

**MINUTES OF THE MEETING OF THE
GOVERNANCE AND AUDIT COMMITTEE
HELD ON THURSDAY, 17 JANUARY 2019 AT COMMITTEE ROOM A,
WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS**

Present:

Andy Clayton (Chair)	Department for Work and Pensions
Councillor David Hall	Kirklees Council
Councillor Susan Hinchcliffe	Bradford Council
Councillor Shabir Pandor	Kirklees Council
Councillor Barry Collins (Substitute)	Calderdale Council

In attendance:

Angela Taylor	West Yorkshire Combined Authority
Russell Gott	West Yorkshire Combined Authority
Jonathan Sheard	West Yorkshire Combined Authority
Ben Kearns	West Yorkshire Combined Authority

26. Apologies for Absence

Apologies for absence were received from Councillor Swift

27. Declarations of Disclosable Pecuniary Interests

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

28. Exclusion of the Press and Public

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

29. Minutes of the Meeting of the Governance and Audit Committee held on 1 November

Resolved: That the minutes of the meeting held on the 1 November be approved.

30. External Audit Update

The Committee considered a report which set out the audit strategy memorandum for the year ending March 2019 and the external audit progress

report at January 2019.

The audit strategy memorandum outlined Mazars audit approach for the coming year and was attached at appendix 1. Mark Kirkham and Mark Dalton were in attendance on behalf of Mazars and highlighted the significant risks identified in the forthcoming year's audit as well as areas of key judgement. Mazars confirmed that they would report back to the Government and Audit Committee in July 2019.

Mazars also confirmed the audit fee at £25,964, in line with the previously published scales. It was noted that the audit fee for the 2018/19 year was lower than the 2017/18 fee. Mazars reassured the Committee that the same high audit standard would be delivered.

Members discussed the extent to which Brexit had been taken into account in audit activity and agreed that a deeper discussion would be had at the next meeting.

The external audit progress report set out the work completed to date by Mazars. The report included a number of questions around compliance, oversight of management's processes regarding fraud, and questions on potential litigation. It was proposed that a draft response to these questions be considered at the next meeting of the Committee.

Resolved:

- (i) That the Committee note the audit strategy memorandum for the year ending 31 March 2019 and external audit progress report as at January 2019.
- (ii) That the Committee note the requirement for a response to the questions posed in section two of appendix two by 31 March 2019 and that draft response will be brought to the next meeting of this Committee for consideration.

31. Internal Audit Progress Report

The Committee considered a report which set out the work undertaken by the Internal Audit section in delivering the 2018/2019 audit plan.

The Committee was informed that work had commenced on the identification of assurance activities to be included in the 2019/20 internal audit plan. It was noted that members of the Committee would be contacted individually with details of the emerging plan in February 2019 and have the opportunity to provide feedback before the plan was determined.

Members noted the activities undertaken by the Internal Audit section during the period 1 April 2018 to 31 October 2018. It was reported that 40% of the identified audit work plan remained outstanding. It was noted that there was a projected shortfall of 37 days in the current audit year due to sick leave. The Committee was advised this would be addressed through use of the contingency element of the plans and the deferral of some work into the

2019/20 audit year.

Some discussion took place regarding the key message points arising from the internal audit. The Committee discussed tendered subsidised services and the Director of Resources explained that changes to the procurement team will address the concerns arising from the internal audit. It was emphasised that the current process could be further strengthened through the procurement team to ensure strengthened controls and standardised record keeping.

The Director of Resources assured the Committee that the issues raised around CDM (Construction Design and Management Regulations) had been addressed through conversations with the health and safety department to ensure that evidence of compliance is accessible and clearly evidenced. A note would be circulated to members of the Committee before the next meeting regarding actions taken regarding CDM and to highlight any unaddressed concerns.

The Committee discussed the outstanding audit recommendations which were provided in Appendix 2. It was noted that several of the outstanding recommendations had a completion rate of 90%. It was also noted that some outstanding recommendations were incomplete due to staffing issues which were now resolved which will unlock delays. It was stated that the Committee would be advised if any of the recommendations take longer than 3 months to implement.

Resolved: That the report be noted.

32. Internal Audit Charter 2019

The Committee considered a report which presented the Internal Audit Charter for the West Yorkshire Combined Authority. The Internal Audit Charter was attached at appendix 1 and set out Internal Audit's position in the organisation in accordance with the Public Sector Internal Audit Standards and best guidance.

Resolved: That the internal Audit Charter for the West Yorkshire Combined Authority be approved.

33. 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.

The Committee noted that the new Regulatory and Compliance Board at officer level held its first meeting in November and would provide information to the Committee as appropriate.

The Committee was updated on governance meetings with Leeds City Council

and noted that a minor breach had been disclosed with regards to the sums placed on deposit beyond a 12 month term. The Committee was informed that measures had been put in place to rectify the issue and prevent it from re-occurring.

The Committee discussed treasury management as guidance had been issued which required a new code of Practice for the 2019/20 financial year. A final draft would be brought to the Committee in March. It was suggested that officers from the Treasury Management team at Leeds City Council be invited to attend a future meeting.

Resolved: That the Committee note the information contained in this report

34. Draft Budget 2019/20

The Committee considered a report regarding an update on the draft budget for 2019/20. The Committee recognised the difficult funding position facing local authorities as they await the outcome of the fair funding review and comprehensive spending review in 2021. The Committee noted that the Combined Authority had sought to find ways to deliver its services more efficiently and maximise third party incomes.

The latest draft budget for 2019/20 was presented to the Combined Authority at its meeting on the 13 December 2018 and showed a required use of reserves of £1.8 million against a target agreed in February 2018 of £1.2 million. It was noted that further work was underway to reduce the funding gap to the previously agreed £1.2 million and will be presented to the Combined Authority for approval on 14 February.

It was suggested that the Committee would be updated on the budget for the financial year 2019/20 at its meeting in March.

Resolved: That the Government and Audit Committee provide any input to the business planning and budget process and the issues raised in the report.

35. Local Assurance Framework Review

The Committee considered a report which provided an update on progress relating to changes to the Leeds City Region Local Assurance Framework. The changes required for the upcoming year were highlighted in the submitted report.

It was noted that the a draft copy of the updated Assurance Framework would be presented to the Combined Authority in February and be approved by the LEP Board in March. A final draft version of the report will be presented to the Governance and Audit Committee in March 2019.

Resolved: The Governance and Audit Committee is asked to:

- (i) Note that the Leeds City Region Local Assurance Framework is being revised for the reasons set out in this report.

(ii) Provide any feedback on the updated assurance requirements.

36. Overview and Scrutiny Update

The Committee considered a report which set out the work programme with the Overview and Scrutiny Committee's work programme for the 2018-2019 municipal year.

Members discussed the need to understand the Overview and Scrutiny Committee work programme to ensure key that issues are flagged and aligned to the audit work programme to minimise duplication and ensure a coherent plan of work across key control areas. It was suggested that the Chair of the Governance and Audit Committee would meet with the Chair of the Overview and Scrutiny Committee.

Resolved: That the Governance and Audit Committee note and comment on the report.