



West of England Combined Authority

AUDIT COMMITTEE

ANNUAL REPORT 2022/23

1. FOREWORD

1.1 As Chair of the Audit Committee, I have pleasure in submitting this year's Annual Report. This document summarises the work of the Audit Committee in providing assurance about the Combined Authority's governance, risk management, financial, and business controls. The year 2022/23 has presented challenges like no other.

There have been many benefits from the work of the committee. The main positive outcomes and improvements include:

- Active involvement in the review by the External Auditor of governance and VFM arrangements including extensive liaison with the West of England Combined Authority Committee
- An unqualified External Audit opinion on the Combined Authority Statement of Accounts.
- The timely sign-off of the accounts to the amended timetable.
- An Annual Governance Statement that reflected the developments within the Combined Authority.
- A satisfactory opinion from the Head of Internal Audit on the Internal Control Framework.
- Completing the first self-assessment review of the Audit Committee for the 2022/23.
- Acknowledging the continued developments in Risk Management within the Combined Authority.

However, on a less positive note the Audit Committee was also disappointed to find the Authority was slow in responding to the External Auditors Value for Money initial findings, which delayed the final report. Audit Committee was at least reassured that the final report with its 3 Statutory recommendations, 2 key recommendations and 4 recommendations, justified our ongoing concerns. The Initial Authority response did not recognise the seriousness of this report and we see the implementation of an effective action plan to overcome these failings as a top priority for the new financial year.

Cllr Geoffrey Gollop, Audit Committee Chair July 2023

2. INTRODUCTION

2.1 It is important that the Combined Authority has an independent and effective Audit Committee that follows best practice. The Audit Committee is the primary means by which the Combined Authority obtains assurance that governance, risk management and control systems are in place and effective. It ensures that these are regularly reviewed and reflect regularity and propriety.

3. WORK AND ACTIVITY OF THE AUDIT COMMITTEE IN 2022/23

3.1 External Audit – Grant Thornton

The Committee received an initial report in April 2022 which provided the West of England Audit Committee with an overview of Grant Thornton's initial findings to date on the Value for Money Arrangements 2020/21. The Audit Committee noted the report with the request that Grant Thornton bring an updated version of the report to a future meeting.

In October 2022, members received a follow up report on the Value for Money Arrangement 2020/21 – The updated position was discussed by the Committee.

Considered a final report in November 2022 and submitted their views on the Value for Money 2020/21 Report. The report included 3 Statutory Recommendations, 2 Key Recommendations and 4 Improvement Recommendations. The Committee discussed the findings at length and considered the recommendations. Officers were asked to re-consider the action plan and aim to achieve a more co-ordinated response with the three constituent authorities. Recommended that this jointly worked action plan be brought back to the next meeting of Audit Committee, with specific proposals for dealing with each recommendation setting out measurable actions against targets and progress made.

An updated Action Plan had been brought forward and was agreed by the Combined Authority Committee at its reconvened meeting on 9 December 2022. The Audit Committee acknowledged that positive progress had been made.

The Committee considered and accepted the Audit Findings and an Updated Audit Findings Report for the West of England Combined Authority for year ending 31 March 2022.

In December 2022, The Audit Committee were informed that Grant Thornton had been successful in winning a contract in the procurement, and the PSAA was appointing this firm as the auditor of West of England Combined Authority for five years from 2023/24.

Received and considered several Progress and Sector Updates including emerging national developments such as industry changes resulting from Climate Changes, Audit Fee Increases,

3.2 Internal Audit – Audit West

The Committee received and considered the Internal Audit Annual Report 2021/22 setting out progress against the plan, a summary of audit performance and key issues, and the formal opinion on the internal control framework.

Received and approved the Internal Audit Plan for 2022/23.

Considered a report updating the Committee on the Internal Audit work 2022/23. The report summarised the first six months of audit work. Members noted the areas under review.

The Committee also received an informal briefing on Counter Fraud & Corruption and a formal report outlining work carried out.

The Committee was consulted on areas for the audit plan and agreed to increased resources for audit activity and then approved the Internal Audit Plan for 2023/24.

3.3 Risk Management

The Committee received a report on the annual review and update of the West of England Combined Authority Monitoring & Evaluation Framework and the Risk Management Framework. The Corporate Risk Register was considered throughout the financial year alongside the Infrastructure Directorate Risk Register considered in March 2023.

The Committee considered a report which set out the effective two-way communication between the Combined Authority's External Auditors and Audit Committee (as those charged with governance). The committee confirmed that the West of England Combined Authority management response to the Auditor Risk Assessment was a true reflection of the Authority's management processes.

