

Appendix 1 - Audit and Standards Committee



Meeting: Audit & Standards Committee

Subject: Minutes

Date: Friday 21 October 2016

Present:

Councillor Craig Collingswood (Vice-Chair)	City of Wolverhampton Council
Councillor Sucha Bains	Coventry City Council
Councillor Tristan Chatfield	Birmingham City Council
Councillor Rachel Harris	Dudley Metropolitan Borough Council
Councillor John Haynes	Nuneaton & Bedworth Borough Council
Councillor Angela Sandison	Solihull Metropolitan Borough Council

In Attendance:

James Aspinall	Director of Corporate Services, West Midlands Combined Authority
Paul Beckley	Head of ICT
Amanda MacDonald	Client Lead Auditor, City of Wolverhampton Council
Linda Downes	Audit & Governance Manager, Nuneaton & Bedworth Borough Council
Peter Farrow	Head of Audit (Shared), City of Wolverhampton Council & Sandwell Metropolitan Borough Council
David Lane	Independent Member
Lorraine Quibell	Corporate Risk & Business Assurance Specialist, West Midlands Combined Authority
Joti Sharma	Corporate Assurance Manager, West Midlands Combined Authority
Nichola Vine	Head of Governance and Chief Audit Executive, West Midlands Combined Authority

Apologies were received from Councillors Kerrie Carmichael, Keith Chambers, John Fisher, Rob Sloan, Mr Sean Farnell and Mr Tom Westley.

14/16 Minutes of the Audit & Standards Committee held on 8 July 2016

The minutes of the meeting held on 8 July 2016 were agreed, and signed by the Vice-Chair as a correct record.

15/16 Matters Arising**(a) Review of Terms of Reference**

The committee considered a report of the Director of Corporate Services on the revised Terms of Reference as discussed and agreed at the last meeting.

The Head of Governance and Chief Audit Executive added that the constitution would be amended to include the revised Terms of Reference for the Committee.

Recommended that the revised Terms of reference for Audit & Standards Committee 2016/17, which reflected the CIPFA best practice for an audit committee and clarified the committee's role in respect of its 'standards' responsibilities be approved.

(b) Internal Audit Charter

The committee considered a report of the Director of Corporate Services on the West Midlands Combined Authority Internal Audit Charter.

Resolved that the report be noted.

16/16 WMCA Strategic Risk Strategy and Risk Report

The committee considered a report of the Director of Corporate Services on the elected member responsibility of providing oversight of risk management within the West Midlands Combined Authority.

The strategic risk management strategy outlined the Authority's approach to risk which was based upon a number of key principles relating to business plans and objectives; being risk aware, not risk averse; to be preventative rather than reactive, provide a consistent approach to risk management and mitigation; and for all employees to take responsibility for the effective management of risk.

The Corporate Risk and Business Assurance Specialist reported that 14 key risks had been identified on the Strategic Risk Register, and of these, four were medium risks. There were currently no risks that were recorded as high risks. The four risks with a medium rating related to 'stakeholder and political relations', 'resources', 'financial' and 'information security'. Mitigations were in place for these four risks, which were continually being monitored and reviewed.

The Corporate Risk and Business Assurance Specialist explained that the financial risks associated with 'contracting' was currently sitting within the lower level operational risk, but this could be escalated to a higher level if the committee wished to do so.

Councillor Craig Collingswood indicated that he would welcome the 'movement' in risk scores to be submitted to future meetings of the committee. The Corporate Risk and Business Assurance Specialist explained that this request would be reflected in future reports to the committee.

Resolved that:

- (1) the Corporate Strategy be adopted and presented to the West Midlands Combined Authority Board for approval; and
- (2) the contents of the Strategic Risk Register be noted.

17/16 Update on the Appointment of Independent Chair

The Director of Corporate Services provided an update on the appointment of an Independent Chair for the Audit & Standards Committee.

The Director of Corporate Services welcomed David Lane to the meeting, and explained that three applications were received for the position. The interview panel's decision was that David Lane should be appointed for a four year term. In recent years his roles had included, Interim Programme Director - DEFRA/Rural Payments Agency, Chief Executive and Transition Director - NHS Purchasing and Supplies Agency, and Director of Operational Risk – BBC.

Resolved that the proposal to be presented to the WMCA on 28 October 2016, to appoint David Lane as Chair of the Combined Authority's Audit and Standards Committee for a four year period, be endorsed.

18/16 Overview of Governance/Assurance Arrangements Quarterly Summary

The committee considered a report of the Director of Corporate Services that summarised the current Corporate Governance and Assurance arrangements, and assurance activities that had been undertaken since the last meeting.

The Head of Governance and Chief Audit Executive provided an overview of the work undertaken in respect of information governance, data protection and information security. A significant amount of work was currently being undertaken in terms of data and mapping, with specific regard to the new data protection regulation that was due to be introduced early 2018.

