

**MEETING OF THE WEST YORKSHIRE COMBINED AUTHORITY
GOVERNANCE AND AUDIT COMMITTEE
TO BE HELD ON 21 OCTOBER 2014 (2.00 pm)
AT WELLINGTON HOUSE, WELLINGTON STREET, LEEDS**

A G E N D A

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

Members are reminded of their responsibility, in accordance with the Members' Code of Conduct, to declare any disclosable pecuniary interests in any matter under consideration at this meeting. Should you have a disclosable pecuniary interest in an item on the agenda you should not participate in any discussion on the matter, vote on the matter or remain in the meeting during discussion and voting on the matter subject to Part 4 (paragraphs 19 and 20) of the Code of Conduct.

If a member is unsure of the correct course of action to take, they should seek advice from the Secretary and Solicitor **prior** to the meeting.

Members should complete the appropriate form, attached herewith, and hand it to the Secretary and Solicitor before leaving the meeting. A blank form can be obtained from the Secretary and Solicitor at the meeting.

3. EXCLUSION OF THE PRESS AND PUBLIC

To identify items where resolutions may be moved to exclude the press and public.

**4. MINUTES OF THE MEETING HELD ON 29 JULY 2014
(pages 7-11)**

Copy attached.

**5. EXTERNAL AUDIT UPDATE
(pages 12-13)**

To consider the attached report.

**6. INTERNAL AUDIT PROGRESS REPORT
(pages 14-17)**

To consider the attached report.

**7. REVISION OF INTERNAL AUDIT PLAN
(pages 18-21)**

To consider the attached report.

**8. INTERNAL CONTROLS AND FINANCIAL MONITORING
(pages 22-24)**

To consider the attached report.

**9. RISK MANAGEMENT ARRANGEMENTS
(pages 25-55)**

To consider the attached report.

WEST YORKSHIRE COMBINED AUTHORITY
DECLARATION OF DISCLOSABLE PECUNIARY INTERESTS

NAME OF MEMBER:

COMMITTEE: **GOVERNANCE AND AUDIT COMMITTEE**

DATE: **21 OCTOBER 2014**

AGENDA ITEM NO	NATURE OF INTEREST

Signed

You should complete this form only if you have a disclosable pecuniary interest in any particular item on this agenda. (See attached appendix for schedule of disclosable pecuniary interests.) Completed forms should be handed in to the Secretary and Solicitor **before** leaving the meeting.

NOTE: Should you have a disclosable pecuniary interest in an item on the agenda you should not participate in any discussion on the matter, vote on the matter or remain in the meeting during discussion and voting on the matter subject to paragraph 24 of the Code of Conduct.

If you are unsure of the correct course of action to take, you should seek advice from the Secretary and Solicitor prior to the meeting.

SCHEDULE OF DISCLOSABLE PECUNIARY INTERESTS UNDER THE LOCALISM ACT 2011 AND THE CODE OF CONDUCT OF THE COMBINED AUTHORITY 2014

Disclosable Interest	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	<p>Any payment or provision of any other financial benefit (other than from the relevant Authority) made or provided within the relevant period in respect of any expenses incurred by a Member in carrying out duties as a member, or towards the election expenses of the Member.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.</p>
Contracts	<p>Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the Authority -</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land	Any beneficial interest in land which is within the area of the Authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the Authority for a month or longer.
Corporate tenancies	<p>Any tenancy where (to the member's knowledge) -</p> <p>(a) the landlord is the Authority; and</p> <p>(b) the tenant is a body in which the relevant person has a beneficial interest.</p>

Securities

Any beneficial interest in securities of a body where -

- (a) that body (to the Member's knowledge) has a place of business or land in the area of the Authority; and
- (b) either -
 - (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
 - (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

If a Member has a disclosable pecuniary interest in a matter under discussion, the Member may not:-

- (a) participate, or participate further, in any discussion of the matter at the meeting;
- (b) participate in any vote, or further vote, taken on the matter at the meeting (unless the Member has requested and been granted a relevant dispensation by the Standards Committee), or
- (c) remain in the room during the discussion or vote on the matter.

Where Members have a disclosable pecuniary interest in a matter to be considered at a meeting, they may attend the meeting but only for the purposes of making representations, answering questions or giving evidence relating to the matter, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise. Once Members have finished, or the meeting decides they have finished, Members must leave the room and may not remain in the room during the discussion or vote on the matter.

Note: If a close family member has a Disclosable Pecuniary Interest, this is deemed to be a Disclosable Pecuniary Interest of the Member of the Authority.

PUBLIC INSPECTION OF DOCUMENTS AND ACCESS
TO MEETINGS OF THE WEST YORKSHIRE COMBINED AUTHORITY

- (a) Files containing correspondence etc, relating to items to be discussed at the meeting may be inspected by contacting the originating department - please see below. Certain information may be confidential and not open to inspection.
- (b) The attached Agenda Items do not contain any exempt information as defined in Part 1 of Schedule 12A to the Local Government Act 1972.

Compilation of Agenda by:	Ruth Chaplin
Telephone No:	Leeds (0113) 251 7217
Date:	13 October 2014

ITEM 4

MINUTES OF THE MEETING OF THE GOVERNANCE & AUDIT COMMITTEE HELD ON TUESDAY 29 JULY 2014 IN WELLINGTON HOUSE, LEEDS

Present: Councillor H Richards (Chair)

Councillors S Baines, G Burton, R Downes and G Hussain

In attendance: A Lince (Deloitte)

12. Appointment of Chair

Prior to a vote being taken, Councillor Ryk Downes expressed his disappointment that the position of Chair would not be a Liberal Democrat nomination.

Councillor H Richards was proposed and seconded for the position of Chair.

Resolved - That Councillor Richards be appointed Chair.

13. Apologies for Absence

Apologies for absence were received from Councillors L Smith (Bradford), R Light (Kirklees) and N McIlveen (York).

14. Declarations of Disclosable Pecuniary Interests

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

15. Minutes

Resolved - That the minutes of the meeting held on 30 April 2014 be approved

16. External Audit Arrangements

The Committee considered a report on the appointment of External Auditors.

It was reported that whilst Deloitte had been confirmed as the Authority's Auditors for 2014/15, the Audit Commission had recently undertaken a procurement process which would result in the appointment of new auditors for a number of local

authorities from 2015/16 onwards. In this regard the Audit Commission had proposed the appointment of Mazars LLP from April 2015.

In response to a question raised by Councillor Hussain, members were advised that a review of the appropriate level of fees for 2014/15 was being undertaken by the Audit Commission. It was pointed out that the WYCA had previously made representations that it would expect a reduction in the level of fees in recognition of becoming a single organisation.

Resolved - That the external appointment made by the Audit Commission be noted.

17. Internal Audit Progress Report

The Committee considered a report on work undertaken by the Internal Audit Section and the key issues which had been identified.

It was reported that the following 6 areas of work had been reviewed since the last meeting and these were detailed in the submitted report along with the Audit Opinion.

Review

LTP Capital Programme Management
Expenses
NGT Project Risk Management
LSSE Project Risk Management
Human Resources –VfM Performance Indicators
Petty Cash

Opinion

Well Controlled
Controlled
Well Controlled
Well Controlled
Controlled
Well Controlled

Care North Plus – Grant Certification

It was reported that an audit of expenditure in respect of Carbon Responsible Transport Strategies for the North Sea area (CARE NORTH PLUS) activities was performed for the claim period from 8 April 2013 to 31 May 2014.

Members were advised that the Internal Audit Manager was able to certify that €29,414 was eligible to be claimed in that period.

Resolved - That the report be noted.

18. Quality Assurance and Improvement Programme 2014

The Committee considered a report on the Quality Assurance and Improvement Programme 2014 for Internal Audit.

It was reported that the Public Sector Internal Audit Standards (PSIAS) required the formal documenting of a Quality Assurance and Improvement Programme (QAIP). The QAIP covered all aspects of the Internal Audit activity during the assessment of the efficiency

and effectiveness of Internal Audit and identified opportunities for improvement through both internal and external assessments.

A copy of the QAIP for the West Yorkshire Combined Authority was attached at Appendix A to the submitted report. Members were advised that the QAIP would be reported to the Governance and Audit Committee on an annual basis.

Resolved - That the West Yorkshire Combined Authority's Internal Audit Quality Assurance and Improvement Programme 2014 be noted and recommended to the WYCA for approval.

19. Annual Internal Audit Report and Opinion

The Committee considered the Annual Report of the Internal Audit Manager which detailed work which had been undertaken during 2013/14 for the West Yorkshire Integrated Transport Authority and West Yorkshire Passenger Transport Executive.

It was noted that the Public Sector Internal Audit Standard, PSIAS 2450 required the Chief Audit Executive to provide an annual report to support the Annual Governance Statement.

The Committee was informed that from the work undertaken during the year, Internal Audit had reached the opinion that the key systems were operating adequately and that there were no outstanding significant issues.

Resolved - That the Annual Internal Audit Report and Opinion be noted.

20. Review of Internal Control and Effectiveness of Internal Audit

The Committee considered a report on the effectiveness of the Internal Audit function as required under the Accounts and Audit (England) Regulations 2011.

It was reported that there was a requirement for the Authority to review the effectiveness of its Internal Audit function at least once a year and that the findings of the review must be considered as part of the system of internal control.

The Committee was advised that the Director of Resources had undertaken a review of Internal Audit, using the Public Sector Internal Audit Standards (PSIAS) checklist and the information in the Internal Audit Annual Report. The overall conclusion was that the Internal Audit function complied with the necessary standards and had worked to an adequate standard during the year.

Comment was raised that there were some minor instances of non-compliance with the PSIAS. Those areas would be addressed as the new governance arrangements of the Combined Authority were developed during 2014/15.

Resolved - That the outcome of the review of internal control and the effectiveness of the Internal Audit be agreed and recommended to the WYCA for approval.

21. Internal Controls and Financial Monitoring

The Committee considered a report on any changes to the internal control arrangements since the last meeting and to consider the current financial position.

Internal Controls

It was reported that since the last meeting there had been no significant changes to the arrangements for internal controls within the Combined Authority. Comment was made that in addition, regular governance meetings continued to be held with Leeds City Council to consider and review the transactions relating to investments and treasury management being carried out jointly with Leeds City Council.

Financial Monitoring – Revenue Budget

It was reported that expenditure was in line with the budget agreed by the former WYITA in February 2014 and re-endorsed by the Combined Authority in April 2014. Members noted a number of minor increases in concessionary travel reimbursement which had been offset by savings in tendered services.

Financial Monitoring – Capital Budget

It was reported that the Capital Programme was being reviewed following the successful outcome of the Local Growth Fund Bid. Members were advised that good progress was being made on schemes in the current financial year and that future years' plans would be updated as part of the work in progressing the Single Transport Plan.

Risk Management

It was reported that the Risk Register, which set out the detailed arrangements for risk management in the organisation, had been updated to reflect the new Combined Authority.

Members noted that no significant changes to risks had been identified since the last meeting.

Resolved - That the report be noted.

22. Approval of Annual Accounts for 2013/14

The Committee considered a report on the annual accounts for 2013/14 for the West Yorkshire Passenger Transport Executive and the West Yorkshire Integrated Transport Authority.