3.4 Corporate Governance

The Annual Governance Statement is a key consideration for the Committee each year. It outlines the governance arrangements at the Combined Authority and aims to conclude on how effectively those arrangements have been operating. The Committee considers the Annual Governance Statement to ensure it is reflective of the arrangements and identifies any significant governance issues. The Committee is assured by the review process and approved the 2021-22 Annual Governance Statement as a fair reflection of the Combined Authorities governance arrangements following the detailed Value for Money Review for 2020-21.

The Committee received a report that presented the Chartered Institute of Public Finance & Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022 for comments. The 2022 Position Statement set out the purpose, model, core functions and membership of an audit committee.

3.5 Financial Governance - Treasury Management

The Committee reviewed the Combined Authorities Treasury Management arrangements. This included a briefing from ArlingClose (the Combined

Authorities advisors) and reviewed the Annual Treasury Management Report for 2023/24 which covered the actual Prudential Indicators, and the Monitoring Report which included the actual and proposed treasury management activity.

3.6 Financial Governance – Annual Accounts

The Committee considered and reviewed the unaudited draft Statement of Accounts for 2021/22 and approved the 2021/22 Statement of Accounts with an accompanying presentation. The accounts were reviewed by the Committee on several occasions as the External Auditors' work progressed.

3.7 Training and Development

In September 2022, the Audit Committee members attended an informal virtual workshop on the Draft Statement of Accounts carried out by the Combined Authority Finance Team officers. The workshop covered the following:

- Purpose of the Statement of Accounts
- Key Messages
- SWOT Analysis
- Key Ratios – 2020/21 & 2021/22
- Estimates and Assumptions
- External Auditor Updates

In December 2022, the Audit Committee members attended a virtual training session carried out by the West of England Combined Authority Treasury Advisors Arlingclose on a Treasury Management Overview. The training covered the following:

- Introduction to Treasury Management
- Regulatory Framework
- Member Scrutiny
- Risk Management
- Investment Management

In February 2023 the Audit Committee members attended a virtual training course carried out by The Chartered Institution of Public Finance and Accountancy (CIPFA). The training covered the following:

- The purpose of the Audit Committee and considered its relationships to other combined authority committees.
- The main areas of responsibility for the Audit Committee as set out in the CIPFA Position Statement on Audit Committees 2022.
- The role of the Audit Committee Chair.
- Review of the Knowledge and Skill Requirements of the Audit Committee members to be able to question and challenge constructively, enabling them to perform their accountability role and have impact.
- Guidelines on evaluating the effectiveness of the committee.

4. AUDIT COMMITTEE WORKPLAN FOR 2023/24

- 4.1 The Committee considered the workplan for the financial year 2023/24 at the March 2023 meeting. Whilst the Committee's work will be broadly in line with previous years it will keep under close review several key areas:
- Treasury management arrangements.
 - Risk Management Reviews.
 - Monitoring the issues recorded in the Annual Governance Statement 2021/22 and
 - Monitoring the responses to the Audit Findings and Live Action Plan arising from the critical VFM report.
- 4.2 The dates for the West of England CA Committee for 2023/24 will be taken to the AGM as part of the annual business report in June 2023. The provisional dates are as set out below:
- 3rd July 2023
 - 18th September 2023
 - 4th December 2023
 - 4th March 2024

5. AUDIT COMMITTEE SELF-ASSESSMENT ANNUAL REVIEW

- 5.1 A review of the effectiveness of the Audit Committee was facilitated and co-ordinated by Internal Audit during March and April 2023.. This consisted of an initial meeting with the Chair, Vice-Chair, and Independent Co-Opted Member to assess the current position using the CIPFA best practice checklist.

Subsequently, a workshop was held with the full Audit Committee to review the scores and key areas for improvement were identified as detailed below:

- The existing Terms of Reference require update and improvement as they have not changed since the original West of England Combined Authority Constitution was created. However, it is acknowledged that the Committee has broadly followed expected norms in terms of core priorities identified in CIPFA's Position Statement.
- The Committee has only one independent co-opted member, CIPFA recommend consideration of 2 independent members.
- The Committee has not carried out an evaluation of knowledge, skills and training needs of the Chair & Committee.
- The Committee has not established any annual review of its effectiveness against CIPFA best practice. This review is the first that has been carried out since the inception of the West of England Combined Authority.

5.2 An action plan has been created and progress, towards addressing the key areas for improvement, will be followed up later in 2023/24.

6. MEMBERSHIP AND MEETINGS OF THE COMMITTEE

6.1 Appendix 1 provides a schedule of the meetings that took place during 2022/23 and the corresponding papers that were considered.

