



Appendix 1

West of England Mayoral Combined Authority

AUDIT COMMITTEE

INTERIM ANNUAL REPORT 2023/24

1. FOREWORD

1.1 As Chair of the Audit Committee, I have pleasure in submitting this year's Annual Report for 2023/24. This document summarises the work of the Audit Committee in providing assurance about the Mayoral Combined Authority's governance, risk management, financial, and business controls.

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

- Ongoing active involvement in the review by the External Auditor of governance and VFM arrangements including extensive liaison with the West of England Mayoral Combined Authority Committee.
- An unqualified External Audit opinion on the Mayoral Combined Authority Statement of Accounts.
- The timely sign-off of the accounts.
- An Annual Governance Statement that reflected the developments within the Mayoral Combined Authority.
- A satisfactory opinion from the Head of Internal Audit on the Internal Control Framework.
- Acknowledging the continued developments in Risk Management within the Mayoral Combined Authority.

We particularly welcome the inclusion of an additional item on all MCA Committee agendas allowing for a report from Audit Committee. This is an important recognition of the role of Audit Committee and infinitely preferable to having to submit comments through public forum.

There are however a number of issues that have been raised at our meetings over the year that we would particularly want to highlight.

Whilst progress has been made with much of the transformation programme, we have repeatedly expressed concern that this is not the case with the major recommendations relating to the political leadership of the Authority and the need for co-working.

Most meetings of the MCA have at least one long, unplanned adjournment, while differences are resolved between the leaders. Most meetings also have amendments tabled at the meeting without notice and without copies being available. This does not suggest either recognition of the issues or action to resolve the challenges raised in Grant Thorntons Value for Money (VFM) report notably, Statutory Recommendation 1 - Working Relationships and SR2 Consultation on Key Proposals.

We also welcome the initiative of senior management to bring more transparency and accountability to the budget setting process, but we remain concerned about monitoring of performance and outturn. However, we have specific concerns about Demand Responsive Transport and Birthday Bus Passes specifically and Buses and City Region Sustainable Transport Settlement (CRSTS) generally. It is not sufficient for officers to comply with

government department requirements without looking at MCA requirements and Value for Money.

We received the Unlawful Expenditure report at our December meeting which raises significant questions about openness and transparency. We feel it inappropriate to fuel a sensitive political issue by commenting further, other than stating that we are reassured that proper controls are now in place to prevent a recurrence.

Cllr Geoffrey Gollop, Audit Committee Chair, March 2024

2. INTRODUCTION

- 2.1 It is important that the Mayoral Combined Authority has an independent and effective Audit Committee that follows best practice. The Audit Committee is the primary means by which the Mayoral 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 2023/24

3.1 External Audit – Grant Thornton

Considered and approved the External Auditors (Grant Thornton) Annual Report for year ended 31 March 2022 which covered Financial Stability, Governance and Improving economy, efficiency, and effectiveness.

The committee approved the External Auditors (Grant Thornton) Audit Plan for Year Ending March 2023.

The Committee considered and accepted the Audit Findings Report for the West of England Combined Authority for year ending 31 March 2023.

Committee received and noted an initial interim report in December 2023 which provided the West of England Audit Committee with a positive overview of Grant Thornton's findings to date on the Value for Money Arrangements for 2022/23 which included 3 Improvement Recommendations.

The Committee were advised that a further Value for Money report would be due separately and focussed on Governance Arrangements following the Joint S5 (2)(a) and S114 (2)(a) report received by the Extraordinary meeting of the West of England Mayoral Combined Authority Committee during December 2023.

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

3.2 Internal Audit – Audit West

The Committee received and considered the Internal Audit Annual Report 2022/23 setting out progress against the plan, a summary of audit performance and key issues, and the formal opinion on the internal control framework.

Considered a report updating the Committee on the Internal Audit work 2023/24 progress position on the first six months of audit work. Members noted the areas under review.

3.3 Risk Management

The Committee received and considered a report providing an update on the Corporate Risk Framework.

The Corporate Risk Register was considered throughout the financial year alongside the following:

- Fraud Risk Register considered in July 2023.
- Climate Risk Register considered in September 2023.
- Economy and Skills Risk Register considered in December 2023.

The Committee considered a report which set out the effective two-way communication between the Mayoral Combined Authority's External Auditors and Audit Committee (as those charged with governance). The committee confirmed that the West of England Mayoral 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 Mayoral 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 2022-23 Annual Governance Statement as a fair reflection of the Combined Authorities governance arrangements.

3.5 Financial Governance - Treasury Management

In July 2023, the Committee reviewed and noted the Treasury Management Outturn and Activity Report and Treasury Management Indicators to 31st March 2023.