It was reported that the Annual Accounts had now been produced and Deloitte had completed its audit work. The report provided members with the information required to consider the Accounts prior to recommending them for approval by the Combined Authority at its meeting in September 2014.

Members also considered the external auditor's ISA 260 report which set out details of the audit work and conclusions and they were given the opportunity to ask questions of Deloitte. In this respect, Mr Lince from Deloitte advised the Committee that an unmodified Audit Opinion and an unqualified opinion on the VfM conclusion would be given on both sets of accounts and that no changes would be required.

Resolved –

- (i) That the revenue and capital grants to the WYPTE as set out in the report be recommended for approval.
- (ii) That the Treasury Management policy and the methods of capital funding as set out in Appendix 3 of the submitted report be recommended for approval.
- (iii) That Deloitte's final reports be noted.
- (iv) That the annual accounts for the WYITA and WYPTE for the year ended 31 March 2014 be recommended for approval to the WYCA.

ITEM 5

Report to: Governance and Audit Committee

Date: 21 October 2014

Subject: External Audit update

1 Purpose

- 1.1 To inform the Committee of the current position with the appointment and remuneration of the external auditors.
- 1.2 To consider the annual audit letter issued by Deloitte.

2 Information

- 2.1 The Committee approved the annual accounts for the WYITA and WYPTE at its last meeting and received the external auditors report from Deloitte. The accounts were, upon the recommendation of this Committee, approved by the WYCA at its meeting on 18 September and audit opinions issued immediately afterwards.
- 2.2 The final element of the auditing year is the issuing of an annual audit letter that summarises the audit activity undertaken in the year. Such a letter is required to be issued by 31 October and will be circulated to the Committee as soon as it is received to enable it to be considered at this meeting. The letter should not contain any areas of concern as these would usually have been flagged up at an earlier point in the process.
- 2.3 At its previous meetings the Committee has been informed of the developments regarding the appointment of external auditors to the West Yorkshire Combined Authority (WYCA) both by virtue of it being a newly formed organisation and as a result of the re-procurement process undertaken by the Audit Commission who appoint auditors for public sector organisations.
- 2.4 The position for the 2014/15 audit is that the WYITA and WYPTE auditors, Deloitte LLP, have, following representations from WYCA, been confirmed to take on the

audit of the WYCA. This continuity should assist in a smooth transition to preparing the first set of accounts for the new organisation.

- 2.5 At the last meeting the Committee queried the expected level of audit fees for the first year of audit for the new WYCA. Subsequent to that a consultation letter was received. This proposed an audit fee of £45k, some £22k less than the current combined WYITA and WYPTE audit fees of £67k. A response was required by 1 September and, following consultation with the Chair of this Committee, a positive response was submitted. A formal confirmation of this audit fee is still awaited.
- 2.6 With regard to the 2015/16 audit the Audit Commission has consulted WYCA on the appointment of Mazars, Deloitte having been unsuccessful in the general re-procurement undertaken by the Audit Commission. As agreed at the last meeting no representations were made to oppose this appointment but a formal notice confirming Mazars appointment is still awaited. A formal consultation on fees is expected over the autumn/winter and will be reported back to this Committee.

3 Financial Implications

- 3.1 As set out in paragraph 2.5 above. There will be a saving of £22k in 2014/15. It would be expected that there may be a further saving in subsequent years; there will be a certain amount of 'one-off' work required to establish the accounts of a new organisation. However should the WYCA continue to expand and take on a wider remit then this may not be possible to achieve; the audit fee must reflect the relative risks of the organisation and the work then required to address these.

4 Legal Implications

- 4.1 None arising directly from this report.

5 Staffing Implications

- 5.1 None arising directly from this report.

6. Recommendations

- 6.1 That the Committee note the current position regarding appointment and remuneration of external auditors.
- 6.2 That the Committee consider the annual audit letter from Deloitte.

ITEM 6

Report to: Governance and Audit Committee

Date: 21 October 2014

Subject: Internal Audit Progress Report

1. Purpose

1.1 To inform the Committee of the work undertaken by the Internal Audit Section.

2. Information

2.1. This report provides details of activities undertaken by the Internal Audit Section in the period from 1 July 2014 to 30 September 2014 and summarises the objectives of reviews undertaken, audit opinion and the key issues resulting from this work.

2.2. The Internal Audit Section has undertaken work contained within the West Yorkshire Combined Authority's (WYCA's) Audit Plan 2014/15 through the performance of the following audit reviews:

- Tendered Subsidised Bus Services.
- Realtime Information System – Source Code Escrow.
- Purchasing & Procurement.
- LTP Capital Expenditure – Grant Certification.
- Travel Centre Procedures.

3. How Control is Reviewed

3.1 There are three elements to each internal audit review. Firstly, the objectives and key risks associated with the audit entity are identified. Secondly, controls which internal audit would expect to be present to mitigate risk are determined and finally an audit programme is developed to review the existence and operation of those controls through a combination of substantive and compliance testing.

3.2 An evaluation of the effectiveness of controls tested is provided within each audit report along with an indication of any residual risk. This is then used as the basis for forming an audit opinion of the entity. Details of audit opinion assurance categories are provided below:

Assurance Level	Definition
Well Controlled	<p>There is a robust control framework in place for the system.</p> <p>All necessary controls are in place and are operating effectively.</p> <p>Any recommendations made are low risk and relate to enhancements of existing controls.</p>
Controlled	<p>There is an acceptable control framework in place. Key controls are in place and operating effectively.</p> <p>Some changes to controls and how they operate would be beneficial.</p> <p>Recommendations made are moderate or a combination of moderate and low risk, including the development of existing controls, and do not relate to key controls.</p>
Requires Improvement	<p>Controls in place for some elements of the system are not always appropriate or effective or are not consistently applied.</p> <p>Recommendations made are of high or a combination of high and moderate risk concerning the operation of key controls.</p>
Poorly Controlled	<p>There is an inadequate control framework.</p> <p>Key controls are absent or not operating.</p> <p>The operation of the system is currently providing an unacceptable risk.</p> <p>Recommendations made are high risk concerning the operation of key controls.</p>

4. Audit Summary

- 4.1. Overall the performance of individual audit assignments is in line with the phased Audit Plan. The reviews undertaken in the latest period were all assessed as controlled. A summary of the internal audit reviews performed along with details of any significant issues identified and respective audit opinions are provided below.

4.1.1 Tendered Subsidised Bus Services

“Controlled”

Local Authorities are able to secure the provision of local bus services that would not otherwise be provided on a commercial basis by bus operators by offering a contract for the provision of service after a competitive tendering process. This mechanism helps to ensure that access to the public transport network is maintained and enhanced for people living in areas that would otherwise have limited public transport services.

This review focused on the systems for ensuring that payments are properly calculated, authorised and recorded, processes for evaluating tenders received from operators and the operation of contract monitoring and contract compliance processes. The scope of the audit included a review of contracts for the provision of both schools and non- schools transport.

The principal observation concerned the review, updating and signing of an information sharing agreement. This document sets out stakeholders' responsibilities in respect of special educational needs (SEN) contracts and identifies information which must be shared between WYCA, Local District Authorities and other agencies.

4.1.2 Realtime Information Systems – Source Code Escrow

This review considered the outcomes of a technical review undertaken jointly by South Yorkshire Passenger Transport Executive (SYPTE) and WYCA of the adequacy of arrangements to securely hold realtime information system source code data within escrow. The purpose of escrow is to provide a trusted third-party with source code, files, documentation and other information which is needed to maintain or rebuild the system in the event of failure of the contracted supplier.

It was apparent that the process to rebuild the system from source code and other information held in escrow could be considerable. In addition, the technical expertise required for this process could be difficult to procure and could result in further delay. However, it was recognised that there is real value in having arrangements in place which effectively hold information in a secure environment which allow the system to be rebuilt if necessary.

The introduction of an updated Realtime Information System is planned for implementation in 2015. It is recommended that, in order to minimise costs, full system verification of source code held in escrow be performed by third- party specialists at intervals of every 24 to 36 months. This is to be supplemented with annual integrity testing performed in conjunction with officers employed by WYCA and SYPTE.

4.1.3 Procurement

“Controlled”

The review focused on the reliability of systems operating for procuring goods and services and arrangements for the disposal of assets. The scope of the audit included the testing of procedures for ordering, receipt and authorisation of payments, compliance with Financial Regulations and EU directives, systems interfaces and reporting arrangements.

It was recognised that, due to the relative size of the organisation, there is an inherent level of risk in terms of the lack of separation of ordering, receipt and payment authorisation functions. However, WYCA operate a number of compensating controls which are designed to detect any inappropriate actions within the procurement process. These controls were found to be operating satisfactorily.

4.1.4 West Yorkshire Local Transport Plan 3– Grant Certification 2013/14

Certification of expenditure incurred in 2013/14 by WYITA and the five District Authorities within West Yorkshire in respect of LTP3 grant allocation was completed. As a result of testing performed and assurances received, a declaration providing assurance that, in all significant respects, the conditions attached to Local Transport Capital Block Funding have been met was provided to the Department for Transport.

4.1.5 Travel Centre Procedures

“Controlled”

This audit examined measures established for the collection of income and processing of transactions at WYCA travel centres. This included cash handling and ticket stock management arrangements.

There were no significant recommendations identified for the attention of management. However, comments were provided in respect of updating documented procedures.

Our opinion, based on the results of tests performed, is that overall there is an acceptable control framework in place for the operation of processes at Metro Travel Centres.

5. Other Activity

- 5.1. In addition to the completion of scheduled audit reviews provided in section 4 of this report, work is currently in progress relating to Health and Safety Compliance, New Pudsey Station Car Park Scheme Benefits Realisation, Payroll and Prepaid Tickets and Concessionary Fares. A summary of the results from these reviews will be provided to this Committee once the final audit reports are released.

6. Financial Implications

- 6.1 None relating directly to the Internal Audit function.

7. Legal Implications

- 7.1. The Accounts and Audit Regulations 2011 establish requirements relating to systems of internal control and the review and reporting of those systems. Accordingly, the Authority must have in place a process for establishing, maintaining and reviewing the system of internal control and risk management. The regular reporting by the Internal Audit Manager forms part of that review.

8. Staffing Implications

- 8.1 None relating directly to the Internal Audit function.

9 Recommendations

- 9.1. That the Internal Audit progress report be noted.

ITEM 7

Report to: West Yorkshire Combined Authority

Date: 21 October 2014

Subject: Revision of Internal Audit Plan 2014/15

1. Purpose

- 1.1 To consider the proposed revisions to the schedule of internal audit reviews for 2014/15.

2. Information

- 2.1. UK Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The results of work undertaken within the Annual Audit Plan are designed to support the opinion provided in the Annual Internal Audit Report.

- 2.2. In developing the Internal Audit Plan the following elements have been considered:

- The core objectives of WYCA and specific risks associated with those objectives.
- The content of WYCA's risk registers and the controls that the organisation places reliance on to manage those risks.
- Areas of concern or requests for coverage from management and members of WYCA.
- Areas where external audit will wish to place reliance on testing and assurance provided by internal audit.
- Regulatory requirements for internal audit coverage.
- Results of cumulative internal audit knowledge and experience.
- Significant recent changes within procedures and operations.