The Internal Audit and Assurance Plan for 2016/17 was published at the beginning of the year and the Corporate Assurance Manager agreed to present this information to future meetings of the committee. It was reported that Appendix A of the report (*the internal governance structure which was approved by WMCA Management Board in August 2016*) would be circulated to the committee for information, as this was accidentally omitted from the papers.

Resolved that:

- (1) the updated WMCA internal governance and assurance arrangements be noted; and
- (2) the assurance reviews and activities that had been undertaken in the last quarter be noted.

19/16 Internal Audit - Follow Up Report

The committee considered a report of the Internal Auditor on the progress made to date regarding the recommendations made in the internal audit reviews that were completed in 2015/16.

The Internal Auditor provided an overview of the recommendations and audit ratings provided to each of the reviews as follows:

- National Fraud initiative: Governance Review - adequate audit rating
- Subsidised Bus Services - adequate audit rating
- Real Time Information - satisfactory audit rating
- Concessionary Travel - satisfactory audit rating

Resolved that the progress made to date regarding the agreed recommendations made in the internal audit reviews that were completed in 2015/16 be noted.

20/16 Internal Audit Report - Counter Fraud Review 2016/17

The committee considered a report of the Internal Auditor on the Counter Fraud Arrangements audit review that was undertaken as part of the approved internal audit plan for 2016/17. The review was undertaken to assess whether the Combined Authority's approach to countering fraud was in line with best practice.

The Internal Auditor explained that a satisfactory rating had been awarded, which reflected the progress achieved in the short period of time since the West Midlands Combined Authority was formed.

The Head of Governance and Chief Audit Executive added that the anti-fraud & corruption and whistleblowing policies were included within the Combined Authority's constitution, and she assured the committee that the appropriate systems would be re-evaluated as the Authority developed. A report would be submitted to the next meeting concerning the whistleblowing policy and how a case of suspected fraud would be considered by the committee.

Councillor Craig Collingswood enquired about the internal audits that would be considered at the next meeting. The findings of two audit reviews would be presented to the next meeting of the committee relating to Key Financial Systems and Recruitment and Retention Procedures.

Resolved that:

- (1) the contents of the report be noted; and
- (2) a report on the Combined Authority's whistleblowing policy, which also identified how a case of suspected fraud would be considered by the committee, be presented to the next meeting.

21/16 Finance and Budget Update

The committee considered a report of the Director of Corporate Services on the West Midlands Combined Authority's financial position as at the end of August.

The Director of Corporate Services reported that the budget for 2017/18 comprised of three aspects: Transport for West Midlands, West Midlands Combined Authority and Mayoral requirements. In respect of the Mayoral elections, no provision had been made for this within member authorities' financial plans, and discussions were on-going concerning the Mayoral budget.

Councillor Rachel Harris stressed the value of this committee working closely with the Overview & Scrutiny Committee as part of measures to demonstrate public accountability and assurance for the mayoral role.

Councillor Craig Collingswood enquired about a training session in respect of the financial information. The Director of Corporate Services agreed to provide a brief training session at the next meeting.

Resolved that:

- (1) the current financial position to the end of August, and the future financial implications that would be incorporated into the 2017/18 budget and medium term plan be noted; and
- (2) a brief training session in respect of the financial information to be provided at the next meeting.

22/16 Any Other Business**(a) Appointment of External Auditors**

The Director of Corporate Services confirmed that the National Audit Appointment Committee had appointed Grant Thornton as the Combined Authority's external auditors, and agreed to invite a representative from Grant Thornton to attend future meetings of the committee.

(b) Audit Committee Forum - 21 November 2016

Grant Thornton in partnership with the City of Wolverhampton Council were holding an event in Wolverhampton on 21 November which would focus on key themes for Audit Committees and their governance responsibilities. Councillor Craig Collingswood encouraged members to attend this networking opportunity.

23/16 Exclusion of the Public

Resolved that, under section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business, on the grounds that the item involved the likely disclosure of exempt information as defined in Schedule 12A of the Act, in particular those paragraphs of Part 1 of the Schedule, as indicated below:

Minute No.	Description Item	Relevant Paragraphs of Part 1 of Schedule 12A
24/16	Cyber Security Update	7

24/16 Cyber Security Update

The committee received a presentation from the Head of ICT on the progress made on the actions arising from the Combined Authority's internal audit report on cyber security.

Councillor Tristan Chatfield enquired about the measures undertaken to prevent individual members of staff 'leaking' information. The Head of ICT reported on the policies and systems that had been introduced within the organisation to prevent this including, an encryption on all media devices and a data limit on the email system.

The committee requested a further report on cyber security and completed actions following cyber security investigations.

Resolved that:

- (1) the presentation and report on cyber security be noted; and
- (2) an update on the completed actions relating to Cyber security be submitted to the next meeting.

[The meeting ended at 11.21am]

CHAIR