A new requirement in the 2021 Code, mandatory from 1st April 2023 required the quarterly reporting of the treasury management prudential indicators. The first report was considered by the Audit Committee at the September 2023 meeting where the performance to 31st July 2023 was presented and reviewed.

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 2024/25 which covered the actual Prudential Indicators, and the quarterly monitoring update which included the actual and proposed treasury management activity.

3.6 Financial Governance – Annual Accounts

The Committee considered and approved the unaudited draft Statement of Accounts for 2022/23 with an accompanying presentation. The accounts were reviewed by the Committee on several occasions as the External Auditors' work progressed.

3.7 Transformation Programme and Regional Strategy

The Committee received a report to note the structure and content of the Transformation Programme 2023 with the opportunity to consider and comment on the structure and actions in July 2023.

An update on progress on the workstreams in the programme was provided in September 2023 and December 2023 respectively.

3.8 Best Value Guidance

In December 2023, an overview of Draft Best Value Guidance that had been published by Government, was presented to the Audit Committee to ensure members were sighted on the content of the guidance.

3.9 Second Independent Member

In September 2023, an update to the Committee was provided that the recruitment of the second independent member of the Committee was progressing and was out for advertisement. Interviews took place in November 2023 leading to a further round being required to take place. A second round of interviews took place in February 2024 with a more positive outcome.

3.10 Training, Development and Informal Briefings

The committee received regular updating and briefings on technical elements, issues, and background to our work. Full details are provided in Appendix 3.

4. AUDIT COMMITTEE WORKPLAN FOR 2023/24 and 2024/25

4.1 The Committee considered the forward workplan at the beginning of each meeting during 2023/24. Whilst the Committee's work was broadly in line with previous years it will keep under close review several key areas in the next financial year:

- Treasury management arrangements.
- Risk Management Reviews.
- Monitoring any issues recorded in the Annual Governance Statement.
- Monitoring the Transformation Programme - which was established following the Grant Thornton external audit VFM report and the SOLACE Independent Peer Review of the Mayoral Combined Authority.

The dates for the West of England CA Committee for 2024/25 will be taken to the Annual General Meeting (AGM) as part of the annual business report in June 2024. The meetings are intended to follow a similar sequencing to previous years – being arranged for June, September, December, and March respectively.

5. AUDIT COMMITTEE SELF-ASSESSMENT ANNUAL REVIEW

- 5.1 As part of best practice and to support good governance the Audit Committee should carry out a self-assessment review of its effectiveness on a periodic basis. Ideally this should be annually, based on available resources, to help identify any areas for investment and improvement.
- 5.2 Internal Audit recently facilitated this assessment, for the 2023/24 financial year, with the Chair, Vice Chair, and the independent member.
- 5.3 A draft Action Plan was drawn up and the full Audit Committee was then provided with the opportunity to comment or amend accordingly. The action plan is detailed in Appendix 4.

6. MEMBERSHIP AND MEETINGS OF THE COMMITTEE

- 6.1 Appendix 2 provides a schedule of the meetings that took place during 2023/24 and the corresponding papers that were considered.
- 6.2 Councillor Geoffrey Gollop has been Chair of the Committee since 2017. The Committee Members since June 2023 are as follows:

Cllr Geoff Gollop (Chair)
Cllr David Wilcox (Vice-Chair)
Cllr David Addison
Cllr Andrew Brown
Cllr Ben Burton
Cllr Tessa Fitzjohn
Cllr Zoe Goodman
Mark Hatcliffe, Independent Member
Cllr John Leach
Cllr Tim Rippington
Cllr Adrian Rush
Cllr Toby Simon

7. WEST OF ENGLAND MCA AUDIT COMMITTEE RESPONSIBILITIES

- 7.1 The Audit Committee has the following responsibilities:
- Reviewing and scrutinising the authority's financial affairs;
 - Reviewing and assessing the authority's risk management, internal control and corporate governance arrangements;
 - Reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions;
 - Reports and recommendations to the Mayoral Combined Authority in relation to the reviews they have conducted;
 - To consider and approve the Annual Statutory Accounts;
 - Frameworks and make recommendations where appropriate.