- 2.3 The Audit Plan continues to be flexible to address changes in risks and audit priorities. A mid-year review of the Audit Universe has identified a number of modifications which are now required to the audit plan. These changes can be summarised as follows:

<u>Emerging Audit Requirements</u>	<u>Audit Days</u>
Tendered Subsidised Service Gross Contracts. (New business processes for 'revenue risk' type contracts)	10
Data Sharing Arrangements (Review of arrangements with stakeholders and processes for receiving/providing sensitive data)	10
Required Increases in Audit Resource Allocations	
Low Moor Rail Station – Project Management Arrangements (Revaluation based on audit performance in year)	03
Elland Road P & R Benefits Realisation (Revaluation based on audit performance in year)	03
CARE NORTH PLUS Grant Certification (Revaluation based on audit performance in year)	02
Unannounced Visits (Increase in coverage across Travel Centres and impact of the introduction of systems required to support elements of the SCIP programme)	02
Additional Audit Resource Requirement	30
<u>Deferred Elements</u>	
Grant Certification:	
Local Sustainable Transport Fund	10
Transport Fund	10
Better Bus Areas Fund	05
Cycle City/Best Foot Forward	05
(Reviews originally identified for completion in 2014/15, now to be carried forward into the first quarter of the 2015/16 plan).	
Audit Resource Deferred	<u>-30</u>
Net Resource Change	0

- 2.4 Overall there is no effect on the level of audit resource required to accommodate these changes to the plan and progress remains on target for its completion by 31 March 2015.

- 2.5 The content and progress of work undertaken on the plan will continue to be regularly reviewed and reported to the Governance and Audit Committee. The revised Audit Plan is provided in full within the appendix of this report for information.

3. Financial Implications

- 3.1. A requirement to buy-in ICT audit specialism for the review of computer programmes designed to provide income collected through payzone terminals and for general systems penetration testing and compliance with ITIL standards has been identified. Funding for this has previously been identified.
- 3.2 The salary and other costs relating to the posts of Internal Audit Manager and Internal Auditors are provided for in the approved annual revenue budget.

4. Legal Implications

- 4.1. The Accounts and Audit Regulations 2011, Regulation 6, requires relevant bodies to maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. The regulations recognise proper internal audit practices as those contained in Public Sector Internal Audit Standards.

5. Staffing Implications

- 5.1. The provision of internal audit services as detailed in the Audit Plan requires the employment of three audit staff on a full-time basis. The posts of Internal Audit Manager and two Internal Auditors are provided in the organisation plan.

6. Recommendations

- 6.1. That the revisions to the Annual Audit Plan 2014/15 as provided within this report be recommended for approval by the Combined Authority.

Appendix

REVISED INTERNAL AUDIT PLAN - 2014/15

Audit Area	Priority	Planned Days	Directorate
Core Business Processes		80	19%
Tendered Subsidised Bus Services	High	15	Passenger Services
Tendered Services Gross Contracts	High	10	Passenger Services
Prepaid Tickets & Concessionary Travel	High	20	Passenger Services
Travel Centre Procedures	High	15	Passenger Services
Yorcard Ltd	High	*20	Passenger Services
Financial Systems		68	16%
Main Accounting System & Financial Reporting	Mandatory	10	Resources
Creditors	Mandatory	8	Resources
Debtors	Mandatory	8	Resources
Payroll & Personnel Records	Mandatory	10	Resources
Treasury	Mandatory	10	Resources
Procurement	Mandatory	12	Resources
Sage Pay Processing	Mandatory	10	Resources
Management		60	14%
Data Security/ Protection	High	*20	Cross-Cutting
Data Sharing Arrangements	High	10	Cross-Cutting
Monitoring of Contracts	High	20	Passenger Services
Source Code Escrow	Medium	10	Cross-Cutting
Corporate Governance		50	12%
Risk Management Arrangements	Mandatory	15	Cross-Cutting
Health & Safety	High	15	Cross-Cutting
Preparation of AGS	Mandatory	5	Cross-Cutting
Business Continuity	High	10	Cross-Cutting
Legislative Compliance	High	5	Resources
Counter Fraud & Corruption		19	5%
Counter Fraud – Investigation	High	10	Cross Cutting
Anti- Fraud, Bribery & Corruption	Mandatory	2	Cross-Cutting
Fraud Awareness	High	2	Cross-Cutting
Pro-active Anti-Fraud Exercises	High	5	Cross-Cutting
Projects		76	18%
Transport Fund Business Case Appraisal	Mandatory	20	Development
LTP Capital Programme Management	Mandatory	20	Development
SCIPS Programme – Smart Transactions	High	15	Passenger Services
Low Moor	Medium	8	Development
New Pudsey Station Car Park	Medium	5	Development
Elland Road Park & Ride	Medium	8	Development
Safeguarding Assets		12	3%
Unannounced Visits	Medium	7	Passenger Services
Petty Cash	Low	5	Cross-Cutting
Grant Certification		27	7%
LSTF	Mandatory	10	Cross-Cutting
Transport Fund (LTB)	Mandatory	10	Development
Interreg – CARE NORTH Plus	Mandatory	7	Passenger Services
Interreg – ITRACT	Mandatory	10	Passenger Services
LTP Block Settlement	Mandatory	10	Cross-Cutting
BBAF	Mandatory	5	Cross-Cutting
Cycle City Grant/Best Foot Forward	Mandatory	5	Cross-Cutting
Value for Money		10	3%
Provision of Passenger Information	-	10	Passenger Services
Follow-up		10	3%
Follow up Reviews	-	10	Cross-Cutting
TOTAL ALLOCATION		412	100%

ITEM 8

Report to: Governance and Audit Committee

Date: 21 October 2014

Subject: Internal Controls and Financial Monitoring

1. Purpose

- 1.1. To consider any changes to the arrangements for internal control in the West Yorkshire Combined Authority since the last meeting of the Committee and to consider the current financial position.

2. Information

- 2.1. This paper is provided to each meeting of the Governance and Audit Committee and provides information and assurance on governance issues. Any changes to, or failures of, internal control will be reported along with significant risk issues and an update on the budget position for the current year.

Internal controls

- 2.2. There have been no significant changes to internal controls in the period. Key financial controls continue to be carried out monthly and recorded on the performance management system; these are monitored at monthly management meetings and are all up to date. In addition regular governance meetings continue to be held with Leeds City Council to consider and review the transactions relating to investments, treasury management being carried out jointly with LCC.

Financial monitoring – revenue budgets

- 2.3. The 2014/15 budget was set by the former West Yorkshire Integrated Transport Authority in February 2014 and re-endorsed by the WYCA at its meetings in April and May. Set out overleaf is the current position against that approved budget.

WEST YORKSHIRE COMBINED AUTHORITY BUDGET				
	All £000's		Original budget 2014/15	Latest Estimate 2014/15
Concessionary travel			53,242	54,122
Subsidised Services			19,490	19,005
Passenger Services			8,172	8,338
Prepaid Tickets			31,000	31,000
Rail - Franchise Costs			64,209	64,209
Rail - additional services			182	0
Pensions			1,431	1,431
Financing charges			7,356	7,186
Combined Authority			67	117
Strategic priorities-rail dev/QC's			250	50
Development & Corporate			6,045	6,105
			191,444	191,563
Prepaid Tickets			-31,000	-31,000
Special Rail Grant			-64,209	-64,209
Levy			-96,198	-96,198
Use of reserves			37	156
Remaining reserves at year end			5,892	6,414
Reserves at 31 March 14	6,570			

- 2.4. Overall expenditure so far this year is broadly in line with budget, with a small net increase in costs. The most significant movements are an increase in concessionary travel reimbursement costs which is offset by savings on bus tendered services. There are a few minor variations on other lines. As work progresses on preparing the detailed budget for 2015/16 and the revised outturn for 2014/15 it is likely that some further variations will emerge – the opportunity will also be taken to seek to reduce expenditure where possible. The improvement in the projected reserves by the end of the year reflects the improved year end position from 2013/14 which resulted in a transfer to reserves of £2m rather than the £1.4m agreed at the budget meeting in February.
- 2.5. An initial draft of a three year medium term financial strategy for the WYCA was discussed at the WYCA meeting of 18 September. The first meeting of the Budget Working Group took place on 1 October and considered the underlying detail of the transport budget. At its next meeting it will be considering further details of this along with options for service cuts/efficiencies and the first draft of a 2015/16 budget that also includes the economic activities of the WYCA alongside its transport ones.

Financial monitoring – capital budgets

- 2.6. Delivery of the current year capital programme continues to make good progress. As previously set out the funding for this programme is provided by a combination of Local Transport Plan grants and other specific funding streams such as the Better Bus Areas grant.
- 2.7. Alongside delivering the revenue budget for 2015/16 work is ongoing to update the capital position following the successful outcome of the Leeds City Region Growth Deal. Appropriate arrangements for the delivery of a much enhanced capital programme of both transport (through the West Yorkshire + Transport Fund) and economic regeneration projects are being considered. Discussions are also underway to establish the size of the WY+TF in the context of the available funding and the opportunities to maximise the pipeline of projects. This may lead to more borrowing or other funding being identified.
- 2.8. Work on developing a Single Transport Plan that reflects the aspirations and priorities of the WYCA is progressing and this will inform the way in which capital funding is utilised in 2015/16 and subsequent years.
- 2.9. The approval of the 2015/16 budget that will take place at the WYCA meeting of 28 January 2015 will also require confirmation of a longer term capital plan, with the appropriate funding in place.

Risk management

- 2.10. The risk management arrangements that were in place for the WYITA and WYPTE have been adapted for the WYCA. A separate paper on this agenda provides further information to this Committee on the revised risk management arrangements.

3. Financial implications

- 3.1. As set out in the report.

4. Legal Implications

- 4.1. None arising directly from this report.

5. Staffing Implications

- 5.1. None arising directly from this report.

6. Recommendations

- 6.1. That the Committee note the report.

ITEM 9

Report to: Governance and Audit Committee

Date: 21 October 2014

Subject: Risk management arrangements

1. Purpose

- 1.1. To provide the Committee with information on the risk management arrangements in place at the WYCA and seek its input on further developing these.

2. Information

- 2.1. Risk management arrangements had been established for the former West Yorkshire Integrated Transport Authority (WYITA) and West Yorkshire Passenger Transport Executive (WYPTE) and these have initially been adapted to fit the WYCA. This Committee has previously noted that this is the case and has also approved a revised risk policy statement which confirmed the overarching approach to risk.
- 2.2. The risk manual previously developed to support the management, recording and monitoring of risks has been reviewed and updated to reflect the current working arrangements of the WYCA and it is attached as Appendix A for consideration. The first few sections set out an overview of the management arrangements in place, showing the roles of different committees with the second half of the manual providing users with a number of frequently asked questions and a technical guide to recording and updating their risks.
- 2.3. The manual sets out the detail of how risks are identified, assessed, recorded, monitored and reviewed. Risks are categorised as day to day operational, departmental, project or corporate and the way they are assessed and recorded depends on which category they fall into. WYCA operates an electronic performance management system called Covalent which, as well as recording risks, is used to record actions and performance indicators. It allows all users to view any or all of these for any WYCA team and it enables links to be made for example between a risk and an action that is seeking to mitigate that risk.

