

**MINUTES OF THE MEETING OF THE
GOVERNANCE AND AUDIT COMMITTEE
HELD ON THURSDAY, 23 JANUARY 2020 AT COMMITTEE ROOM B,
WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS**

Present:

Andy Clayton (Chair)	Department for Work and Pensions
Joanna Wardman	Government Internal Audit Agency
Councillor Geraldine Carter (Substitute)	Calderdale Council
Councillor Peter McBride (Substitute)	Kirklees Council

In attendance:

Mark Kirkham	Mazars Auditors
Angela Taylor	West Yorkshire Combined Authority
Bronwyn Baker	West Yorkshire Combined Authority
Jonathan Sheard	West Yorkshire Combined Authority
Victoria Clegg	West Yorkshire Combined Authority
Ben Kearns	West Yorkshire Combined Authority

26. Apologies for Absence

Apologies were received from Councillor Hinchliffe, Councillor Swift, Councillor Hall, and Councillor Pandor.

27. Declarations of Disclosable Pecuniary Interests

There were no declarations of pecuniary interests at the meeting.

28. Exclusion of the Press and Public

There were no items that required the exclusion of the press and public.

29. Minutes of the Meeting of the Governance and Audit Committee held on 31 October

Resolved: That the minutes of the meeting held on 31 October be approved.

30. Internal Audit Progress Report

The Committee considered a report which provided an update on the progress of the internal audit function against the delivery of the annual internal audit

plan.

It was noted that a mixture of compliance checks and advisory audits was required. The Committee was informed that an internal audit carried out into Human Resources had shown areas of non-compliance across the organisation and the Chair asked for the internal audit into human resources to be considered at the next meeting once the all five of the audits had been completed and when management responses were available. It was discussed if best practice or even resource could be borrowed from other local authorities to put things in place regarding the development of revised HR strategies. It was requested that a senior HR representative attend the next meeting.

Members discussed the need to embed compliance checking across the organisation and to involve directors more in the process. It was reported that work was underway to develop letters of assurance from Directors as part of the Annual Governance Statement

Resolved: That the internal audit progress to date be noted.

31. Internal Audit Plan Methodology for 2020/21

The Committee considered a report which provided an update on the methodology used to develop the audit plan for 2020/21.

Members were informed that internal audit intended to place greater emphasis upon strategic matters and assisting the organisation with policy formulation as opposed to solely compliance checking. It was noted that internal audit needed to provide enough assurance on organisational compliance to satisfy the Committee. It would be necessary to buy in some internal audit specialisms and members queried whether the internal audit team had the resources to carry out its work.

Members discussed capacity within the internal audit team and whether there was satisfactory resilience to carry out its work effectively – especially given the size of the organisation and the range of responsibilities.

Mark Kirkham, from the external auditors Mazars, asked if concerns around capacity would result in internal audit being unable to provide an unqualified assurance. Bronwyn Baker, head of internal audit, suggested that if the internal audit function were unable to provide an unqualified opinion it would be limited because of scope.

The internal audit plan for 2020/21 was key in making the case for urgency and arguing for additional resources within the internal audit team.

The importance of prioritisation of the pertinent audit areas for the Combined Authority were discussed and members identified the following points:

- Strategic planning and corporate governance
- Management information systems and digitalisation

- Future availability of funding streams
- Workforce and organisational culture
- Data privacy, GDPR compliance and cyber security.

The chair requested that the top three areas of audit concern be brought to each meeting and suggested that these could include emerging findings and not simply be drawn from completed audit work.

The internal audit plan would be presented for approval at the next meeting of the Governance and Audit Committee in March 2020 and it was suggested that it could be circulated to members in the meantime for comment.

Resolved: That the proposed methodology for the internal audit planning for 2020/21 be agreed.

32. External Audit Update

The Committee considered a report which provided an update on external audit matters.

Members discussed the external audit fees and it was noted that a consultation was underway from the National Audit Office on the Code of Audit practice which needed to be in place before the Public Sector Audit Appointments could consult on audit fees. Since the findings of the consultation would fall outside the meeting cycle of the Committee it was proposed that information would be circulated to members and that any response would be delegated to the Chair and the Director of Corporate services. Mazars reiterated that they would continue to provide the same level of service and the Committee could take assurance from that.

Members considered an action outstanding from last year's external audit and the proposed management response on related party disclosures.

The Committee considered the external audit strategy memorandum which was attached at Appendix 1 to the submitted report and members noted the three risks that had been identified.

Resolved:

- (i) That the information provided on external audit matters be noted.
- (ii) That the updated response to the outstanding external audit recommendation on related party disclosures be noted.
- (iii) The Audit Strategy Memorandum be noted.

33. Compliance and Monitoring

The Committee considered a report which set out any changes to the arrangements for internal controls since the last meeting of the Committee as well as the current financial position.

There had been no significant changes to internal controls in the period and monthly reconciliations were up to date. No areas of concern were raised regarding the Combined Authority's treasury management arrangements and there had been no RIDDOR accidents to report since the last meeting.

The draft budget for 2020/21 was attached at Appendix 2 to the submitted report, and the revenue budget monitoring for the 2019 / 20 financial year was attached at Appendix 1. Members noted a forecasted underspend on the current financial year's budget which would go into the general revenue reserves and that these reserves would be retained to help manage emerging pressures.

The Committee noted that a balanced position had been achieved for the 2020/21 budget and would be taken to the meeting of the Combined Authority to be held on 6 February for approval.

Resolved: That the report be noted.

34. Risk Management Strategy Update

The Committee considered a report which sought approval for the revised corporate Risk Management Strategy.

Members discussed the strategy and how to embed it within the organisation and keep it up to date as new risks were identified and addressed.

The Committee requested RAG ratings against each risk and mitigation actions to be identified and tracked in the same manner.

Members queried if the organisation had considered taking a higher risk approach in some areas and were informed that the risk appetite had been endorsed by the Combined Authority members in its current form.

The Committee asked for the Corporate Risk Register to be brought to them for review at every meeting.

Resolved: That the corporate risk strategy be approved and that the Corporate Risk Register be brought to future meetings.

35. Assurance Framework Review

The Committee considered a report which provided an update on review of assurance framework.

Resolved: That the changes to the assurance framework be noted.