

## West of England Combined Authority Audit Committee

Monday, 3 July 2023, 10:30am  
70 Redcliff Street

### Present:

Cllr David Addison, South Gloucestershire Council  
Cllr Andrew Brown, Bristol City Council  
Cllr Ben Burton, South Gloucestershire Council  
Cllr Tessa Fitzjohn, Bristol City Council  
Cllr Geoff Gollop, Bristol City Council

Cllr Zoe Goodman, Bristol City Council  
Cllr Tim Rippington, Bristol City Council  
Cllr Toby Simon, Bath & North East Somerset Council  
Cllr David Wilcox, Bristol City Council

### Officers In Attendance:

Richard Ennis, Acting Interim Chief Executive  
Stephen Fitzgerald, Interim Director of Investment and Corporate Services  
Daniel Dickinson, Interim Director of Legal Services  
Selonge Russell, Head of Finance  
Jess Lee, Head of Strategy and Policy

Steve Finnegan, Financial Accountant  
Jeff Wring, Internal Audit (Audit West)  
Tariq Rahman, Internal Audit (Audit West)  
Jon Roberts, Grant Thornton (External Audit)  
Liam Royle, Grant Thornton (External Audit)  
Alexa Ngini, Grant Thornton (External Audit)

### Apologies:

Mark Hatcliffe, Independent Member of Audit Committee

Cllr John Leach, Bath & North East Somerset Council

## Minutes

1	<p><b>Evacuation Procedure</b> [The clerk opened the meeting and presided over items until election of Chair].</p> <p>The evacuation procedure was noted.</p>
2	<p><b>Committee Membership &amp; Apologies for absence</b> The Membership of the West of England Combined Authority Audit Committee for Municipal Year 2023/24 was noted.</p> <p>Apologies for absence had been received from Cllr John Leach and Mark Hatcliffe.</p>
3	<p><b>Election of Chair for Municipal Year 2023/24</b> The nomination of Cllr Geoff Gollop to be elected as Chair for the West of England Combined Authority Audit Committee for Municipal Year 2023/24 was proposed by Cllr David Wilcox and seconded by Cllr Ben Burton. There were no other nominees. The nomination was unanimously agreed by the Committee</p> <p><b>Resolved:</b></p> <p>That Cllr Geoff Gollop be elected as Chair of the West of England Combined Authority Audit Committee for Municipal Year 2023/24.</p>
4	<p><b>Election of Vice-Chair for Municipal Year 2023/24</b> Cllr David Wilcox was nominated as Vice-Chair by Cllr Geoff Gollop. This nomination was seconded by Cllr Tessa Fitzjohn. There were no other nominations. It was unanimously</p> <p><b>Resolved:</b></p>