- 2.4. The day to day routine operational risks which are generally well understood and managed are not necessarily recorded in Covalent unless there is something that turns it into a higher level risk for which action is required.
- 2.5. Each WYCA team or department has its own departmental risk register within Covalent to record risks which are specific to its own processes and actions. Covalent allows the recording of mitigating actions and also prompts risk owners to regularly review each risk and provide an update as to the likelihood and impact of a risk materialising. Each Director holds a monthly management team meeting and at this meeting managers are encouraged to consider if there are any changes to current risks and any further actions required to mitigate them.
- 2.6. Each project is also required to maintain a risk register. This would in any event be required under PRINCE2 project management arrangements. Each Project Board maintains and monitors risks in a way that is appropriate to the scale and scope of that project. That may include recording detailed risks on Covalent, or, more commonly, recording a summary of the risks on Covalent with the detail being held within the project management documentation.
- 2.7. The corporate risk register consists of a small number of high level strategic risks that affect the organisation as a whole. The current draft corporate risk register for the WYCA is set out below and the views of the Committee are sought as to whether these risks are appropriately representative. These will then be entered into Covalent with an initial score for 'likelihood' and 'impact' which should then assist in identifying where any actions should be focussed. It is important to ensure that attention is focussed on a handful of strategic risks rather than seeking to address every possible risk.
- 2.8. Draft corporate risk register:
- Failure to deliver WYCA objectives and outcomes;
 - Failure to secure enhanced funding and devolved powers;
 - Failure to have in place the capacity and resources to deliver the increase in workload;
 - Failure to properly communicate the purpose of WYCA to internal and external stakeholders;
 - Failure to develop appropriate working arrangements with Districts;
 - Failure to demonstrate that the WYCA is making a difference.
- 2.9. The corporate risk register will be reviewed periodically to ensure that the risks are valid and that any appropriate action is being undertaken. It is proposed that following input from this Committee the corporate risk register is further developed and reviewed six monthly by this Committee.
- 2.10. The risk management arrangements are reviewed annually as part of the internal audit strategic plan and the conclusion of that review formed part of the agenda of the last meeting of this Committee. In summary there were no specific findings or improvements required to the risk management arrangements other than the recognition that the change to a new organisation would necessitate an updating of

the current arrangements. Further work to develop arrangements will be required as the economic activities of the LEP become integrated into the work of the WYCA. The views of this Committee are sought as to any other aspects of risk management it would wish to see progressed.

3. Financial implications

3.1. None arising directly from this report.

4. Legal Implications

4.1. None arising directly from this report.

5. Staffing Implications

5.1. None arising directly from this report.

6. Recommendations

6.1. That the Committee note the risk management arrangements in place and provide any further direction on how these can be developed.

6.2. That the Committee endorse the outline corporate risk register.

Risk Management



Manual 2014/15 v1.5

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Document History

Version	Comments
1.0	December 2011-Updated draft
1.1	February 2012- Updated Draft (Section on trigger emails, more detailed explanation of ownership)
1.2	February 2012- Inserted Projects Risks
1.3	March 2012- updated triggers, reports and use of Covalent explanation; Updated ownership page; Updated Risk Scoring
1.4	April 2012- added policy document
1.5	June 2014 – changes for WYCA

1. Risk Management Policy Statement

Risk management policy statement

Approach and objectives

Risk management is a planned and systematic approach to the identification, evaluation, prioritisation and control of risks and opportunities facing an organisation.

The WYCA recognises that effective risk management is an integral part of good corporate governance and as such should be a part of everyday management processes across the organisation. WYCA is committed to ensuring robust risk management arrangements are in place and operating effectively at all times. The Director, Resources will champion risk management, providing a management lead and ensuring that appropriate arrangements are maintained but the day to day management of risk sits with Directors, Assistant Directors and risk owners.

Specific arrangements

The WYCA will establish clear roles, responsibilities and reporting lines for risk management and ensure a systematic way of:

- Identifying risk and risk owners
- Assessing risks in terms of likelihood and severity
- Assessing the need for mitigating actions
- Recording risks
- Regularly monitoring and reporting upon risk

These systems are detailed in the risk manual and will be kept under regular review.

2. Introduction

The aim of this document is to provide guidance on both the purpose and process of risk management at WYCA. Where appropriate the document will link to a series of short 'how to' guides.

Risk and risk management

“Risk is most commonly held to mean "hazard" and something to be avoided. But it has another face - that of opportunity. Improving public services requires innovation - seizing new opportunities and managing the risks involved. In this context risk is defined as uncertainty of outcome, whether positive opportunity or negative threat, of actions and events. It is the combination of likelihood and impact, including perceived importance.

Risk management covers all the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress. Good risk management helps reduce hazard, and builds confidence to innovate.”

-HM Treasury

Background

Taking risks is an inevitable part of most organisations. Attention needs to be focused on managing the risks to which the organisation is exposed. High performing organisations consistently demonstrate strengths in leadership, financial management, performance management and risk management.

Risk Management can be defined as the culture, processes and structures that are key to the effective management of potential opportunities or threats to an organisation in achieving its objectives and delivering services. Risk Management is not about being risk averse. It is about understanding and evaluating risks whether they are an opportunity or a threat and making informed decisions about how those threats are then managed in order to maximise the efficiency of its services.

The benefits gained in managing risk are improved strategic, operational and financial management, continuity of knowledge and information management processes, improved compliance and most importantly improved customer service delivery.

Risk Management at WYCA

WYCA strives for excellent management of risk in order to maintain good governance, meet its audit requirements and to sufficiently protect itself against the risks that arise in carrying out its functions. WYCA's operations mean it is exposed to risks concerning health and safety, loss of money or funding, reputational risks in relation to delivery of projects and objectives and potential legal action. Figure 1 shows the various groups who identify, assess, monitor and review the risks that WYCA faces.

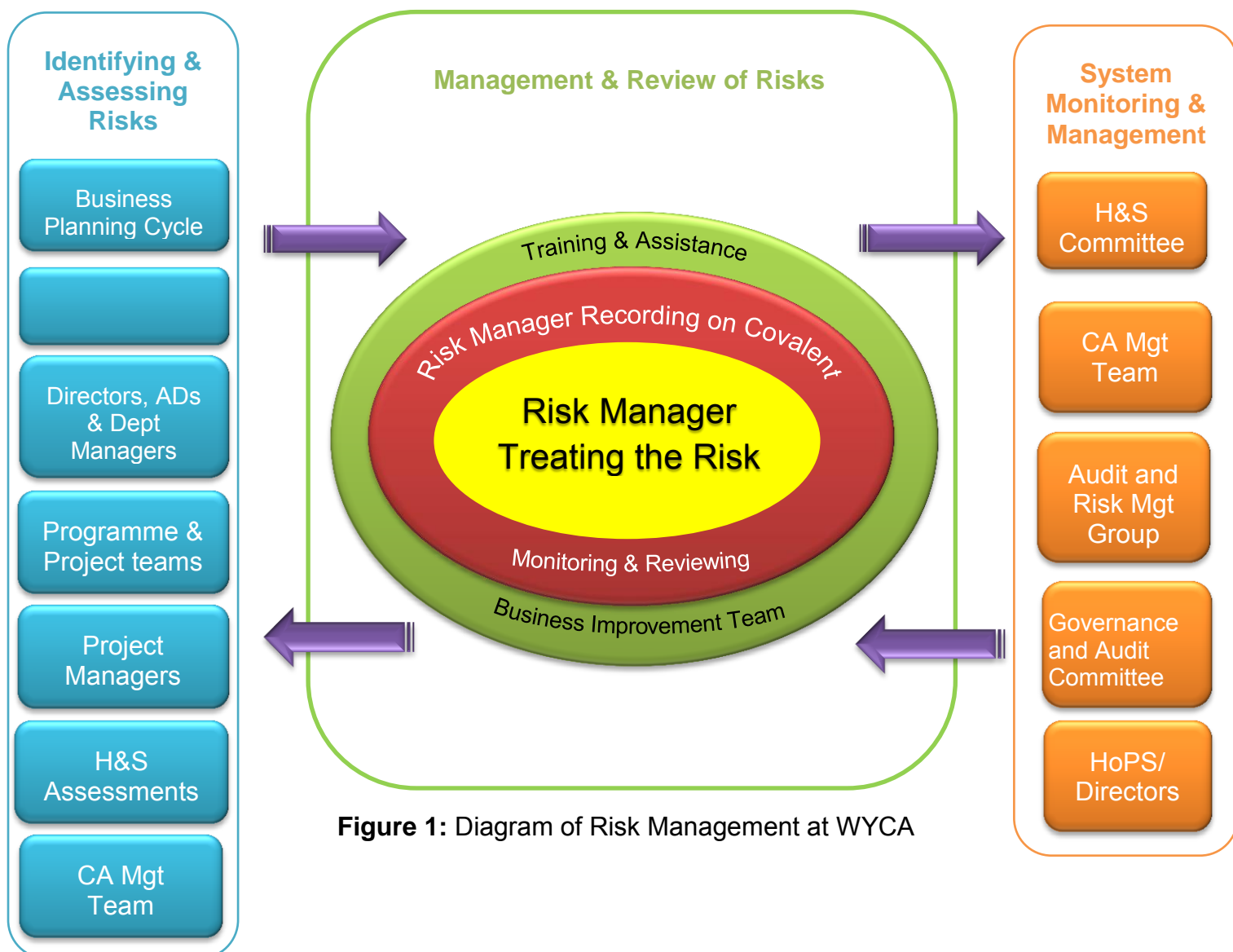


Figure 1: Diagram of Risk Management at WYCA

The **Health and Safety Committee** meets every two months to ensure health and safety systems are operating effectively.

The **Combined Authority Management Team (CAMT)** review the Corporate Risk Register periodically and Director led **Management Teams** discuss the Departmental Risk Registers throughout the business year.

The **Audit and Risk Management Group** meets every two months and reviews the systems in place. It discusses the risks to which the WYCA is exposed, the management of these risks, training in risks and awareness of risks across the organisation. It reviews progress on the internal audit plan, ensuring any emerging risk issues are appropriately addressed in the plan.

The **Governance and Audit Committee** provides a Member overview of the audit and risk arrangements in place.

3. Risk Management Overview

The WYCA follows a four-step approach to managing the risk it is exposed to. Firstly it **identifies** the risk, related to the appropriate department.

Then the risk is **assessed** in terms of the likelihood of the event actually occurring and the impact that such an event would have on the WYCA achieving its objectives.

Steps then must be taken to mitigate this risk- what can actually be done to stop this risk occurring or limiting the impact of the risk. This **treatment** needs then to be **monitored** and periodically **reviewed**. This process is repeated as the risks changes over time.



Figure 2: Diagram of the Risk Management Process

“Each public sector organisation's internal control systems should include embedded arrangements for identifying, assessing and managing risks. Risk management should be closely linked to the **business planning process**. Each organisation's governing body should make a considered choice about its desired risk profile, taking account of its legal obligations, ministers' policy decisions, its business objectives, and public expectations of what it should deliver. This can mean that different organisations take very different approaches to similar risks.” -Scottish Government

Using Covalent, WYCA divides the risks into two categories or *registers*. These are:

- Corporate Risk Register – contains the main on-going or long term risks to the WYCA on an organisation wide basis. These risks are owned and managed by the Head of Paid Service and the Directors.

