

**MINUTES OF THE MEETING OF THE
GOVERNANCE AND AUDIT COMMITTEE
HELD ON MONDAY, 30 JULY 2018 AT COMMITTEE ROOM A,
WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS**

Present:

Andy Clayton (Chair)
Councillor David Hall
Councillor Susan Hinchcliffe
Councillor Barry Collins (Substitute)

Department for Work and Pensions
Kirklees Council
Bradford Council (from minute 9)
Calderdale Council (to minute 7)

In attendance:

Mark Kirkham
Mark Dalton
Angela Taylor
Russell Gott
Ruth Chaplin

Mazars Auditors
Mazars Auditors
West Yorkshire Combined Authority
West Yorkshire Combined Authority
West Yorkshire Combined Authority

1. Apologies for Absence

Apologies for absence were received from Councillors S Pandor and T Swift.

2. Declarations of Disclosable Pecuniary Interests

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

3. Exclusion of the Press and Public

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

4. Minutes of the Meeting of the Governance and Audit Committee held on 29 March 2018

Resolved: That the minutes of the meeting held on 29 March 2018 be approved.

5. Annual Accounts 2017/18

The Committee considered the Annual Accounts for 2017/18 for the West Yorkshire Combined Authority (Combined Authority).

It was reported that the Combined Authority's external auditors, Mazars, have completed their audit work on the Annual Accounts 2017/18 which were attached at Appendix 1.

Members considered the information and Mark Dalton of Mazars provided an overview of the work involved in their audit of accounts, together with a summary of the key findings. The Committee was advised that they would be issuing an unqualified audit opinion on the financial statements and on the value for money conclusion.

The Committee considered the Treasury Management Statement at Appendix 2 of the report and noted that there were no changes proposed to the treasury management arrangements at this stage.

Mazars' conclusions were set out in the Audit Completion Report which was attached at Appendix 3 and it was noted that they would issue an audit completion notice by 31 July 2018.

Resolved:

- (i) That the Treasury Management Statement in Appendix 2 be recommended for approval.
- (ii) That Mazars' audit completion report be noted.
- (iii) That the annual accounts for the year ended 31 March 2018 be approved.

6. Appointment of Deputy Chair

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

Members agreed not to appoint a Deputy Chair of the Governance and Audit Committee as this was not a statutory requirement. It was considered that the Committee would elect a member to chair a meeting should the need arise.

Resolved: That no appointment be made to the position of Deputy Chair of the Governance and Audit Committee for the municipal year 2018/19.

Councillor Collins left and the meeting was inquorate for the following two items which were noted.

7. Terms of Reference and Forward Plan of Work 2018-19

The Committee noted a report which set out the terms of reference for the Governance and Audit Committee and the programme of work for 2018/19.

The Committee would meet quarterly and Mazars, the external auditors for the Combined Authority, would be invited to attend. The proposed forward

plan of work for the coming year was noted and other items will be brought as and when they occur and any issues arising in connection with the Members' Code of Conduct would also be referred to the Committee.

8. Annual Report on Complaints and Concerns About the LEP

The Committee noted an annual report in respect of any complaints and concerns raised about the Leeds City Region Local Enterprise Partnership (the LEP) and/or members of the LEP Board.

The report provided details of how members of the public or a third party could report concerns about the LEP and it was noted that the Monitoring Officer had not received any complaints about the LEP or any member of the LEP Board received over the last municipal year.

Councillor Hinchcliffe was in attendance from the following item and the meeting was now quorate.

9. Annual Internal Audit Report and Opinion

The Committee considered a report in respect of the annual Internal Audit report and opinion of the risk management, governance and control environment in operation during 2017/18.

Members discussed the Internal Audit Annual Report and Opinion 2017/18 which was attached at Appendix 1. It was noted that the annual report had been produced in accordance with auditing standards and the opinion for the Combined Authority is that the framework of governance and control had operated adequately. The report highlighted that some residual work was required on risk management and this was considered under a separate item on the agenda.