	That Cllr David Wilcox be elected as Vice-Chair of the West of England Combined Authority Audit Committee for municipal year 2023/24.
5	<p><b>Declarations of Interest under the Localism Act 2011</b> There were no declarations of interest declared under the Localism Act 2011.</p>
6	<p><b>Terms of Reference</b> The Terms of Reference for the Committee as set out in the Authority's constitution had been circulated with the Committee papers.</p> <p>The Chair stated that he felt the Terms of Reference for the Committee were inadequate and had not been updated since the Authority's formation in 2017. He particularly highlighted the issues around reviewing and scrutinising the authority's financial affairs which he felt should be separate issues with a role for the Authority's Overview &amp; Scrutiny Committee. In addition the terms of reference did not provide a link from the Committee to the Authority's main decision-making Committee. He asked that a report with a proposed updated Terms of Reference be brought to the next meeting,</p> <p>Jeff Wring, Internal Audit, stated that the review of effectiveness had recognised the need for the Authority's constitution to be refreshed. The Interim Acting Chief Executive stated that the constitutional rewrite was part of the ongoing peer review work and would be taken on by the new Monitoring Officer. Proposals could be discussed at an informal initially. It was also noted that the West of England Combined Authority' Committee Annual General Meeting held on 16 June 2023 had resolved that "the Chairs of the Local Enterprise Partnership Board, the Overview &amp; Scrutiny Committee and the Audit Committee be afforded the opportunity to address each meeting of the Committee" as well as consideration of the Audit Committee's annual report.</p> <p><b>Resolved:</b></p> <p>That the Terms of Reference for the West of England Combined Authority's Audit Committee be revisited at the next meeting,</p>
7	<p><b>Minutes of the Previous Meeting</b> The minutes of the meeting held on 28 April 2022 were agreed as a correct record and signed by the Chair. The Committee expressed a preference that the minutes include a summary of the individual comments made by members where possible.</p>
8	<p><b>Items from the Public (Questions, Statements and Petitions)</b> Four statements had been received from Members of the Public. These statements had been circulated prior to the meeting and published on the Authority's website. The following persons attended the meeting and addressed the Committee on the topic of their statement for a maximum three minutes each:</p> <ul style="list-style-type: none"> <li>• Steve Reade;</li> <li>• Christina Biggs</li> </ul> <p>The Committee noted the comments made in the statements. The Committee asked that consideration be given of interchange transport hubs when designing and delivering projects with particular attention being given to the distance between transport hubs for those with physical impairments.</p>
9	<p><b>Treasury Annual Outturn Report</b> Steve Finnegan, Financial Accountant, introduced a report which informed the Committee that the Chartered Institute of Public Finance and Accountancy (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, review performance during the</p>

year, and approve an annual report after the end of each financial year. The Authority's Investment position as at 31 March 2023 was set out in Appendix 2. The report provided a review of performance to 31 March 2023. The Committee was asked to note the report. The following comments were raised:

- It was noted that the report had already been considered by the Authority's main Committee whereas the Audit Committee would normally have first sight of the report. This had been due to the local elections held in May 2023 and the process of reconstituting the Committee following those elections. It was noted that the normal timetable of reporting should now commence;
- It was noted that the large balance of cash holdings was mainly down to receiving grants at the start of the financial year and received in advance of the Authority needing to spend the specific grant;
- It was asked whether the Authority was confident that none of its investments were with Belarus, Russia or fossil fuels. It was noted that the Authority's investments were in accordance with advice from the Authority's Treasury Management advisors Arling Close who had not expressed any concerns. The opportunity for further green investments was slightly higher for pension funds.

NB: Subsequent to the meeting the following note was circulated to the members of the Committee:

"we have double checked the guidance we received last year relating to Belarus from our Treasury Advisors ArlingClose (which included both Russia and Belarus). We can confirm that on our pooled funds and money market funds no direct exposure to Russian or Belarusian assets had been identified within the MMFs, cash plus funds and strategic pooled funds that feature as part of their advice. ArlingClose remained comfortable with clients continuing to use these funds."

- It was asked whether comparative figures from previous years could be included in future reports;
- Risks were managed through regular meetings with the treasury advisors. The Authority worked on a basis of safety first and returns second. The Authority was also mindful of possible changes to International Reporting Standard 9 as previously reported to the Committee;
- It was confirmed that there were allowances made in the project plans to allow for inflation but there would still be some impact. Everybody in the supply chain would need to help absorb some of these pressures. The Committee asked for a workshop/informal session to assess the impact of inflation on delivery of services;
- A question was asked about emergency funding and whether this could be used for bus services. In response it was noted that the main BSIP funding came with significant value for money requirements and any changes to the terms and conditions of this grant had to be approved by the DfT. There was ongoing dialogue between the minister and the Metro Mayor. The grant was 14 months into its 36 month length and all had to be allocated by 2025. Members stated that any workshop arranged on funding sources, inflation risk and assessment of projects could maybe use this as a particular case study if useful.

**Resolved:**

That the Treasury Management Outturn Report to 31 March 2023, prepared in accordance with the CIPFA Treasury Code of Practice and the Treasury Management Indicators to 31 March 2023, be noted.