8 CONCLUSIONS

- 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 Mayoral Combined Authority are sound, reliable, robust and secure.
- 8.2 It is worth repeating a section from last year's report - 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;
 - The Interim Chief Executive and 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 2: Reports Considered by the Audit Committee during 2023/24

Appendix 3: Details of Training, Development, and Informal Briefings

Appendix 4: Audit Committee Annual Review of Effectiveness – Action Plan

Appendix 2:

Details of Reports Considered by Audit Committee during 2023/24

Meeting Date	Papers Considered
3rd July 2023	<ul style="list-style-type: none">• Treasury Annual Outturn Report 2022/23• Internal Audit Annual Report 2022/23• Unaudited Draft Statement of Accounts 2022/23 Progress (Verbal Update)• Grant Thornton: Informing the Audit Risk Assessment for the West of England Combined Authority 2022/23 (External Audit)• Grant Thornton: Auditors Annual Report for 2021/22 (External Audit)• GRANT THORNTON: West of England Combined Authority Audit Planning for the year ending 31st March 2023• Fraud Risk Register and Risk Management Update• Transformation Programme and Regional Strategy• Audit Committee Annual Report 2022/23• Feedback Section
18th September 2023	<ul style="list-style-type: none">• Forward Plan• The Audit Findings Report for the West of England Combined Authority (External Audit)• Statement of Accounts (Verbal Update)• Climate Risk Register• Update on Transformation Programme• Update on the Recruitment of a Second Independent Committee Member (Verbal Update)• Treasury Management Monitoring Report Q1 2023/24• Feedback Section
11th December 2023	<ul style="list-style-type: none">• Feedback from the Committee Meeting held on 6 October 2023• Forward Plan• Unlawful Expenditure Report• Update on the Recruitment of the Second Independent Member (Verbal Update)• Treasury Management Strategy Statement 2024/25, including Treasury Management 2023/24 Monitoring Update• Internal Audit Update• The Auditor's Annual Report (External Audit)• Transformation Programme Update• Best Value Guidance• Risk Management• Feedback Section• Points to Refer to Main Committee January 2024
4th March 2024	To be added following the meeting.

Appendix 3: Details of Training, Development, and Informal Briefings

In June 2023, the Audit Committee members attended an informal hybrid Induction for Audit Committee Members. The briefing covered the following:

- Members and Officers Introductions.
- Role of Audit Committee and Expectations presented by Internal Audit.
- Role of External Audit presented by External Audit.
- An Update on the Transformation Programme presented by the Head of Policy and Strategy.
- Review of the Annual Audit Report 22/23 presented by Councillor Gollop.
- Review of Papers for 3 July 2023 formal meeting presented by the Monitoring Officer.

In August 2023, the Audit Committee members attended an informal briefing which provided an update on the first quarter revenue and capital monitoring performance by each service directorate.

In September 2023 the Audit Committee members attended a virtual briefing on the Statement of Accounts for 2022/23. The briefing covered the following:

- Purpose of the Statement of Accounts
- Deadlines and next steps required
- Key Messages from the 2022/23 statement of accounts
- Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis
- Key Ratios – 2021/22 & 2022/23
- Estimates and Assumptions
- External Auditor Recommendations and Points Raised

In October 2023, the Audit Committee members attended an Informal Briefing on Cyber Security. This briefing covering the following:

- Our plan for cyber
- Cyber awareness
- Ransomware
- Social Engineering
- Phishing
- Creating strong passwords
- Securing your devices
- Your role

Committee members requested a further detailed informal session to be set up to discuss the ICT Spend and Resources; Risk Assessments and Register; Robustness of controls in place; Preventions data from the Third-Party Provider, Human interventions in place and progress on the Cyber Treatment Plan.

In November 2023, the Audit Committee members attended a further informal briefing which provided an update on the second quarter revenue and capital monitoring performance by each service directorate.

Also in November 2023, the Audit Committee members attended a virtual training session carried out by the West of England Mayoral 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 December 2023, the Audit Committee members were invited to attend an in-person member development session on Mayoral Combined Authority Scrutiny with the Overview and Scrutiny Committee led by The Centre for Governance and Scrutiny. The aim was to better understand the impact of important changes in national guidance on the way that scrutiny is carried out at the Mayoral Combined Authority. The session covered the following:

- The overall role and remit of Mayoral combined authority scrutiny committees.
- The distinction between the role of scrutiny and the work of Audit, the work of constituent authorities' scrutiny committees, and the work of other formal bodies.
- Access to, and use of, information by scrutiny in a combined authority context.
- Ways of working: transacting business in committee, compared to doing so in task and finish groups.
- Work programming: identifying priorities and using the right mechanisms to deliver work of value.

In January 2024, the Audit Committee attended and participated in an Informal Briefing on Demand Response Transport. The Transport Team focussed on the challenges and constraints, the financial position and lessons learnt.