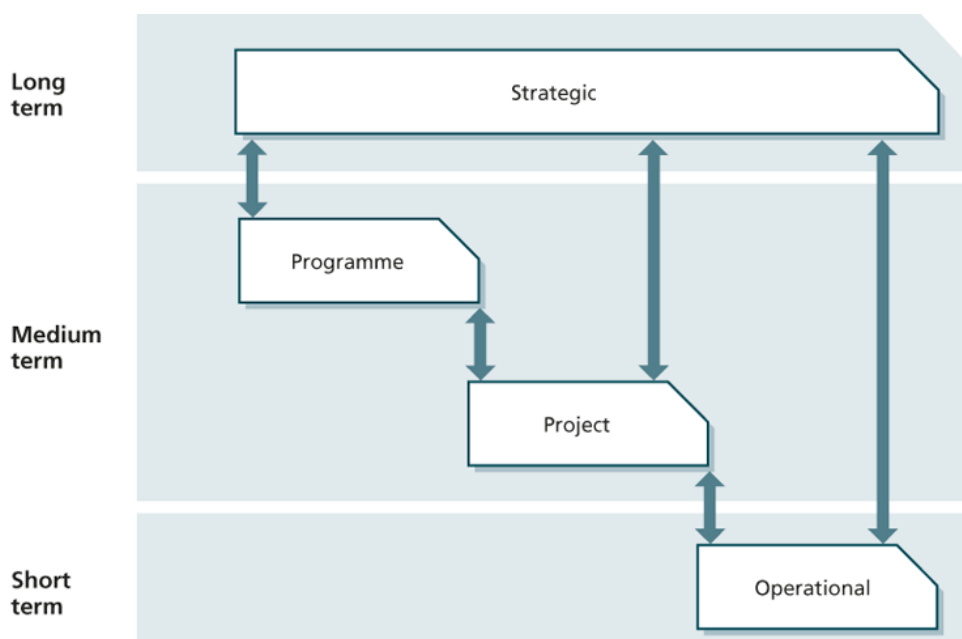
- **Departmental Risk Register** – contains risks specific to the processes and actions for each department and team within the WYCA or a specific project. These risks should be managed by departmental managers, Assistant Directors or designated project managers and could be time limited or on-going. Within each departmental risk registers there are subsections for each team.

The use of Covalent allows the principal of management by exception by clearly defining roles, actions and timescales. This is embedded in the management of risks and plays a major role in PRINCE2 methodology.

Each department is recommended to have a manageable set of risks typically containing no more than ten (and ideally less than five) risks at any one time. This allows the manager to keep a focus on the top risks. Where distinct projects are being carried out, this may result in groups of risks arranged per project as opposed to reflecting the whole department and hence the risk register containing relatively more risks. Here risks could be consolidated into themes such as **Statutory Compliance** – including health and safety requirements; **Financial**; **Political**- adverse publicity; **Operational**- processes, procedures, internal controls, security; **ICT** risks- reliance, complexity. Another option may be to link a spread sheet or other relevant details which contains more details.

3.1 Structure of Risks

The PRINCE2 diagram overleaf shows an organisational approach to handling risks. While the WYCA currently records strategic risks on Covalent, it discourages the recording of managed operational risks as this comes down to daily management responsibilities and need not be formally detailed. This leaves Programme and Project Risks.



Programme Risks are the amalgamation of all the associated project risks plus any longer-term strategic risks relevant to the programme.

In departments such as Development or Facilities and Asset Management the strategic risk may be too vague to allow the risk owner to give detailed thought to the management of the risk. Similarly too much attention to detail will give the owner too many items to consider and would become unmanageable. The manager could record the most significant risks or the ones requiring most attention.

3.2 Method of Recording Project Risks

Where a new project commences the risks should be recorded at three different levels:



Figure 3: Diagram of Project Risk Management

The **Directorate** risks should be recorded in Covalent, and these should reflect the long-term risks that the directorate faces. For example the management of key relationships with the District Councils is something which affects the directorate over the long-term and does not begin or end with projects.

The **Project Direction Team** will require an overview of the risks that show the major threats to a project. The most significant risks, for example ones likely to show amber or red should be recorded and described in Covalent.

The Project Manager may also need a more comprehensive list of project risks, at least on larger projects. They may use Covalent for this purpose to allow a more detailed examination of each risk. Covalent can then be used to create a portable document (i.e. a snapshot or a risk report- see Covalent guides). Covalent also allows further details where necessary and allows generalised displays such as heat maps.

Alternatively, the list of risks can be presented in the form of an Excel spreadsheet. This is a portable document which shows each risk in a simple and accessible form. While it is less versatile in its uses, it is a more straightforward form of presentation for users not familiar with Covalent. This form of Risk Register should be attached to a risk in Covalent.

Consider the example “Contractor Failure,” an individually identified risk in Project A in a department such as Projects within Development.

It is recommended that the risk owner simply records “Operational risks of Project A” and elaborates in the item description, giving mention to Contract Failure alongside other specific operational risks. The general Operational Risks of project A should be collectively graded and managed. Where operational risks vary distinctly, this could be separated a little but should not add an extra level of risks.

Where some departments have many internal controls, simply the potential failure of these controls may account for all/most of the risks to that department. A department with many on-going projects may well face more risks, but this should not encourage the team to put everything bad that could possibly happen into Covalent. Instead, they should consolidate these risks into categories as previously mentioned. Daily risks (e.g. electrical failure), overly-specific risks (e.g. documents being burnt) and general managerial duties (e.g. staff wasting time) need not be recorded in Covalent.

The overall aim of recording the risks is for the manager/director to monitor the management of the risks that each department faces, in a way that allows them to make realistic progress in controlling the threat. This allows a clear **connection between risk management and performance management**. Both disciplines are designed to support organisations' efforts in making decisions and meeting their goals; risk management through the identification and management of those risks that could affect business objectives, and performance management through the identification and measurement of the drivers needed to achieve results.

Risk-adjusted performance metrics offer managers tools that strike the appropriate balance between meeting performance goals and achieving appropriate returns for the risks being taken. The application of risk-based performance management may also lead to incentives that are more aligned with an organisation's long-term success.

3.3 Frequently Asked Questions

In the next section the following questions will be addressed:

What is a risk?

What is risk management?

Why manage risk?

What is a risk register?

Where does WYCA keep its risk registers?

Why do we use Covalent to manage risks?

How do I identify my risks?

Who owns the risks in Covalent?

How do I add new risks to Covalent?

What information do I need to include on my risk?

How do I score my risk?

How often do I need to update my risks?

How do I review or update my risk?

My risk is due for update but I have no changes to make. What should I do?

What should I do with my existing risks in Covalent?

What does the risk status mean?

I have more questions about risks. Who should I ask?

What is a risk?	A risk is a hazard or event that could cause a specified harm to someone or something. In terms of the WYCA this could be something that will prevent or hinder the achievement of one of its corporate objectives.
What is risk management?	Risk management is the process by which managers assess main risks and then put measures in place to control them.
Why manage risk?	<p>Managing risk gives an element of control over events which may threaten or prevent the WYCA from carrying out its duties and achieving its objectives.</p> <p>By identifying potential impact and likelihood of risks WYCA can then develop plans to control and reduce their impact should the risk occur, for example implementing plans to reduce the risk of accidents occurring at bus stations.</p>
What is a risk register?	<p>A risk register is a list of the key risks that belong to a particular manager project or department. Within WYCA there are two kinds of risk register:</p> <ol style="list-style-type: none"> 1. Corporate Risk Register – contains the main on-going or long term risks to WYCA on an organisation wide basis. These risks are owned and managed by the Head of Paid Service and the Directors. 2. Departmental Risk Register – contains risks specific to the processes and actions for each department and team within WYCA or a specific project. These risks should be managed by departmental managers, ADs or designated project managers and could be time limited or on-going.
Where does the WYCA keep its risk registers?	<p>WYCA's risk registers are recorded in a performance management system called Covalent.</p> <p>Covalent uses three modules to measure performance in a number of areas against targets and objectives. These modules are:</p> <p>Risks - records risks facing the organisation and measures taken to manage them.</p> <p>Actions - ensures that tasks are being managed and measures progress against milestones. This module is used to monitor progress of the annual business plan.</p> <p>Performance Indicators - measure how WYCA is performing against various targets. These include for example number of MetroCards sold each month or quarterly bus patronage.</p>
Why is Covalent used to manage	Covalent facilitates the PRINCE2 philosophy of "Management by Exception." By using notes, reports and regular updates regular monitoring can take place without needing lots of

risks?	<p>specific meetings.</p> <p>Covalent provides the ability to record the impact, likelihood and assessment history for all of WYCA's risks. It also has the benefit of being able to automatically remind users when risks are due to be reassessed and produce instant reports. All of the information contained within Covalent is freely transparent and can be viewed by all users.</p>
How do I identify my risks?	<p>For departmental risks registers, managers should identify risks within their service area that will impact upon successful delivery of WYCA's key corporate priorities. Each risk register should typically have no more than 10 risks, it is expected that most will contain 3-5 risks.</p> <p>When seeking to identify risks managers should follow a six step method:</p> <ol style="list-style-type: none"> 1. Identify the main (top 3 to 10) risks to achievement of key priorities within your service area. 2. Decide what the impact and likelihood of the risk are. 3. Consider what precautions or mitigations will be required to control the risk. 4. Record your findings in the risk module of Covalent 5. Take action to implement necessary mitigations 6. Review your risks and update at least quarterly or more frequently if the risk is likely to change more often.
Who owns the risks in Covalent?	<p>The ownership of risks reflects WYCA's management structure. Individual risks are reviewed and updated by the nominated individual in the Action Manager role within the Covalent ownership field. Management Teams scrutinise risk registers within each directorate. See the section on ownership for more.</p>
How do I add new risks to Covalent?	<p>To add new risks to Covalent simply log in and go to risk central using the navigation tool bar at the bottom of the screen. You should see a list of all WYCA departments in the left hand column. Click on the relevant department name which should then be highlighted in blue. Next, click New Risk in the top left hand of the screen and fill in the template on the right hand side.</p>
What information do I need to include on my risk?	<p>When adding a new risk to Covalent the following details should be included:</p> <p>Code: This should follow on from the last risk in your departmental / project risk register.</p> <p>Title: The name of the risk must be entered in 10 words or less.</p> <p>Description: A text field where you can insert full description of the risk and explain potential consequences should the risk</p>