	<p>Jeff Wring and Tariq Rahman (Audit West, Internal Audit) introduced the Annual Report (2022/23) of the Internal Audit function which included a summary of Internal Audit performance, key findings / issues, as well as the formal opinion on the internal control framework. The number of days allocated to Internal Audit work was to increase from 100 days to 250 days per annum. At the time of writing there were two audits still to be reported to management (i) Project Management - Future Transport Zone (FTZ) – Governance (Strategy &amp; Decision Making) and (ii) IT Audit (User ID and Authentication).</p> <p>The performance dashboard had recorded the implementation of agreed audit recommendations at 68%. This was lower than previous year's figures and could be linked to two audit reviews that management had not been able to implement the required actions within the timescale that they had agreed when responding to the audit reports. The IT Cyber Security audit report had nine recommendations and five had been implemented. The Project and Plan Management report had four recommendations and two had been implemented. Revised implementation dates have been agreed for all outstanding recommendations. It was noted that the cyber security outstanding recommendations were governance rather than technical issues and therefore did not pose an immediate risk of exploit. Internal Audit was aware that cyber security funding had been obtained, subsequent to the audit review, and this would be used to identify and mitigate cyber risks, including implementing the audit recommendations. The Committee was asked to note the report.</p> <p>The following comments were raised:</p> <ul style="list-style-type: none"> <li>• The Committee was keen to ensure that the cyber security risk audit was completed on time so that all risk was minimised. A specific briefing session was requested on this topic;</li> <li>• There would be a further update to the Committee in due course on the concessionary fares agreement as well as further details to be brought on the CRSTS work;</li> <li>• In terms of occasions where management may disagree with the audit findings it was stated that there was an escalation process. The Interim Acting Chief Executive stated that the Authority welcomed the robust challenges and also welcomed the increase to 250 days of auditing.</li> </ul> <p><b>Resolved:</b></p> <p style="padding-left: 40px;">That the Internal Audit Report 2022/23 and the formal opinion on the internal control framework be noted.</p>
11	<p><b>Unaudited Draft Statement of Accounts Progress Update [verbal update]</b></p> <p>Steve Finnegan, Financial Accountant, gave a verbal update on the draft statement of accounts which had been published by the Authority. A further briefing would be arranged in due course.</p> <p>Cllr Gollop stated that he had expressed dissatisfaction that the draft statement of accounts had been published with his name without him having seen them prior to that publication thus implying that he had approved them. He also stated that he would liked to have seen a note on the situation involving the current Chief Executive.</p> <p>The Interim Acting Chief Executive stated that he was aware of local press reports but the accounts would not comment on individual members of staff, The current Chief Executive remained unwell. The Interim Director of Investment and Corporate Services stated that the accounts were draft and there was a need to balance confidentiality and disclosure. He would speak to the Authority's External Auditors separately on this issue.</p>
12	<p><b>Grant Thornton: Informing the Audit Risk Assessment for the West of England Combined Authority 2022/23 [External Audit]</b></p> <p>Jon Roberts, Grant Thornton, External Audit, introduced a report and stated the purpose of the report was to contribute towards the effective two-way communication between the</p>