In the same month, the Audit Committee attended a joint informal review and challenge session with the Overview and Scrutiny Committee on the 2024/25 Budget and Medium-Term Financial Strategy. The session covered the following:

- Principles of the Budget
- Strategic Objectives
- Budget Development
- Overall Position for 2024/25 and the Medium-Term Financial Strategy
- Staffing
- Transport Levy

- Building General Reserves
- Revenue Funding Summary
- Capital Summary
- Full Funding Analysis
- Budgetary Risks 2024/25 and MTF5
- LEP Budget – Key Messages

In February 2024, the Audit Committee members attended an informal briefing which provided an update on the third quarter revenue and capital monitoring performance by each service directorate.

In the same month, the Audit Committee attended a session led by the Director of Environment on the Climate Risk Register. The session focussed on the additional requests identified by the Committee at the meeting in September 2023.

**Appendix 4: Audit Committee Annual Review of Effectiveness – Action Plan
(February 2024)**

Area of Improvement	Action(s) Required
<p>1) Terms of Reference –</p> <p>The TOR was redrafted during 2023/24 since the existing TOR are those set out in the original Constitution which are very limited.</p> <p>The committee’s redrafted TOR should be reviewed to ensure that they include:</p> <ul style="list-style-type: none"> - CIPFA Guidance that Committee - Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics, and managing the authority’s exposure to the risks of fraud and corruption. - CIPFA Guidance that Committee - Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control. - CIPFA Guidance that Committee - Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review, and accountability. - CIPFA Guidance that Committee - be able to meet privately and separately with the external auditor and with the head of internal audit. - CIPFA Guidance that Committee - have the right to call on any other officers or agencies of the authority as required. <p>The work of the Committee has however broadly followed expected norms in terms of core priorities identified in CIPFA’s Position Statement.</p>	<p style="text-align: center;">Summary</p> <ol style="list-style-type: none"> 1) Review the redrafted TOR to ensure that CIPFA guidance has been fully considered. 2) Recommend to MCA Committee for endorsement and adoption by MCA. 3) Ensure Constitution is updated to reflect new TOR. <p style="text-align: center;">Target Date for Completion – Summer 2024</p>

<p>2) Understanding the role and purpose of the Audit Committee –</p> <p>Confirmation has not been sought from those charged with governance and in leadership roles that they understand the role and purpose of the committee.</p>	<p>Summary</p> <p>Include as an Annual Governance question(s) to senior officers and all members of the MCA Committee.</p> <p>Target Date for Completion – Summer 2024</p>
<p>3) Annual Report –</p> <p>The Audit Committee is in the process of preparing its second annual report and this will be reported to the MCA Committee.</p> <p>As identified in Issue 1) the TOR are not currently adequate and do not include any requirement to report to MCA’s Executive on an annual basis.</p>	<p>Summary –</p> <ol style="list-style-type: none"> 1) The second Annual Report summarising the work of the Committee during 2023/24 will be reported in due course. 2) Ensure this review of effectiveness is included within the Annual Report. 3) Present at Audit Committee for recommendation to MCA Committee. <p>Target Date for Completion – Summer 2024</p>
<p>4) Size and Composition of the Committee –</p> <p>Currently the size and composition of the Committee exceeds best practice of 6-8.</p> <p>The Committee is limited by the political proportionality rules set out within the Constitution. The need for proportionality politically and from the constituent authorities means that a smaller committee would be inappropriate.</p> <p>It is not considered that this has impacted on the Committee’s effectiveness.</p>	<p>Summary –</p> <ol style="list-style-type: none"> 1) Keep the size of the Committee under review within any constitutional review <p>Target Date for Completion – Ongoing</p>
<p>5) Independent Co-opted Members –</p> <p>Currently the Committee has only one independent co-opted member, CIPFA recommend consideration of 2 independent members.</p> <p>The Audit Committee are in the process of adding at least one further independent member.</p>	<p>Summary –</p> <ol style="list-style-type: none"> 1) A second independent member will be in place soon with a possible third. <p>Target Date for Completion – Spring 2024</p>

<p>6) Skills & Needs Analysis –</p> <p>Currently the Committee has not carried out an evaluation of knowledge, skills and training needs of the Chair & Committee.</p> <p>This is recommended to assist in understanding where there are gaps in skills or knowledge of the Committee and to support the Chair of the Committee.</p>	<p>Summary –</p> <ol style="list-style-type: none">1) Compile a data base of member skills, qualifications and interests in matters relating to the role of the Audit Committee.2) Carry out a knowledge, skills and training needs exercise once the local elections are completed and any revisions to the Committee’s membership are finalised. <p>Target Date for Completion – Autumn 2024</p>
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