	<p>occur.</p> <p>Management: A drop-down list with details of how the risk is being managed; options are:</p> <ul style="list-style-type: none"> • Over Controlled – the actions in place to control the level of risk are excessive in relation to potential impact and likelihood of the risk and may need to be addressed with the agreement of the risk owner. • Controlled – sufficient actions are in place to adequately manage the level of risk. • Control Pending – actions to control the level of risk are planned but not yet in place • Uncontrolled – no actions have been implemented to control the level of risk <p>Approach: Another drop down box indicating the approach taken in managing the level of risk; options are:</p> <ul style="list-style-type: none"> • Treat – an action is in place to counter the potential impact and likelihood of the risk. • Terminate – an action is being taken to remove the risk completely. • Transfer (e.g. insure) – an action to transfer the risk to another owner is being implemented. • Tolerate – the risk likelihood and impact is low enough for WYCA to tolerate without additional actions or is not cost effective to do so. <p>Current Risk: The drop down box can be used to select the current level of likelihood and impact.</p> <p>Original Risk: Shows the level of risk during the first assessment when the risk is first identified.</p> <p>Target Risk: Use the drop down menu to select the target level of likelihood and impact for the risk.</p> <p>Ownership: Ensure that the ownership fields reflect the team and department in which you work. The Action Manager is responsible for ownership and review of the risk, whereas it is the responsibility of the departmental manager to ensure the risk is being managed correctly.</p>
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How do I score my risk?	<p>Risks are scored by assessing both the level of likelihood and impact on a scale of 1 to 5. To do this you first need to decide the likelihood and impact of your risk based on the WYCA's standard definitions.</p> <p>To see the WYCA definitions of likelihood and impact see page 19.</p>
How often do I need to update my risks?	<p>Risks are automatically scheduled to be reviewed and updated at least quarterly. You can set up Covalent to send a trigger email around one week before the risk is due to be reviewed. You should also review the risk if any major changes occur or you wish to add more information.</p>
How do I review or update my risk?	<p>When reviewing a risk you must first click the new assessment button. This records the date of your review. You can then make any necessary alterations to the impact and likelihood levels or other details within the risk before saving.</p>
My risk is due for update but I have no changes to make. What should I do?	<p>If the level of likelihood or impact for your risk has not changed you still need to click the new assessment button and then save. This is in order to show that you have still considered the potential likelihood and impact of the risk and creates a useful audit history for future reference. See the guide later in this document for a step-by-step guide.</p>
What should I do with my existing risks in Covalent?	<p>Most teams already have large risk registers within Covalent. ADs and Managers are encouraged to review individual risks. Risks which are no longer relevant or no longer have sufficient impact or likelihood to remain listed on the risk register can be moved to the risk archive. To move a risk to the archive you must gain approval from the relevant AD.</p>
What does the risk status mean?	<p>The risk status works on a traffic light basis and reflects the score of likelihood and impact assigned to that risk. The status is displayed in the small icon next to the risk title and also within the risk information itself.</p> <p>A red status equates to very serious risk to WYCA and therefore requires the owner to consider immediate action to mitigate the risk. Mitigation actions should be recorded in the action module of Covalent.</p> <p>An amber risk status requires monitoring and consideration of further actions before it turns red.</p> <p>A green status indicates that the level of likelihood and impact are tolerable without mitigation actions. Risks that remain green in status for three months can be moved to the risk archive.</p>

4. Using Covalent with Risks

The following sections provide step-by-step guides to performing functions on Covalent.

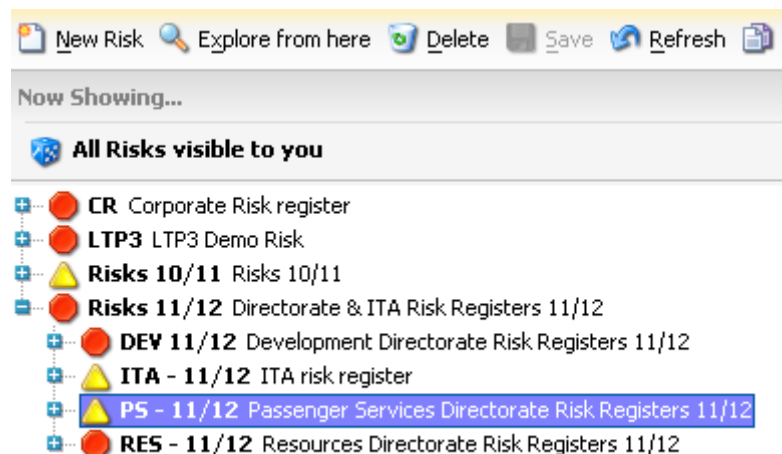
4.1 How to add a new risk to Covalent

This document provides a short guide on how to add risks to departmental risk registers within Covalent.

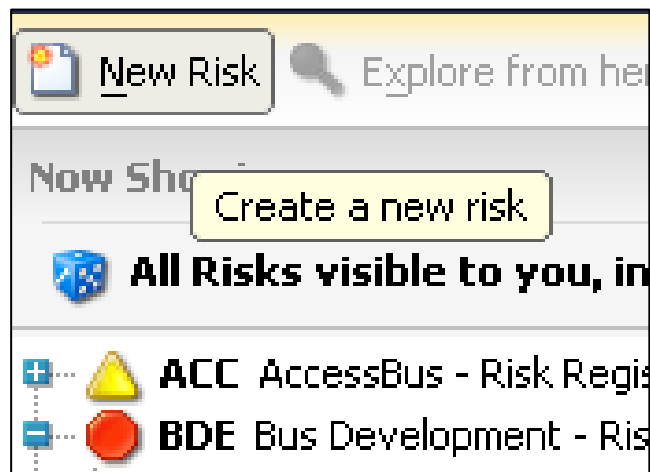
1. Click on Risks on the bottom toolbar. Then select Risk Central from the pop up menu.



2. Click on the name of the relevant risk register representing your department from the list of on the left hand side of the screen. The risk register you have selected should be highlighted in blue.



3. To add risks to this register click the new risk button in the top left of the screen.



4. Next complete the risk details on the right hand side of the screen.

The **code** should follow on from the last risk in your departmental / project risk register.

The **title** of the risk must be entered in 10 words or less.

The **description** is a text field where you can insert a full description of the risk and explain potential consequences should the risk occur.

The **management** and **approach** drop down boxes ask the owner to select options most relevant to the risk. The approach can detail how we manage the risk- Do we treat, tolerate or transfer problems? Or terminate the project upon problems occurring?

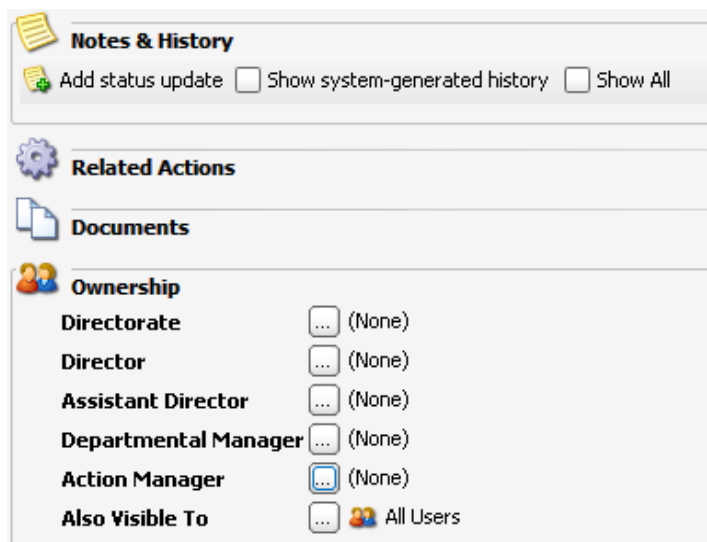
 A screenshot of a 'Details' form for a new risk. The form has tabs for 'Details', 'Assessment Schedule', 'Assessment History', and 'Triggers'. The 'Details' tab is active. Fields include: 'Code' (text input), 'Title' (text input with placeholder '<new risk>'), 'Description' (text area with placeholder '-- enter risk details here --'), 'Status' (dropdown menu set to 'Unknown'), 'Active' (checkbox checked), 'Risk Matrix' (dropdown menu set to 'DEFAULT Default Matrix'), 'Management' (dropdown menu set to 'Uncontrolled'), 'Priority' (text input set to '0'), and 'Approach' (dropdown menu set to '(No selection)'). Below these is a section for 'Current Risk' with a 'New Assessment' button and a 'No assessment scheduled' status. It features a 4x4 grid for 'Likelihood' (rows) and 'Impact' (columns) with color-coded cells (green, yellow, red). To the right of the grid are dropdown menus for 'Impact' and 'Likelihood', both set to '(No selection)', a 'Review Date' field set to '07 December 2010', and a 'Risk Score' text input. At the bottom, there are sections for 'Original Risk', 'Target Risk', 'Sub Risks', and 'Profile'.

Current risk – use the drop down boxes to select the appropriate level of impact and likelihood using WYCA's standardised definitions. Use this scale to set the **target risk**. (The level which the risk should be managed down to)


Use the **Notes and History** to record any mitigation activities planned or taking place.


Add the appropriate users to the **ownership** field. The Departmental Manager is responsible for the management of the risk, whereas the Action Manager inputs and


reviews the risk. (Often this may be the same person). See the section on ownership for further information.





Notes & History

 Add status update ☐ Show system-generated history ☐ Show All

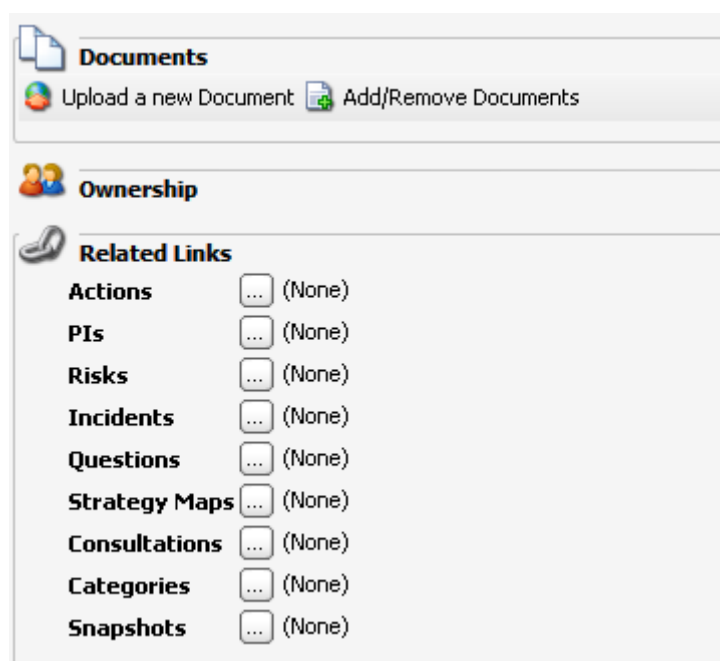
 **Related Actions**


 **Documents**



 **Ownership**


Directorate	<input type="button" value="..."/>	(None)
Director	<input type="button" value="..."/>	(None)
Assistant Director	<input type="button" value="..."/>	(None)
Departmental Manager	<input type="button" value="..."/>	(None)
Action Manager	<input type="button" value="..."/>	(None)
Also Visible To	<input type="button" value="..."/>	 All Users


Consider **linking an action** to your risk, or **attaching** relevant documents



 **Documents**

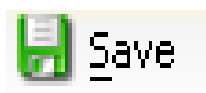
 Upload a new Document  Add/Remove Documents

 **Ownership**

 **Related Links**

Actions	<input type="button" value="..."/>	(None)
PIs	<input type="button" value="..."/>	(None)
Risks	<input type="button" value="..."/>	(None)
Incidents	<input type="button" value="..."/>	(None)
Questions	<input type="button" value="..."/>	(None)
Strategy Maps	<input type="button" value="..."/>	(None)
Consultations	<input type="button" value="..."/>	(None)
Categories	<input type="button" value="..."/>	(None)
Snapshots	<input type="button" value="..."/>	(None)

Once you have made changes to a risk remember to save.