	<p>Combined Authority’s External Auditors and Audit Committee (as those charged with governance). The report covered some important areas of the auditor risk assessment where Grant Thornton, The West of England Combined Authority’s appointed auditors, had been required to make inquiries of the Audit Committee under auditing standards.</p> <p>The report included a series of questions on each of the areas where an initial risk assessment had been undertaken together with the response that Grant Thornton had received from the West of England Combined Authority’s management, as detailed in Appendix 1.</p> <p>The full set of Statutory accounts would be presented to the audit committee for approval following the external audit review.</p> <p><b>Resolved:</b></p> <p style="padding-left: 40px;">That it be 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.</p>
13	<p><b>Grant Thornton Auditor's Annual Report for 2021/22 [External Audit]</b> The West of England Combined Authority was asked to approve the External Auditors (Grant Thornton) Annual Report for year ended 31 March 2022.</p> <p>Alexa Ngini, Liam Royle and Jon Roberts attended as the representatives from Grant Thornton and introduced and summarised the report. The main issues highlighted included the Combined Authority’s progress against the recommendations raised in the Auditor’s report on governance matters from December 2022 and the allocation of CRSTS funds. No particular areas of concern had been set out. The following comments were raised:</p> <ul style="list-style-type: none"> <li>• Individual delivery of projects was below the level of the strategic overview report although there was a judgement the adequacy of the management structure that was in place allowed for individual policies to be implemented effectively.</li> <li>• There were some areas where the Authority’s Overview &amp; Scrutiny Committee may want to look at in more detail such as the CRSTS. Members asked whether Audit Committee members could be invited to informal meetings of the Overview &amp; Scrutiny Committee and vice versa where appropriate;</li> <li>• There was a concern raised that although the Authority’s Boards now had seemingly amalgamated the terms of reference for those Boards had not been updated and it was asked whether this could be revisited. It was also not clear how the comments and recommendations from these boards was fed into the decision-making process. It was noted that External Audit would look at the organisation’s fitness for purpose as well as its working arrangements;</li> <li>• Cllr Gollop questioned the reasons given for cancellation of prior meetings when one meeting had been cancelled due to the death of the monarch and others due to delays in the readiness of the Auditor’s VfM report.</li> </ul> <p><b>Resolved:</b></p> <p style="padding-left: 40px;">That the External Auditors (Grant Thornton) Annual Report for year ended 31 March 2022 be approved.</p>
14	<p><b>Grant Thornton - West of England Combined Authority Audit Plan</b> External Auditors presented the West of England Combined Authority Audit Plan for year ending 31 March 2023, attached at Appendix 1. Four significant risks had been identified and</p>

	<p>the External Auditor’s commentary on these had been included in the report. The report also included progress against prior year recommendations and the level of Audit Fees. These fees were higher as there had been additional work carried out with formulating the Value for Money report which included seeking legal advice.</p> <p><b>Resolved:</b></p> <p style="padding-left: 40px;">That the External Auditors (Grant Thornton) Audit Plan for Year Ending March 2023 be approved.</p>
15	<p><b>Fraud Risk Register and Risk Management Update</b></p> <p>The Committee received the Fraud Risk Register for comment. The most significant /active risk/mitigations/notables risks highlighted in the report were as follows:</p> <ul style="list-style-type: none"> <li>• The risk of data fraud was being mitigated further with the appointment of a data protection officer. Internal Audit would be undertaking a cyber security review in the autumn. This audit would be an opportunity to identify additional mitigations to address the risk of cyber-crime. Business continuity reviews by all service areas were also planned in 2023/24;</li> <li>• There were monthly meetings of the officer Corporate Governance Board to rapidly identify and address changes to risks across the organisation.</li> </ul> <p>The following comments were raised:</p> <ul style="list-style-type: none"> <li>• Officers were asked to look at the formatting of the report as some of the tenses were incorrect making it difficult to establish which scores were being investigated. It was suggested that the words ‘actioned’ or ‘non-actioned’ be used where possible;</li> <li>• Some of the risks appeared to not have been updated regularly such as the Risk of Fraudulent Grant Claim Submissions which appeared to have last been updated on 24 February 2023. This appeared to be an error in the update. It was confirmed that members of that team were working with programme managers to test the level of fraud risk;</li> </ul> <p><b>Resolved:</b></p> <p style="padding-left: 40px;">That the Fraud Risk Register and framework and the Committee’s comments made thereon be noted.</p>
16	<p><b>Transformation Programme &amp; Regional Strategy</b></p> <p>Jess Lee, Head of Policy &amp; Strategy, introduced a report setting out the progress and next steps on the West of England Combined Authority’s route to improvement. The report provided the Committee with an update on the West of England Combined Authority’s transformation programme that was underway to respond to and take forward recommendations from the recent Grant Thornton external audit report, the West of England Combined Authority Commissioned Independent Peer Review and the West of England Combined Authority Committee approved action plan.</p> <p>Cllr Gollop stated that he was concerned that this would be like the Authority marking its own homework and that with the next meeting of the Committee not scheduled until autumn 2023 any comments made were not likely to be taken forward. It was noted that this had been a consequence of the timing of the Annual General meeting but Audit Committee would have the opportunity to comment prior to the consideration by the main Committee at its meeting in September 2023.</p>

