

**MINUTES OF THE MEETING OF THE
GOVERNANCE AND AUDIT COMMITTEE
HELD ON TUESDAY, 28 NOVEMBER 2017 AT COMMITTEE ROOM B,
WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS**

Present:

Roger Marsh OBE (Chair)
Councillor Andrew Carter CBE
Andy Clayton
Councillor Tim Swift
Councillor Shabir Pandor

Leeds City Region Enterprise Partnership
Leeds City Council
Department for Work and Pensions
Calderdale Council
Kirklees Council

In attendance:

Ben Still
Angela Taylor
Russell Gott
Jonathan Sheard
Ruth Chaplin

WYCA
WYCA
WYCA
WYCA
WYCA

14. Apologies for Absence

Apologies for absence were received from Councillor David Sheard and Mark Kirkham, Mazars.

15. Declarations of Disclosable Pecuniary Interests

There were no pecuniary interests declared by members at the meeting.

16. Exclusion of the Press and Public

There were no items on the agenda requiring exclusion of the press and public.

17. Minutes of the Meeting of the Governance and Audit Committee held on 6 April 2017 and 3 August 2017

Resolved: That the minutes of the meetings held on 6 April 2017 and 3 August 2017 be approved.

18. Appointment of Deputy Chair

The Committee considered a report on the appointment of a Deputy Chair to the Governance & Audit Committee.

Resolved: That Andy Clayton be appointed as Deputy Chair of the Governance & Audit Committee for the municipal year 2017/18.

19. Terms of Reference and Forward Plan of Work

The Committee considered a report which set out the terms of reference for the Governance & Audit Committee and the programme of work for 2017/18.

It was agreed that the Committee would meet quarterly and Mazars, the external auditors for the Authority would be invited to attend. Members discussed the proposed forward plan of work for the coming year and requested the following items be added:

- Treasury Management to be a standing item on the agenda and invite Leeds City Council officers to the next meeting.
- Risk Register to be a standing item on the agenda.
- Oxford GB2 Loan
- Written Off Debt
- General Data Protection Regulations (GDPR) Update
- Assurance Framework Update

An updated Forward Plan would be brought to the next meeting. Other items will be brought as and when they occur and also any issues arising in connection with the Members' Code of Conduct would also be referred to the Committee.

Resolved: That the work programme for 2017/18 be noted.

20. Internal Audit Progress Report

The Committee considered a report on the work undertaken by the Internal Audit Section.

Members discussed the dashboard table attached at Appendix 1 to the submitted report which provided details of activities undertaken by the Internal Audit Section in the period 1 July 2017 to 1 September 2017 and the overview of internal audits performed in the period 1 April 2017 to 30 June 2017 which was attached at Appendix 2. These provided information on the delivery of the 2017/18 Audit Plan, audit opinions on completed reviews, summaries of any significant issues identified and the status of high priority recommendations which have not been implemented. It was proposed that a schedule confirming Internal Audit's satisfaction with follow up reviews would be prepared for future meetings.

It was reported that the review of HR Data Protection compliance had been conducted in response to a management request and resourced through the audit plan contingency allowance. The overall conclusion was that it was poorly controlled and details of the primary recommendations were outlined in the submitted report. A formal follow up review would be undertaken and an update provided at the next meeting. It was agreed that the Chair would be notified in the interim should any issues be identified.

Resolved: That the report be noted.

21. Internal Audit Mid-Year Review

The Committee considered a report on the outcome of a mid-year review of the Internal Audit Plan 2017/18 and progress made by WYCA in addressing key control weaknesses identified as a result of audit work undertaken.

Members discussed the progress made in completing reviews within the Plan, the current Internal Audit resourcing issues and the forecast of the level of the assurance which can be provided to WYCA in 2017/18. It was noted that a number of audit assignments in 2016/17 had resulted in an audit opinion of “requires improvement” and the Committee discussed the progress made in implementing measures to mitigate the matters.

Resolved:

- (i) That the level of resource required to complete the Audit Plan in 2017/18 be noted.
- (ii) That the risks associated with weaknesses identified in section 2.12 of the submitted report be noted and that WYCA’s management be required to complete measures to mitigate these matters.

22. External Audit Report

The Committee considered a report which set out information on external audit matters.

It was reported that the Public Sector Audit Appointments Ltd (PSSA) had completed the major procurement process to identify the firms which will carry out audits under contract to PSAA and Mazars have been reappointed for the five year period starting 2018/19.

Members were advised that the PSAA were to undertake a consultation process in the near future which would lead to the approval of fee scales for audits of the 2018/19 accounts. Following the procurement process to identify the firms to carry out audits under contract, PSAA estimate that a fee reduction in the order of 18% could be achieved. An update would be provided to a future meeting.

Resolved: That the reappointment of Mazars for the five year period starting 2018/19 be noted.

23. Internal Controls & Financial Monitoring

The Committee considered a report which provided information on the operation of, and changes to, internal controls since the last meeting and also on the current financial position.

Internal Control Environment

It was reported that key controls within the Finance, Concessions and Integrated Ticketing teams were operating correctly and monthly reconciliations were up to date. Regular governance meetings continued to be held with Leeds City Council (LCC) who carry out many of the day to day operations under a Service Level Agreement. Members were advised that the indicator relating to proportion of fixed term debt remained out of tolerance due to high cash balances and low short term borrowing. However the reasons for this were understood and no corrective action was required.

Financial Monitoring

Members noted that the closing position for the annual accounts for 2016/17 was a lower than forecast use of reserves and work had now commenced on business and budget planning for 2018/19. It was reported that there are significant challenges in closing the funding gap in 2018/19 and work would continue over the autumn to enable a balanced budget to be set at the WYCA meeting on 1 February 2018. A copy of the WYCA report would be provided at the next meeting.

In respect of capital budgets, it was noted that progress was monitored through the Investment Committee and recent reports show expenditure to be on course to achieve targets.

Resolved: That the report be noted.

24. Draft Risk Management Strategy

The Committee considered a report which provided an update on the work that is underway to review and enhance existing management arrangements for WYCA, in order that members of the Governance & Audit Committee can provide input to this.

Members discussed the work being undertaken to review and update WYCA's existing risk management arrangements and the draft Risk Management Strategy which was attached at Appendix 1. The levels of risk appetite set out in section 5 of the strategy were considered. The following suggestions were made:

- Risk arrangements should be updated to include programme/project management, in particular with regard to contractual responsibilities and how

- this operates within WYCA and at Districts for projects funded by WYCA.
- The corporate risk register should provide information/links to risk appetite.
 - There should be a clearer link through from internal audit reports planned for 2018/19 to the corporate objectives and areas of risk in the corporate risk register.
 - WYCA and LEP Board members should be briefed on risk management.
 - GDPR should appear in the risk register as a separate item.

It was reported that detailed discussions had been held with each Directorate to determine their business objectives and business requirements for 2018/19. Consideration had also been given to key and emerging risks raised through this process which have a corporate implication and are included in the Corporate Risk Register which was attached at Appendix 2.

Members noted the progress and actions to date in preparing for the forthcoming introduction of the General Data Protection Regulations (GDPR) in May 2018. It was noted that an Information Governance (IG) Officer had been appointed to ensure the organisation was compliant with current and future regulations and a new and revised suite of IG policies had been published. It was agreed that an update would be provided at the next meeting.

It was agreed that a report would be prepared for the WYCA meeting to be held in April 2018 on behalf of the Committee to share information around risk.

Resolved:

- (i) That the draft Risk Management Strategy be noted.
- (ii) That the summary of corporate risks outlined in Appendix 2 of the submitted report be noted.