

WEST MIDLANDS REGIONAL ASSEMBLY

Assembly Board of Directors
3 December 2008

Notes of Finance and Audit Committee held on 13 February 2008

Present:

Dr Sarindar Singh Sahota – Chair
Elizabeth Newman – Other Stakeholders Group
Roger Stone – Business Sector
Cllr Rex Roberts – Local Authority

The meeting was confirmed as being quorate.

In attendance

Olwen Dutton (Chief Executive)
Sharon Phillips (Head of Financial and Business Services)
Sian Clark (Head of Partnership Support)

The Finance & Audit Committee joined the WMLGA Resources Panel and Internal Auditor Rebecca Neil, to jointly receive a report on Internal Audit.

Internal Audit

Cllr David S Smith was in the chair for this item:

Consideration was given to the five internal audit reports which had been undertaken between September 2007 and January 2008. The internal auditor advised Members that a sixth internal audit inspection had recently been undertaken which had focussed on West Midlands in Europe, the report for which was in draft and would be considered at a future meeting.

Each internal audit report was introduced by the internal auditor who advised Members that audit inspections were based on guidance issued by CIPFA and SOLACE. The internal auditor provided Members with the overall audit opinion (as noted below) and advised of the identification of some areas for improvement.

- (i) Corporate Governance – Significant Assurance
- (ii) Performance Management – Significant Assurance
- (iii) Payroll – Significant Assurance
- (iv) Nominal Ledger and Central Accounting – Full Assurance
- (v) Management Information and Budgetary Control – Full Assurance

In discussion the internal auditor clarified to Members that in relation to 'significant assurance' that on balance a sound process system existed, however to achieve full assurance the recommendations as outlined in the action plan would need to be undertaken.

Payroll

There was recognition by the auditor that on balance the area for most improvement would be in regard to the Payroll audit to ensure the consistent implementation of existing processes. The Head of Business and Financial Services advised Members that enhanced staff resource had been made available to the internal HR team in the last year to strengthen capacity.

Management Information and Budgetary Control

In response to a question posed, the Head of Business and Financial Services advised Members that budget holders, through the Finance Team, have access to information relating to their budget line, for which they are accountable. A new process will supplement the availability of budgetary data, with a monthly update provided on the internal computer network. Information had always been available to budget holders on an as and when basis, and there was minimal risk of budget holders exceeding their allocation due to the controls set by the organisation and implemented through the Finance Team.

Members of both the Resources Panel and the WMRA Finance and Audit Committee noted the content of the five internal audit reports and thanked the internal auditor and the staff in the Secretariat for their work.

Future of Internal Audit

In the presence of the Internal Auditor, the Head of Business and Financial Services outlined the proposal for both WMLGA and WMRA to suspend future internal audit inspections.

The rationale for the proposal differed for both organisations as follows:

- *WMRA*

Significant budget cuts had been sought following guidance from Government that the Budget allocation of 2008/09 would require a 6.7% cut on 2007/08, together with Government's view that the budget should be spent on undertaking Regional Assembly core activities.

- *WMLGA*

A review of WMLGA had been commenced which would consider the future of the organisation together with impact of changes following on from SNR, therefore to progress the planned reviews on Partnership Arrangements and Strategic Planning would be of little value. It was proposed that the WMLGA temporarily suspend internal audit activities for one year.

Members of both Committees **agreed**:

- (a) that it would not be helpful to progress internal audit reviews in a year of significant change and were reassured that those internal audits carried out to date had achieved solid outcomes;
- (b) that in view of (a) the Internal Audit Plan would be put on hold for one year to enable changes arising from SNR to be implemented;
- (c) to call upon the internal auditor via the existing contract which remains in place, for any specific areas of concern that may emerge.

The WMRA FAC noted that due to budgetary cuts, the WMRA would not be in a position to fund any future internal audit inspections.

The WMLGA Resources Panel noted that the internal audit plan would be review and recommenced in 2009-10 to ensure that new processes and practices are robust and fit for purpose.

In line with good practice, all WMLGA Officers in attendance then left the room to enable both Committees to consult the internal auditor in private.