	<p>The following comments were raised:</p> <ul style="list-style-type: none"> <li>• In terms of the timeline the recommendations were being worked through with agreement being sought over the role and purpose of the Combined Authority with the external facilitator from Solace;</li> <li>• Concerns were raised that the Combined Authority would not have any representation on the Joint Committee and what impact this would have on relationships with North Somerset Council. It was noted that there were also questions over the future role of the Local Enterprise Partnership Board and the legal implications of these issues were being worked through;</li> <li>• It was also asked whether the government could intervene if they disagreed with the agreed way forward that was arrived at. There would also be changes to the allocation of seats on the Combined Authority following elections in 2024;</li> <li>• The pace of work would move quickly with resources allocated to the work. There were some aspects of the work that could be implemented straight away while others would take a bit longer to come to fruition.</li> </ul> <p>Resolved:</p> <ol style="list-style-type: none"> <li>1. That it be noted that the structure and content of the transformation programme had been discussed by West of England Combined Authority Committee at its meeting on 16 June 2023;</li> <li>2. That the comments made on the structure and actions of the West of England Combined Authority transformation programme be noted.</li> <li>3. That it be noted that a further update on the transformation programme would be provided to the West of England Combined Authority Committee meeting in October 2023; and would be brought to Audit Committee for consideration in advance of that meeting.</li> <li>4. That the intention to invite a further external review of progress after approximately 12 months be noted.</li> </ol>
17	<p><b>Annual Audit Committee Report and Self-Assessment Review</b></p> <p>The purpose of the Annual Report 2022/23 was to bring together in one document a summary of the work undertaken by the Audit Committee. The production of the report complied with current best practice for audit committees. It allowed the Audit Committee to demonstrate it had fulfilled its terms of reference and to share its achievements with the main Combined Authority Committee and was thought useful as a reminder to the organisation of the role of the committee in providing assurance about its governance, risk management, financial and business controls. The Chartered Institute of Public Finance and Accountancy (CIPFA) had issued guidance to local authorities to help ensure that Audit Committees operated effectively. The guidance recommended that Audit Committees should report annually on how they had discharged their responsibilities. A copy of the annual report of this Audit Committee had been attached. A copy of the Audit Committee’s Terms of Reference had also included for information.</p> <p>It was noted that the Chair and Vice-Chair of the Committee had been included in the report’s production.</p> <p><b>Resolved:</b></p> <p style="padding-left: 40px;">That the Audit Committee’s Annual Report be endorsed and recommended for consideration by the West of England Combined Authority’s Committee.</p>
18	<p><b>Feedback Section</b></p> <p>Members of the Committee were invited to feed back on the effectiveness of the session. It</p>

was requested that a forward plan of upcoming items be brought to each meeting. Members were keen to receive an update on the following issues at a future meeting:

- Birthday Bus Ticketing;
- Demand Responsive Transport (financial assessment);
- Carbon budgets/assessing net zero;
- E-scooters;

Members also asked that given an opportunity and space on the agenda whether issues around culture and housing could be discussed.

A number of briefing and training sessions were planned to be held in the coming months and details of these would be circulated as soon as possible. These would include:

- Update on First Quarter Revenue and Capital Monitoring;
- Workshop on Draft Statement of Accounts;
- A Briefing on Cyber Security;
- Treasury Management;

Monday, 18 September 2023, 10.30 am, 70 Redcliff Street