In noting the Audit Plan 2017/18, it was suggested that it would be useful to have commentary to accompany the 'Direction of Travel' column and for a comparison of internal audits at other Combined Authorities in respect of good/bad practice, capacity and capability to be provided at a future meeting.

It was reported that General Data Protection Regulation (GDPR) had been considered by the Combined Authority on 10 May 2018 and an update would be provided at the next meeting.

Resolved: That the contents of the annual Internal Audit report & opinion be noted.

10. Internal Audit Progress Report

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

Members discussed the three reviews where a 'requires improvement' opinion was provided and also the overdue outstanding audit actions which

were detailed in the submitted report. They asked that timescales for completion of future audit recommendations should, if possible, be within six months of issuing the report. If these timescales are not met in respect of high priority recommendations then officers responsible for the implementation of these actions will be requested to provide the reasons to the Governance and Audit Committee.

Information relating to work currently underway in respect of the 2018/19 Strategic Audit Plan was provided in the dashboard attached at Appendix 1 and it was suggested that this could be presented as a pie chart/graph in future reports.

Resolved: That the report be noted.

11. Review of Internal Control and Effectiveness of Internal Audit

The Committee considered a report on the outcome of a review of internal control and the effectiveness of internal audit.

It was reported that the Director, Resources has undertaken a review of internal audit, using the Public Sector Internal Audit Standards (PSIAS) checklist and the information in the Internal Audit annual report which sets out the work undertaken in the year. The overall conclusion is that the internal audit function complies with the necessary standards and has worked to an adequate standard during the year.

Resolved: That the outcome of the review of internal control and of the effectiveness of internal audit be approved.

12. Delivery of the Internal Audit Function

The Committee considered a report on the delivery of the internal audit function which provided information concerning a soft market testing exercise conducted for the provision of internal audit to the Combined Authority.

It was reported that following discussions at the last meeting, work had been undertaken to identify a preferred model for the future delivery of the internal audit function. Members noted the outcome of the exercise and discussed the detail of the proposed model which was outlined in the submitted report. Further information was requested in respect of costs and role profiles and this would be shared with members via email, with a report on the final structure to be brought to the next meeting.

Resolved:

- (i) That the outcomes of the market testing exercise be noted.
- (ii) That work be progressed on the preferred model and a report on the final structure be brought to the next meeting.

13. Internal Controls and Financial Monitoring

The Committee considered a report which set out any changes to the arrangements for internal control in the West Yorkshire Combined Authority and provided information on the current financial position.

It was reported that there had been no significant changes to internal controls in the period and monthly reconciliations were up to date. Members were advised that there had been two reportable (RIDDOR) accidents since the last meeting and these were detailed in the submitted report. No further actions were identified as arising from this.

In respect of financial monitoring, summaries of the final outturn for 2017/18 and the budget for 2018/19 were attached at Appendices 1 and 2.

Resolved: That the report be noted.

14. Risk Management Update

The Committee considered a report which:

- Provided an update on corporate risk management issues and on progress against the internal audit recommendations.
- Sought approval of the updated Corporate Risk Management Strategy.

It was noted that work had been undertaken to update the Corporate Risk Management Strategy and also to address the recommendations made by the Internal Audit review into risk management arrangements.

The current risk appetite statement was noted and the Committee discussed and endorsed the final draft of the Corporate Risk Management Strategy which was attached at Appendix 1 to the submitted report. The strategy would be formally agreed by the Leadership Team and rolled out across the organisation. It was reported that the strategy and corporate risk register, which was attached at Appendix 2, would be monitored by the existing officer Audit and Risk Management Group which was being revised as part of the overall set of governance arrangements to have more responsibility for the development and operation of a risk management system. Updates would continue to be provided to the Committee with a focus on reporting by exception, and as part of the corporate performance report presented at each meeting of the Combined Authority.

Resolved:

- (i) That the Corporate Risk Management Strategy be endorsed.
- (ii) That the current corporate risk register be noted.