Following this item the members of the WMLGA Resources Panel left and the Assembly FAC meeting commenced with Dr Sahota in the Chair.

1. Apologies and Declarations of Interest

Apologies had been received from Cllr Jo Jones.

Elizabeth Newman advised Members that the Other Stakeholders Group were currently considering their vacant position on the Committee and a nomination would be provided via the OSG Secretariat.

2. Notes of the Finance & Audit Committee meeting held 8 July 2008

The notes of the Finance & Audit Committee meeting held on 18 July 2007 had been **agreed** via electronic process prior to the meeting and were **reconfirmed** as a true record.

3. Draft Assembly Budget 2008-09

The Committee were advised of the Draft Budget for 2008-09 which had been submitted to Government Office and of the overall approach in developing the budget and business plan following receipt of the CLG guidance.

The Chief Executive stated that representations would be submitted collectively through the English Regions Network and individually by the WMRA to Government about the inappropriate timetable, the unacceptable way that the 'wind down' is being handled and the impact of proposed funding cuts on our ability to meet our statutory obligations. The view was expressed that the Assembly had been treated shoddily.

The budget for 2008-09 will be cut by 6.7% and the funds must be focused on the 'core functions' of planning, transport and housing, and then scrutiny if there is sufficient budget left. Scrutiny is still a statutory responsibility of the Assembly, but does not appear to be being given any priority by CLG.

The Chief Executive confirmed that Appendix B outlined the draft budget put to GOWM which was what we believed was essential funding for the Assembly to carry out its core functions. However there was every likelihood that CLG would look for further reductions, and this would leave us no option but to cut core function budgets.

Additionally, Members were made aware that the CLG guidance suggested a return to quarterly reporting for 2008-09. It was the view of all that this form of micro management would be particularly unhelpful and could impact on overall resources and cash flows, and could be compounded by the fact that CLG did not settle the October bid until 24 December; three months into the period.

The Chief Executive advised the Committee that the Assembly had contractual commitments to staff and no cuts would be made on the staffing budget, however Members were assured that as posts became vacant consideration was being given to recruiting via secondments or fixed term contracts.

The Panel were also advised of officers concerns over indications from CLG that any redundancies would be on the minimum statutory basis. The terms and conditions of employment for Assembly staff provides for an enhanced redundancy package, and whilst we hope that this we will not be faced with redundancy situations we should be making it clear to CLG, perhaps via ERN, that employers will be obliged to follow their contractual commitments. So far there is no clear advice on this or how such costs would be met, we suspect they would have to come from the standard funding provision, but all Assemblies will require further guidance on this.

The Committee expressed concerns regarding the transfer of staff from the Assembly to AWM and stated that past experience of the transfer of responsibility did not automatically provide for the transference of staff, however strong the undertaking.

The Committee endorsed the overall approach to drafting the budget as outlined in the report. They also noted that a review meeting will be held with Government Office on 21 February and feedback will be shared at a special meeting of the Board to discuss the Draft Business Plan and Budget on 22 February 2008.

The Committee wholeheartedly supported the Chief Executive in the views expressed and requested that CLG be advised of the WMRA's deep dissatisfaction with the manner in which the process has been approached.

Roger Stone left following the discussion and advised the Chair of his contentment with the recommendations of the remainder of the reports.

4. CEO Report on General Issues

The Committee was provided with an update on general issues provided by the Chief Executive.

Members **agreed** to;

- (i) **note** the details of the CEO Report
- (ii) **approve** the cessation of any further internal audit work for the Assembly
- (iii) **approve** a two year extension to the existing Insurance contract with Zurich Municipal to 31 March 2010.

(iv) **recommend** to the Board a resolution that any Member who had not returned their Declaration of Interest forms by the end of April 2008, be in non-compliance with company requirements and as such their membership to the Assembly would be terminated until documents were filed. It was also agreed that the Vice Chairs be provided with a list of individuals from their sectoral group who had not returned their forms.

5. Corporate Governance Action Plan

The Corporate Governance Action Plan was **received** for information.

6. AOB

There were none

7. Date of Future Meetings

It was **agreed** that the next meeting would be held on 4th June 2008 at the RPC starting at 12.30pm.