

**NOTES OF THE INFORMAL MEETING OF THE
GOVERNANCE AND AUDIT COMMITTEE
HELD ON THURSDAY, 1 AUGUST 2024 AT COMMITTEE ROOM 1,
WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS**

Present:

Debbie Simpson (Chair)	Independent Member
Councillor Alan Lamb	Leeds City Council
Councillor Silvia Dacre (Substitute)	Calderdale Council

In attendance:

Bronwyn Baker (Officer)	West Yorkshire Combined Authority
Gary Dowson (Officer)	West Yorkshire Combined Authority
Dave Haskins (Director)	West Yorkshire Combined Authority
Adam Hunt (Committee Services)	West Yorkshire Combined Authority
Caroline Norreys (Assistant Director)	West Yorkshire Combined Authority
Alan Reiss (Chief Operating Officer)	West Yorkshire Combined Authority
Councillor Barry Anderson	Leeds City Council

1. Inquorate Meeting Status

The meeting was inquorate and therefore members were unable to meet in a formal capacity and take decisions. Those members who were in attendance met informally to discuss the items which were on the published agenda.

2. Apologies for Absence

Apologies for absence were received from Councillor Denise Jeffery (Wakefield Council), Councillor Carole Pattison (Kirklees Council) and Councillor Jane Scullion (Calderdale Council).

Councillor Silvia Dacre (Calderdale Council) attended the meeting as a substitute for Councillor Jane Scullion (Calderdale Council).

3. Declarations of Disclosable Pecuniary Interests

There were no declarations of pecuniary interests at the meeting.

4. Exempt Information - Possible Exclusion of the Press and Public

The Chair observed that Appendix 2 to Agenda Item 10 contained exempt information. The Committee agreed by unanimous consent that, if this were

to be discussed, the Committee would sit in private with the exclusion of the press and public. Accordingly, the following resolution was passed:

Resolved: That in accordance with paragraphs 3 of Part 1 of Schedule 12A to the Local Government Act 1972, the public be excluded from the meeting during consideration of Appendix 2 to Agenda Item 10 on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

5. Minutes of the Meeting of the Governance and Audit Committee held on 7 March 2024

The minutes would go for approval at the next meeting due to this meeting being inquorate.

6. Governance Arrangements and Forward Plan 2024-2025

The Committee considered a report regarding the governance arrangements approved by the West Yorkshire Combined Authority at the Annual Meeting on 20 June 2024. The report aimed to advise the committee of these arrangements and to consider the proposed work programme for the year.

Officers introduced the report, which detailed the Combined Authority's resolution to appoint the Governance and Audit Committee with an updated term of reference, including the committee's role in approving the annual audit plan. The quorum for the committee was set at four members. Debbie Simpson was appointed Chair. The Combined Authority also approved the committee's meeting dates and provided a proposed forward work plan for the year.

The Chair was pleased for the creation of a second independent member to help with audit expertise on the committee.

The report would go to the next Governance & Audit Committee for formal approval.

7. Internal Audit Opinion 2023/2024

The Committee considered a report which presented members with the Head of Internal Audit's Annual Opinion for 2023/24. The report provided an evaluation of controls, governance, and risk management, incorporating both internal and external assurances, especially from Local Authority partners. It also addressed previous discussions on the audit team's resource levels, proposing changes to meet the growing needs of the authority.

Officers introduced the report, highlighting that 77% of the audit plan for 2023/24 was complete. Despite resource constraints leading to some audits being deferred, there was an increase in limited/minimal assurance reports

due to prioritising high-risk areas. The report also noted rising financial crime referrals and the need for a counter-fraud strategy. Overall, the opinion was that controls, governance, and risk management were adequate, though improvements were recommended for a more affirmative future opinion.