6.2 Councillor Geoffrey Gollop has been Chair of the Committee since 2017. The Committee Members since April 2022 are as follows:

Cllr Geoff Gollop, Bristol City Council (Chair)
Cllr David Wilcox, Bristol City Council (Vice Chair)
Cllr Brenda Massey, Bristol City Council
Cllr Hal MacFie, Bath & North East Somerset Council
Cllr John Ashe, South Gloucestershire Council
Cllr John O'Neill, South Gloucestershire Council
Cllr Jonathan Hucker, Bristol City Council
Cllr Mark Bradshaw, Bristol City Council
Cllr Matthew Riddle, South Gloucestershire Council
Cllr Rob Appleyard, Bath & North East Somerset Council
Cllr Sarah Classick, Bristol City Council
Mark Hatcliffe, Independent Member of Audit Committee

7. WEST OF ENGLAND CA AUDIT COMMITTEE RESPONSIBILITIES

7.1 The Audit Committee has the following responsibilities:

1. Reviewing and scrutinising the authority's financial affairs;
2. Reviewing and assessing the authority's risk management, internal control and corporate governance arrangements;
3. Reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions;
4. Reports and recommendations to the Combined Authority in relation to the reviews they have conducted;
5. To consider and approve the Annual Statutory Accounts;
6. Frameworks and make recommendations where appropriate.

8 CONCLUSION

8.1 This review gives an overview of the range of work undertaken by the Committee. The Committee's primary contribution to the Combined Authorities objectives is to ensure that Governance, Control, Risk Management and Audit systems which underpin the work of the Combined Authority are sound, reliable, robust and secure. This report provides sight of areas where that is not the case.

8.2 In an Authority with only one directly elected member, the need for openness, transparency and good governance is even more critical than it is in a traditional local authority. The need for co-operation and joint working is fundamental to the authority's existence and The Audit Committee has a responsibility to ensure the best possible standards of governance are in place.

8.3 The Audit Committee is made up of Councillors from the three constituent local authorities representing all the main political parties. We could not carry out our work without the highly professional support and guidance that we receive. The Committee would like to thank the following:

- The Internal Audit Service for their continued hard work and continuous assurance;
- Grant Thornton who have had a particularly challenging year with the West of England Combined Authority, for the professional and diplomatic way they have dealt with a difficult situation and helpful and constructive way in which they have dealt with the issues of concern;
- The Interim Chief Executive and Interim Chief Financial Officers for their openness and support;

- And the finance team for the support they provide the Committee in discharging its responsibilities and their technical and financial skill applied throughout the year to ensure timely and effective compliance.

APPENDICES:

Appendix 1: Details of the Reports Considered by the Audit Committee during 2022/23

Appendix 1

Details of Reports Considered by Audit Committee during 2022/23

Meeting Date	Papers Considered
28th April 2022	<ul style="list-style-type: none">• Monitoring & Evaluation Framework 2022 Draft• Risk Management Framework 2022 Draft• Corporate Risk Register April 2022• Final Evaluation – Main Report• Informing the Audit Risk Assessment• Grant Thornton – West of England CA 2021-22 Audit Plan• External Audit Progress Report and Sector Update• Value for Money Arrangements 2020-21• Briefing on 2020-21 Financial Sustainability Element VFM work• Internal Audit Annual Report 2021-22• Internal Audit Plan 2022-23
12th October 2022	<ul style="list-style-type: none">• Audit Committee Briefing on 2020-21 Financial Sustainability, Governance, 3Es and Financial Reporting VFM Work.• External Audit Progress Report and Sector Update• West of England CA Progress Report including CIPFA Audit Committee Position Statement 2022 Update• Draft Statutory Statement of Accounts 2021-22
17th November 2022	<ul style="list-style-type: none">• External Auditors VFM Report on Governance• Audit Committee – Response from Officers• West of England CA Audit Findings Report 2021-22• Internal Audit Update• Concessionary Travel Audit Actions Update
12th December 2022	<ul style="list-style-type: none">• West of England CA Audit Findings Report 2021-22 (December Update)• West of England CA Draft Letter of Representation 2021-22• Treasury Management Strategy 2023-24 including Treasury Management 2022-23 Monitoring Update• Risk Management – Corporate Risk Register December 2022• Appointment of External Auditors• Forward Plan of Committee Items

2nd March 2023

- Audit Committee – Review of Effectiveness
- Internal Audit Plan 2023-24
- External Audit Committee Progress Report – March 2023
- Risk Management – Infrastructure Risk Register
- Risk Management – Corporate Risk Register
- Response to Audit Findings and Action Plan
- Audit Committee Forward Work Plan 2023-24

Note: 3 meetings during the year were cancelled – 8th June 2022; 8th July 2022 and 14th July 2022.