Trigger Emails

Trigger emails are a useful way of reminding you a risk needs updating

Covalent 11.3 - logged in as Hatfield, Andy @ West Yorkshire Metro

Portal Edit Risk [Modified] RKL2.1_AH Public Reception Area

Save Revert Print Audit Trail Email Owners

Details Assessment Schedule Assessment History Triggers

Delete Add a trigger

Trigger	Email	Notice
Risk approaching Review Date : Every 7 days, starting 14 days before and finishing 15 days after	Yes	

Trigger when

☒ Risk approaching Review Date

☐ Risk changes status

Range

14 days before

15 days after

Firing interval in days 7

Firing Dates 18 October 2011, 25 October 2011, 1 November 2011, 8 November 2011, 15 November 2011

Notification Method

☒ via Email

☐ Post Notice to Home Page

Recipients

☐ Director

☐ Assistant Director

☒ Departmental Manager

☒ Action Manager

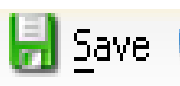
☐ Send to inherited owners

Other Recipients

Additional Message

Drag the Green and Red arrows to choose when a Trigger email should be sent.

The trigger emails should be sent to the Departmental Manager as well as the Action Manager. In some cases it may be appropriate to add the director. Use the "Firing Dates" to set the amount and frequency of reminders around the review date. The notification option of "Via Email" is most appropriate. You can add other recipients and additional text as an additional feature.



4.2 Scoring Risks

This guide gives an explanation of the method for scoring risks within Covalent and explains the scale used by WYCA to measure the likelihood and impact of risks. Accurate scoring of risks allows the user to prioritise their monitoring of the risk.

Risks are managed in Covalent by a matrix system which calculates a score to represent likelihood of occurrence and impact on WYCA as an organisation, should that risk occur.

Current Risk

New Assessment (circled in red) **No assessment scheduled**

Impact: 4 Severe
Likelihood: 1 Low
Review Date: 15 September 2010
Risk Score: 4
Assessment: EHL Extremely High - Low

Original Risk

Original Impact: 3 High
Original Likelihood: 3 High
Original Date: 25 January 2010
Original Score: 9
Assessment: 33 High - High

Target Risk

Target Impact: 4 Severe
Target Likelihood: 1 Low
Target Date: 11 February 2011
Target Score: 4
Assessment: EHL Extremely High - Low

Each risk contains three matrices to record current, original and target level of likelihood and impact.

When you are creating a new risk you should assess the level of likelihood and impact for each matrix.

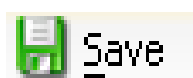
If you are updating a pre-existing risk you only need to assess the level of likelihood and impact for the matrix marked **Current Risk**.

To change the levels of Impact and Likelihood on a matrix use the drop down boxes marked **Impact** and **Likelihood** to select the appropriate score. The score should reflect WYCA's standardised definitions for likelihood and impact which are included in the next page of this guide.

Once you have changed the levels of likelihood and impact you must click the **New Assessment** button

(circled in image). This records the date of review and shows that your risk has been updated. If the levels of impact and likelihood have not changed you must still click the new assessment button.

Once you have made changes to a risk remember to save.



WYCA's scale of likelihood and Impact for scoring risks

Impact Rating

Definition

5. Critical

An event whose occurrence will impact on WYCA so severely that it will be unable to continue to deliver in one or more of its key corporate plan priorities, putting overall delivery of WYCA's objectives at risk.

- | | |
|-------------|---|
| 4. Severe | An event that, if it occurs, will cause serious financial (10% +), quality, reputational or other costs in delivery in one or more of WYCA's key corporate plan priorities. |
| 3. High | An event that, if it occurs, will cause significant financial (5% +), quality, reputational or other costs in delivery in one or more of WYCA's key corporate plan priorities. |
| 2. Moderate | An event that if it occurs will cause noticeable financial, quality, reputational or other costs in delivery in one or more of WYCA's key corporate plan priorities. |
| 1. Low | An event that if it occurs will cause small financial, resource or other implications in delivery in one or more of WYCA's key corporate plan priorities that in most cases, can be absorbed by WYCA. |

PRINCE2 recommends the following scale for likelihood :

Probability		(Covalent Likelihood value)
0.9	Very High (71-90%)	5
0.7	High (51-70%)	4
0.5	Medium (31-50%)	3
0.3	Low (11-30%)	2
0.1	Very low (up to 10%)	1

Example: *Failure of HR processes, advice or management. Impact 3, Likelihood 2.*

This risk covers a range of small problems that may occur quite frequently. Any form of this failure could have a high impact, in this case probably a legal situation arising. It was deemed there is a moderate likelihood of this happening.

This approach is by no means an exact science. For risks with likelihoods affecting larger population groups, such as risks to passengers passing through a bus station) it may be more appropriate to use a scale such as:

Likelihood Rating	Definition
5. Very Likely	There is a 1 in 10 chance of this event occurring.
4. Likely	There is a 1 in 100 chance of this event occurring
3. High	There is a 1 in 10,000 chance of this event occurring
2. Moderate	There is a 1 in 10,000 chance of this event occurring
1. Low	There is less than a 1 in 100,000 chance of this event occurring

While this process is purely for assistance, and numeric estimations are not always feasible when evaluating risks, it provides a guide for those not entirely sure on how to grade a risk. It should ultimately be left to the judgement of the Risk Owners.

If a risk can be graded as low likelihood with a low impact it probably need not be recorded in Covalent.

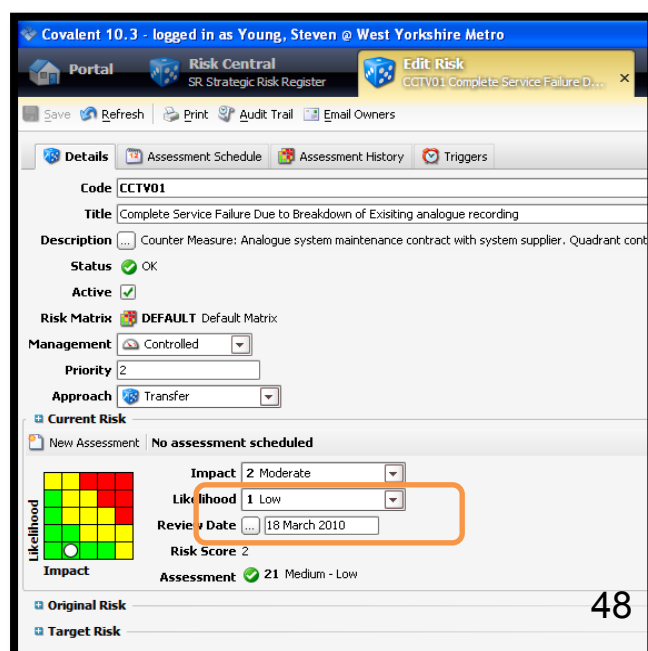
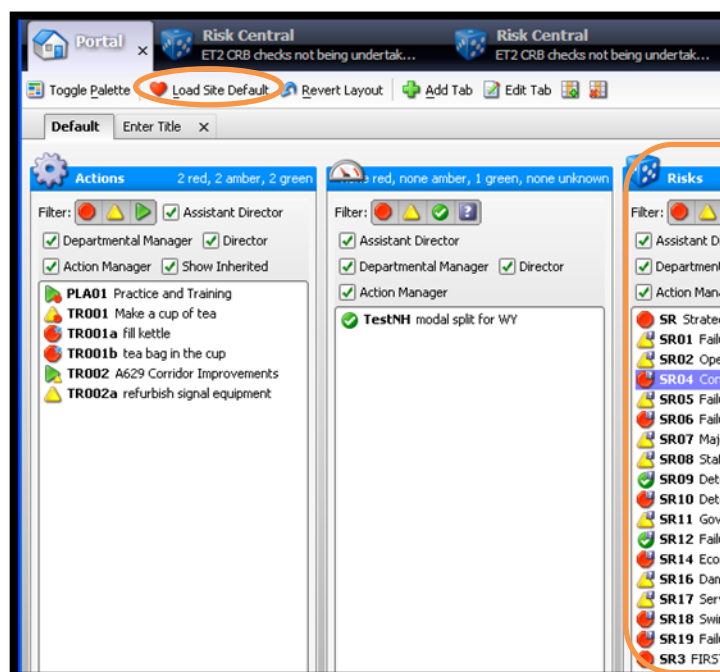
4.3 How to Review your Risks in Three Easy Steps

This guide provides a quick and simple tutorial for Covalent users wishing to quickly review and update their risks.

1. Use the portal page to find your risks

Once you have logged into Covalent. The first page you should see is the portal page. This page shows every Action, PI, Risks assigned to you with Covalent. It should look similar to the layout in the image below. If the page layout looks slightly different you may need to click the **Load Site Default** button (Circled).

You can find your Risks in the third column. Double click on the title of the risk that you wish to review or edit.



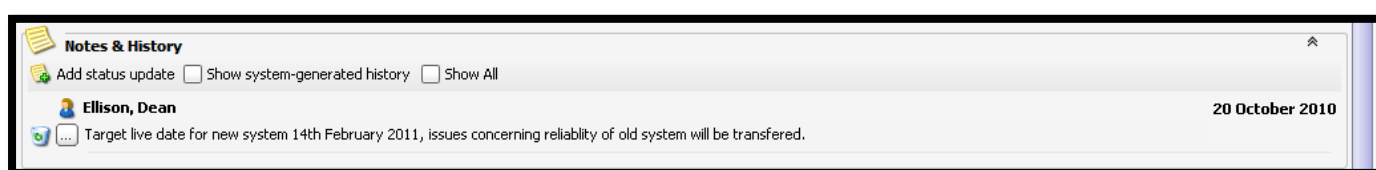
2. Review Contents

You should now see a page of information relating to your chosen risk. It should look like the image on the left. In order to show that you have reviewed your risk you must show that the level of impact and likelihood has been assessed. To do this use the drop down boxes marked **Impact** and **Likelihood** next to the risk matrix. Select an

appropriate score based on WYCA's definitions of impact and likelihood (See the MINT FAQ on Risks if you need more guidance on this). Next click the **New Assessment** button. This is very important and will ensure that the time and date that you reviewed your risk is recorded. If you do not use the **New Assessment** button your risk may show as overdue. You still need to do this if the level of impact and likelihood has not changed.

3. **Save, save, save**

Once you have reviewed the Impact and Likelihood of your risk. Take the opportunity to ensure the other details and fields show the correct information and make any necessary changes. You should also add supporting notes in the Notes and History section. This is important as it allows yourself and others to see the progress you have made within the quarter.



Once you have made your changes remember to click the save icon!



Using the Reports function of Covalent, it is also possible to create a Risk Report which when generated gives a quick overview of all the selected risks. This is ideal when showing someone a broad review of all your risks. For more information on Reports, see the Covalent guides or contact the Business Improvement Team.

