

**MINUTES OF THE MEETING OF THE
GOVERNANCE AND AUDIT COMMITTEE
HELD ON THURSDAY, 21 MARCH 2019 AT COMMITTEE ROOM B,
WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS**

Present:

Councillor Susan Hinchcliffe	Bradford Council
Councillor Shabir Pandor	Kirklees Council
Councillor Barry Collins (Substitute)	Calderdale Council

In attendance:

Mark Kirkham	Mazars Auditors
Mark Dalton	Mazars Auditors
Angela Taylor	West Yorkshire Combined Authority
Russell Gott	West Yorkshire Combined Authority
Jonathan Sheard	West Yorkshire Combined Authority
Dave Haskins	West Yorkshire Combined Authority
Ben Kearns	West Yorkshire Combined Authority

37. Apologies for Absence

Apologies for absence were received from Andy Clayton, Councillor Hall and Councillor Swift.

It was agreed that Councillor Hinchliffe would take the Chair.

Councillor Hinchliffe noted that it was Councillor Collins' last meeting of the Governance and Audit Committee as he was standing down as a Councillor in My. Members wished to thank him for all his hard work over the years as well as his contribution to the Committee.

38. Declarations of Disclosable Pecuniary Interests

There were no declarations of disclosable pecuniary interests made by members at the meeting.

39. Exclusion of the Press and Public

There were no items requiring the exclusion of the press or public.

40. Minutes of the Meeting of the Governance and Audit Committee held on

17 January

Resolved: That the minutes of the Governance and Audit Committee held on the 17 January be approved.

41. External Audit Progress Report

The Committee considered a report which presented Mazars's external audit progress report to the Committee.

The Committee noted that Mazars had completed their interim audit fieldwork. Appendix 1 to the submitted report provided an update on the audit work already completed as well as a schedule for the rest of the year. It was reported that after early substantive testing of key systems and controls there were no matters to bring to the Committee's attention.

Mazars informed the Committee that work was on track and pointed Members to the National publications provided in Appendix 1 for their information.

It was noted that a full audit report would be provided to the next meeting of the Committee.

At the last meeting of the Governance and Audit Committee Mazars requested a response to a number of questions regarding the Committee's overview of arrangements. A draft response to these questions was attached at Appendix 2.

The Committee discussed the proposed responses and noted the benefit of having an independent Chair of the Governance and Audit Committee as a strength of the audit process for the Combined Authority and a major comfort to the Committee. It was noted that Andy Clayton, Chair of the Governance and Audit Committee, had seen the draft response. It was agreed that the Committee would approve the response with the inclusion of a reference to the benefits of an independent Chair.

Resolved:

- (i) That the Committee note the external audit progress report at Appendix 1.
- (ii) That the Committee approve the response to Mazars at Appendix 2, subject to the amendment as set out above.

42. Internal Audit Progress Report

The Chair noted that Russell Gott, the Internal Audit Manager, was leaving the Combined Authority and wished to thank him for his hard work and particularly recognise the improvements to the Combined Authority's auditing process while he had been in post.

The Committee considered a report which provided an update of the work undertaken by the Internal Audit section from 1 April 2018 to 28 February

2019.

The Committee noted that an External Quality Assessment had been carried out to assess the Internal Audit Section's compliance with Public Sector Internal Auditing Standards. A draft report had been completed which concluded that the Internal Audit section 'Generally Conforms with the Definition of Internal Auditing, the Code of Ethics and the Public Sector Internal Audit Standards'. It was noted that this was the highest rating available and that the full report would be brought to a future meeting of the Committee.

A summary of work undertaken by Internal Audit was attached at Appendix 1. The Committee noted the opinions provided on the audit of GDPR and Tendered Subsidised Bus Services.

In respect of Tendered Subsidised Bus Services it was noted that it was vital for the Combined Authority to ensure value for money and to improve the monitoring of performance. It was noted that recent changes to the procurement team presented an opportunity to use their expertise to address any concerns arising from the internal audit.

It was suggested that a note could be circulated to Members to provide an update on the actions from the bus audit review which would offer reassurance to the Committee that issues identified in the internal audit had been addressed.

Resolved: That the report be noted.

43. Strategic Internal Audit Plan

The Committee discussed a report which sought approval for the Strategic Internal Audit Plan.

The Committee noted that due to the level of change predicted for the Combined Authority it has been decided that the organisation would use an annual plan instead of a three year programme. It was noted that the annual plan for the 2019/20 year would be subject to ongoing review to ensure that changes in organisation risk could be accommodated if necessary.

The Committee noted that the assurance blocks had changed from previous years and that a business intelligence line had been introduced. Members also discussed the importance of the risk register in selecting audit priorities.

Resolved: That the Strategic Internal Audit Plan 2019/20 be approved.

44. Compliance and Monitoring

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

The Committee was updated on the progress of the LEP merger and its possible impact on the work of the Government and Audit Committee. It was noted that a further report would be provided to the Committee as this work develops.

It was noted that reports to the Governance and Audit Committee which impact the Leeds City Region LEP now need to be considered by the LEP Board and that a mechanism would be developed to ensure that this was the case.

The Committee noted that the new Regulatory and Compliance Board at officer level continued to meet and any identified actions and further information will be provided to the Governance and Audit Committee as the work progresses.

A request for the treasury management team from Leeds City Council treasury team to attend a future meeting of the Committee had been made.

Resolved: That the report be noted.

45. Update on 2019/20 Budget

The Committee considered a report which provided an update on the budget for 2019/20.

Members noted the budget position and that the Committee would receive budget monitoring reports tracking progress against the approved estimates throughout the year.

It was noted that a Capital Strategy was required for the 2019/20 financial year which was attached at Appendix 3 to the submitted report. It was noted that the strategy would be presented to the Combined Authority for approval in April and further work to refine the document would be undertaken in the coming months. Any significant changes would be reported to the Governance and Audit Committee.

Members discussed the challenge of getting accurate capital expenditure for projects being delivered both by partner authorities and the Combined Authority itself. In particular the Committee identified the need for these to be robust as they form the basis of the Capital Strategy and debt forecasting. It was noted that work could be undertaken to assess whether financial

forecasting had improved by assessing performance relative to previous years.

The Committee noted that a working group had been established at district level and would examine financial forecasting related to the delivery pipeline. In addition, the Committee was informed that the budget working group could also take this work forward.

Members also discussed the current risk appetite statement attached at Appendix 2. It was suggested that it would be helpful to understand the consequences and relative advantages and disadvantages of those areas marked with a higher risk appetite and supplement the table with that information.

Resolved:

- (i) That the budget position for 2019/20 be noted
- (ii) That the draft Capital Strategy be approved and presented to the Combined Authority.

46. Local Assurance Framework Review

The Committee discussed a report which provided an update on the Leeds City Region Local Assurance Framework review.

The final draft Assurance Framework was attached at Appendix 1 and the changes that had been made since the Governance and Audit Committee last saw the draft framework were listed at 2.5 in the submitted report.

The Committee noted that a final draft of the Local Assurance Framework would be presented to the LEP board for approval at their meeting on 26 March.

Resolved: That the changes made to the Local Assurance framework, as set out in the submitted report, be approved.