The Chair thanked the team, noting the progress in the governance of the West Yorkshire Combined Authority's audit system. Members raised concerns about inquorate meetings, potentially having affected public perception of accountability. Officers acknowledged the quoracy issue and stated that data is collected on this, and information was presented in the regulatory and compliance dashboard. They noted that combining the three scrutiny committees would help address this problem.

Members enquired about internal dry runs for the external quality assessment (EQA). Officers confirmed that these dry runs were conducted and assessments were done collaboratively with Manchester City Council.

There was discussion on succession planning and it was highlighted the focus on senior auditors and to future-proof through a structured approach. The Chair noted the importance of apprentices as a resilience measure, and officers emphasised the drive to recruit for critical posts, especially in the corporate centre.

The Chair asked about the application of lessons learned from previous audits. Officers explained that structures were in place to ensure there was a continuous improvement and effective governance. The process was linked to the accountability framework, which aimed for better information, reporting, and evidence structures for internal audit.

Members discussed the impact of staff pressures on governance and recognised the ongoing efforts to recruit and fill key positions. The Chair requested a future committee report on the impact of the single settlement on governance.

8. Review of Internal Control and the Effectiveness of Internal Audit

The Committee considered a report which introduced to members the draft Annual Governance Statement (AGS) for comment and endorsement. The report informed the Committee about the review of internal control and the effectiveness of internal audit, as mandated by the Accounts and Audit (England) Regulations 2015.

Officers introduced the report, outlining the Annual Governance Statement's purpose to assess the effectiveness of the Authority's internal controls and governance arrangements for the previous financial year and the upcoming one. The draft Annual Governance Statement for 2023/24 highlighted key organisational changes and proposed a Governance Improvement Plan.

The Chair stated that the work reflected the current state of their holistic approach and emphasised continuous improvement. The Chair welcomed a commitment for updates to be brought back to the committee and noted that the work looked promising.

A member highlighted the importance of risk and questioned whether the statement should include a paragraph about the value for money provided by the external audit. An Officer responded that they would consider including an up-to-date value for money statement in the report. Officers also mentioned that the statement would acknowledge the delay in the external audit.

9. External Audit Update

The Committee considered a report which provided members with an update on external audit matters since the last meeting. The 2021/22 audit by Forvis Mazars was completed with an unqualified opinion. The auditors recommended developing a medium-term financial strategy and improving budget reporting.

Officers introduced the report, stating that Forvis Mazars confirmed the 2021/22 audit with a revised fee due to additional work required. Consultations by DLUHC and NAO aimed at improving financial reporting were discussed. Forvis Mazars planned to prioritise the 2023/24 audit while considering guidance on rebuilding assurance. The audit plans for both years were underway, with further updates and responses concerning fraud and litigation expected. The 2023/24 audit fee was significantly increased, and draft financial statements would be published by the end of July 2024.

Members were updated on a letter from the Minister of State for Local Government, regarding actions to tackle the local audit backlog in England. The Chair enquired about the steps to address the significant weakness of the audit backlog. An officer responded that additional support was brought in to focus on the draft annual accounts, which were almost ready for publication.

The Chair expressed an interest in understanding the measures in place for reporting on fraud and requested visibility on how the committee receives information regarding this issue. Officers stated they were currently developing a counter-fraud strategy and will present it to the committee once completed.

The External Auditor representative from Mazars explained the appendices that he authored in the report and noted that the letter distributed at the meeting had indicated the government's intention to rebuild assurance through audit. He emphasised his commitment to restore confidence in external audits and mentioned that there would be guidance from the national government and that this would be crucial for defining the parameters needed to rebuild assurance in providing a qualified opinion on accounts from external audit.

10. Treasury Management Update

The Committee considered a report which provided members with an update on Treasury Management activities since the last meeting held in March 2024. Regular governance meetings with Treasury partners reviewed

transactions, with no concerns raised. West Yorkshire Combined Authority's capital programme focuses on transport and economic regeneration, while the Police Fund capital programme includes police-related projects and is recorded separately.

