

**MINUTES OF THE MEETING OF THE
GOVERNANCE AND AUDIT COMMITTEE
HELD ON THURSDAY, 31 OCTOBER 2019 AT COMMITTEE ROOM B,
WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS**

Present:

Andy Clayton (Chair)	Department for Work and Pensions
Councillor David Hall	Kirklees Council
Councillor Jane Scullion (Substitute)	Calderdale Council
Joanna Wardman	Government Internal Audit Agency

In attendance:

Mark Kirkham	Mazars Auditors
Mark Outterside	Mazars
Bhupinder Chana	Leeds City Council
David Brown	Leeds City Council
Angela Taylor	West Yorkshire Combined Authority
Bronwyn Baker	West Yorkshire Combined Authority
Jonathan Sheard	West Yorkshire Combined Authority
Ben Kearns	West Yorkshire Combined Authority

15. Apologies for Absence

Apologies for absence were received from Councillor Hinchcliffe and Councillor Pandor.

16. Declarations of Disclosable Pecuniary Interests

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

17. Exclusion of the Press and Public

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

18. Minutes of the Meeting of the Governance and Audit Committee held on 23 July

Resolved: That the minutes of the last meeting be approved.

19. Treasury Management

Members welcomed Joanna Wardman, a new independent member, and Mark Outterside from Mazars to the Committee.

The Committee was provided with a presentation regarding the treasury management arrangements in place for the West Yorkshire Combined Authority.

David Brown and Bhupinder Chana were in attendance and outlined the treasury management framework, the responsibilities of Governance and Audit Committee members and the treasury management strategy in place.

Members raised the following questions:

- If the Combined Authority's risk appetite was raised could this provide a greater yield from the treasury management arrangements? Members were informed that the order of priorities for the Combined Authority was first and foremost security, then liquidity and finally yield. Any arrangements for yield must pass stringent criteria to ensure minimal risk to the Combined Authority.
- Members queried whether the Combined Authority's approach to Treasury management was typical of local authorities in general. Members heard that there was broad agreement in favour of a conservative approach to treasury management and that this was also an outcome of the requirements of the Prudential Code. Although there were outliers which had a different approach they were exposed to more risk as well as potentially higher returns.
- A major aspect of the Combined Authority's treasury management arrangements included the lending of money to other local authorities and the Committee wished to know more information regarding the risks. The Committee was informed that Local Authorities were seen as a safe approach to treasury management and as low risk.

Resolved:

- (i) That David Brown and Bhupinder Chana be thanked for their informative presentation and that the presentation be noted.
- (ii) That the Committee receive a further presentation on treasury management at a future meeting with particular reference to the impact of Brexit.

20. Internal Audit Progress Report

The Committee considered a report which provided an update on the Internal Audit work being undertaken at the Combined Authority.

It was reported that there would be a change of methodology but the audit approach would remain compliant with public sector audit standards. Key aspects of the new methodology would include; 'agile' project management,

ongoing interim progress updates and reports, shorter end reports and a more interactive and constructive audit process.

Regarding the forward plan of audit activity amendments would be made to ensure that the focus was on high risk areas and did not repeat audits which had already returned a satisfactory opinion.

Members were also informed that there would be a revision to the way in which internal audit progress reports were presented to the Committee. Members would favour a much clearer overview paper which highlighted internal audit's progress against their plan, how this provided assurance that risks were being managed and highlighted any key emerging areas of risk.

Members welcomed the new approach to audit and in particular the more collaborative focus and the commitment to provide recommendations during the course of the audit and not just at the end. Members also queried if there were any outstanding overdue audit recommendations and were informed that there were none. Members asked for internal audit's key areas of risk: future funding, climate change, and control and governance across the directorates were identified as key areas of future activity.

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

21. Actions from the External Quality Assessment of Internal Audit

The Committee considered a report which updated the Committee on progress against the actions which arose from the External Quality Assessment of Internal Audit.

Resolved: That the progress made on addressing the actions in the External Quality Assessment of internal audit be noted.

22. External Audit Update

The Committee considered a report which provided an update on external audit matters and the annual audit letter was attached at Appendix 1 for information.

Members thanked Mazars for their work as well as for their expertise and technical knowledge provided to the Combined Authority within a tight audit fee.

The Committee was informed that two consultations regarding public sector audit were underway and were outlined in the submitted report. One of the consultations included feedback on public sector audit fees.

The Committee discussed the fact that if audit fees were set at a certain level it could limit the work that auditors could perform for the Combined Authority. It was suggested that officers could share any proposed response to the consultations with Committee members for feedback before they were

submitted.

Resolved:

- (i) That the annual audit letter for 2018/19 be noted.
- (ii) That the approach for the two consultations be endorsed.

23. GDPR Compliance Report

The Committee considered a report which outlined the governance progress made with GDPR implementation as well as the remaining actions. The Committee was informed that the outstanding actions all involved embedding GDPR compliance throughout the organisation.

Members asked whether the internal audit section was equipped with the IT expertise necessary to ensure compliance in GDPR. The Committee was informed that if required internal audit could buy in IT audit specialisms to assist in carrying out the work.

Resolved: That the progress made with GDPR implementation and the remaining actions be noted.

24. Compliance and Monitoring

The Committee considered a report which provided an update on the arrangements for internal control since the last meeting as well as the current financial position.

Members were informed that there had been no significant changes to internal controls and that there were no areas of concern regarding the Combined Authority's treasury management arrangements. There were no further reportable (RIDDOR) accidents reported since the previous meetings and key indicators regarding financial controls were up to date.

The Committee discussed the budget position and the £1 million gap in the 2020/21 budget. Members were informed that the budget position would be considered by the Combined Authority at its next meeting and would be considered by the Government and Audit Committee in January.

Resolved: That the report be noted.

25. Risk Management Arrangements

The Committee considered a report which provided an update on the Combined Authority's risk management arrangements. Members welcomed the ongoing improvements and supported an approach where corporate risk was clearly and concisely set out and matched to the work done by internal audit.

Members requested that mitigations to each identified risk were included in the registers and were assessed to ensure that they provided appropriate assurance. It was also requested that internal audit carry out their own scrutiny to ensure that the identified mitigations were robust and effective.

Resolved: That the work underway to improve the Combined Authority's risk management arrangements be noted.