Representation 2020-21;</p> <p>Changes to the text in the WECA Audit Findings report had been highlighted in red. The Auditors stated that they were now ready to sign off on the accounts upon receipt of the signed WECA Letter of Representation.</p> <p>Malcolm Coe thanked the external auditors and his finance team for their hard work in getting to this position.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> • It was confirmed that the materiality limit was an industry standard; • The audit certificate could be formally issued when all matters had been agreed; <p>Agreed:</p> <p>That the committee:</p> <p>(a) note the content of the final External Auditor ISA 260 Audit Findings report (as detailed in Appendix 1) and</p> <p>(b) approve the West of England Combined Authority Annual Statement of Accounts for 2020-21 (as detailed in Appendix 2).</p>

(c) approve the Letter of Representation as detailed at Appendix 3.

At this point in the meeting the following resolution was passed:

Agreed:

That pursuant to Section 100A of the Local Government Act 1972 (as amended), members of the press and public be excluded during the further consideration of this item as it is likely that there would be a disclosure of exempt information as defined in the relevant paragraphs specified in Part 1 of Schedule 12A to that Act.”

A more formal discussion was held on the matters discussed earlier which were further referred to the WECA Committee on 17 December 2021.

The next meeting to be held on Wednesday 23 February 2022 at 10.30 am.