Officers introduced the report, noting that the Treasury Management Statement and Strategy was approved in February 2024. Work on CIPFA's revised Codes of Practice for Capital and Treasury Management is ongoing, with the new reporting pack being developed.

Members expressed interest in arranging training sessions with colleagues at Leeds City Council. Discussions were ongoing with Leeds and Wakefield regarding internal borrowing practices. Members highlighted the importance to have understood the controls involved in internal borrowing. Officers said that regular updates were provided on the management of internal borrowing to the committee. The Chair emphasised the need to act on training related to Treasury management for officers.

11. Risk Management

The Committee considered a report which presented members with the latest update to the corporate risk register, a high-risk action plan, and a draft risk management strategy. The corporate risk register had been reviewed to ensure accurate risk assessment and mitigation, with endorsements from the Internal Leadership Board. The current register included thirteen risks categorised as medium, high, and very high.

Officers introduced the report, noting that a model was developed to map further mitigations against timelines for "very high" risks. The report highlighted that two new risks had been added: CRR-015 related to recruitment challenges and CRR-016 to bus franchising.

The Chair commended the report, describing it as a thorough piece of work and noted the clarity of the guidance for users. The Chair emphasised the importance of ensuring consistency in the application of the guidance in the future.

12. Compliance and Monitoring Report

The Committee considered a report which updated members regarding changes to internal control arrangements in West Yorkshire Combined Authority since the last meeting. The report updated the Committee on compliance with regulatory requirements and internal controls and summarised grant applications reviewed under conflict-of-interest protocols in the previous financial year.

Officers introduced the report, noting the key updates. The internal controls dashboard highlighted a reduction in malware attacks and ongoing remediation of cybersecurity vulnerabilities. Complaints and correspondence metrics showed variable trends, and health and safety reports revealed no major incidents. Internal audit findings indicated a rise in fraud referrals and

audit issues. The report also detailed financial performance, showing a net surplus driven by investment income and strong capital program execution.

The Chair emphasised the importance of not just collecting data but also taking appropriate actions based on the data in the report.

Members questioned the confidence in assessing what constitutes a near miss and noted that there was an increase in reported near misses. An officer explained that the rise in near misses was due to strengthened health and safety measures, particularly at Halifax Bus Station. The responses showed that most near misses had occurred at Halifax Bus Station, where additional infringement officers had been employed to identify risks. Risks were identified by members of the public who might have been in the wrong place, and enforcement officers noted these reports. The increase was attributed to the recent deployment of infringement officers at the bus station, which was undergoing construction. The officer mentioned that patterns and trends in near misses were being monitored, and issues at Halifax Bus Station had been identified and addressed.

Members noted that residents were relieved that risks were being recognised and managed effectively. They acknowledged that Halifax Bus Station, which was initially a building site, has now been completed, which had alleviated some risks. Members expressed satisfaction with the work being done to manage risks and ensure safety.

13. Minimal Assurance Report - Response to Internal Audit

The Committee considered a report updating Members on the Internal Audit progress regarding the "Contract Management Review – JPB Contract." The report, presented in March 2024, detailed follow-up actions on various recommendations, addressing issues identified in a previous investigation into allegations of fraud and corruption, which concluded with a Minimal Assurance opinion due to procedural failures.

Officers noted that two overdue recommendations were superseded by new ones in the Investigation Report. The Property Services audit led to enhanced financial and contract management training for the Facilities and Assets team, and a new Head of Assets, who would ensure continued compliance and implementation of these recommendations. Regular monitoring had been established to embed continuous improvement and compliance within the team.

The Chair enquired whether there were checks and balances in place to ensure that ongoing work was effective. An officer responded that efforts had been made to address this with the appointment of a new Head of Assets to West Yorkshire Combined Authority.

14. Date of the Next Meeting

It was noted that the next meeting of the Governance and Audit Committee was scheduled to be held on 28 October 2024.