4.4 How to update your risk when there are no changes in impact and likelihood

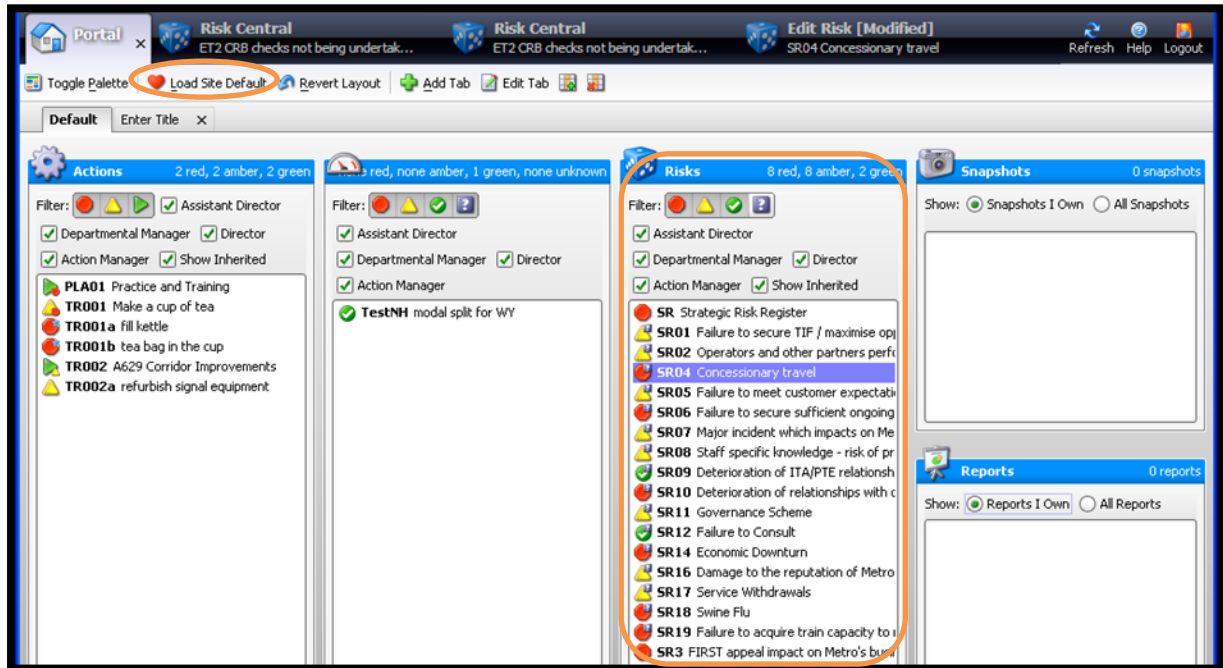
In some cases the level of impact and likelihood within a risk will not change. Despite this it is still important to evidence that the risk has been reviewed at least on a quarterly basis. This short guide shows how to record that your risk has been reviewed even if there are no changes required to the impact and likelihood.

1. Use the portal page to find your risks

Once you have logged into Covalent. The first page you should see is the portal page. This page shows every Action, PI, Risks assigned to you with Covalent. It

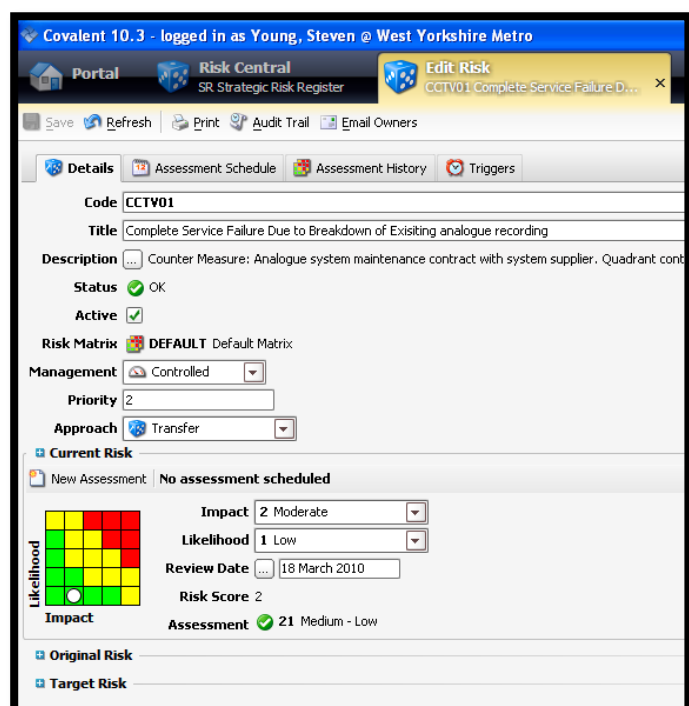
should look similar to the layout in the image below. If the page layout looks slightly different you may need to click the **Load Site Default** button (Circled).

You can find your Risks in the third column. Double click on the title of the risk that you wish to review or edit.



2. Review Contents

You should now see a page of information relating to your chosen risk. It should look like the image on the left. If the level of impact and likelihood has not changed click the **New Assessment** button. This is very important and will ensure that the time and date that you reviewed your risk is recorded. If you do not use the **New Assessment** button your risk may show as overdue. Update the notes to reflect your contribution to managing the risks.



3. Save, save, save

Once you have made your changes remember to click the save icon!



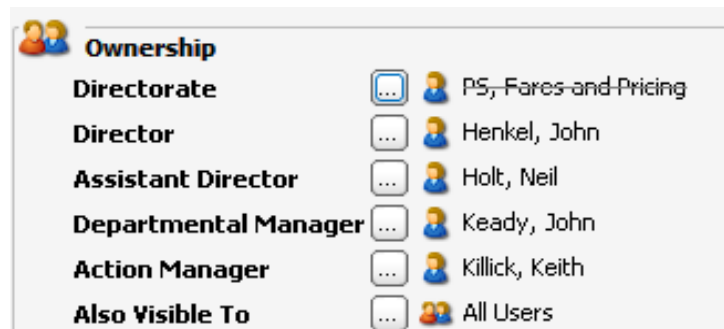
4.5 Risk Ownership

The Ownership Fields

Each Action, Performance Indicator (PI) and Risk within Covalent is assigned to a hierarchy of owners reflecting the organisational structure of WYCA. This is displayed in the ownership panel which is designed to provide details on who is accountable and responsible for the Action, PI or Risk.

There are six available fields:

- Directorate
- Director
- Assistant Director
- Departmental Manager
- Action Manager
- Also visible to



All named individuals in the Ownership Fields can edit the Action, PI or Risk. The **Also Visible To** allows users to view but not edit the content the Action, PI or Risk..

The following two definitions are taken from PRINCE2 methodology:

1. Risk Owner: *A named individual who is responsible for the management, monitoring and control of all aspects of a particular risk assigned to them, including the implementation of the selected responses to address the threats or maximise the opportunities.*

In Covalent this person is recorded as the **Departmental Manager or Assistant Director**.

2. Risk Actionee: *An individual assigned to carry out a risk response action or actions to respond to a particular risk or set of risks. They support and take direction from the risk owner.*

In Covalent this person is recorded as the **Action Manager**. Only one person should be assigned this role.

Note: In many cases these two roles may be assigned to the same person.

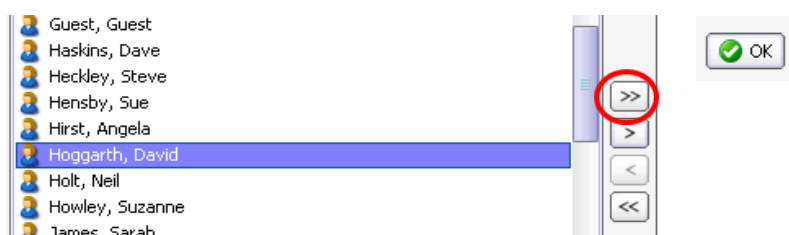
The remaining roles should reflect the hierarchy at WYCA.

Editing the Ownership of an Action, PI or Risk

In order to edit an ownership field click on the small box between the ownership role and named individual.



Next select the user you wish to add to the ownership of the Action, PI or Risk from the list of Covalent users. Use the arrow button to move the name into the field and click ok.



The Action, PI or Risk should now display the new individual in the relevant ownership field.



You can repeat this process to remove individuals from ownership fields.

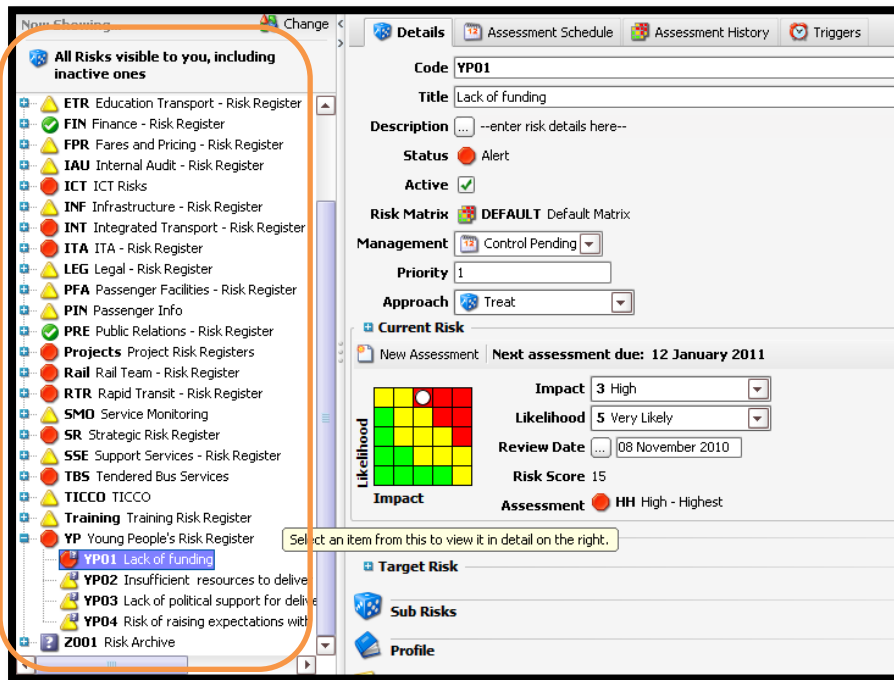
4.6 How to delete your risks

As time progresses it is likely that it may no longer necessary to continue to measure the impact and likelihood of a particular risk. This may be because the level of impact and likelihood are no longer sufficient to represent a risk to WYCA or the risk is no longer relevant. When this is the case users should move the risk in question to the risk archive. This allows WYCA to keep a record of deleted risks for audit purposes.

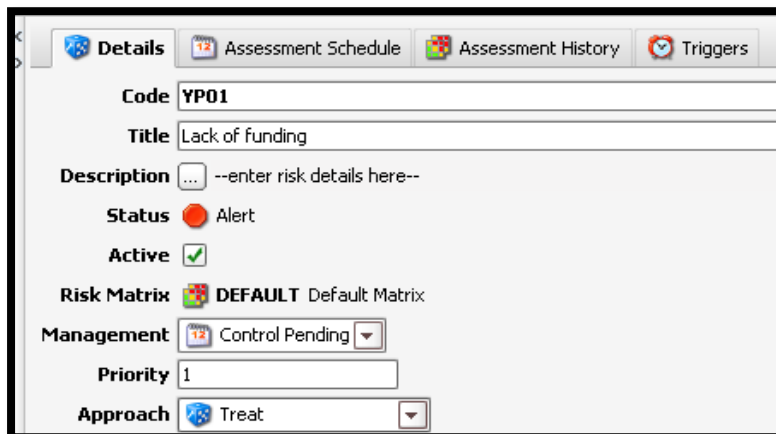
4. Go to risk central.



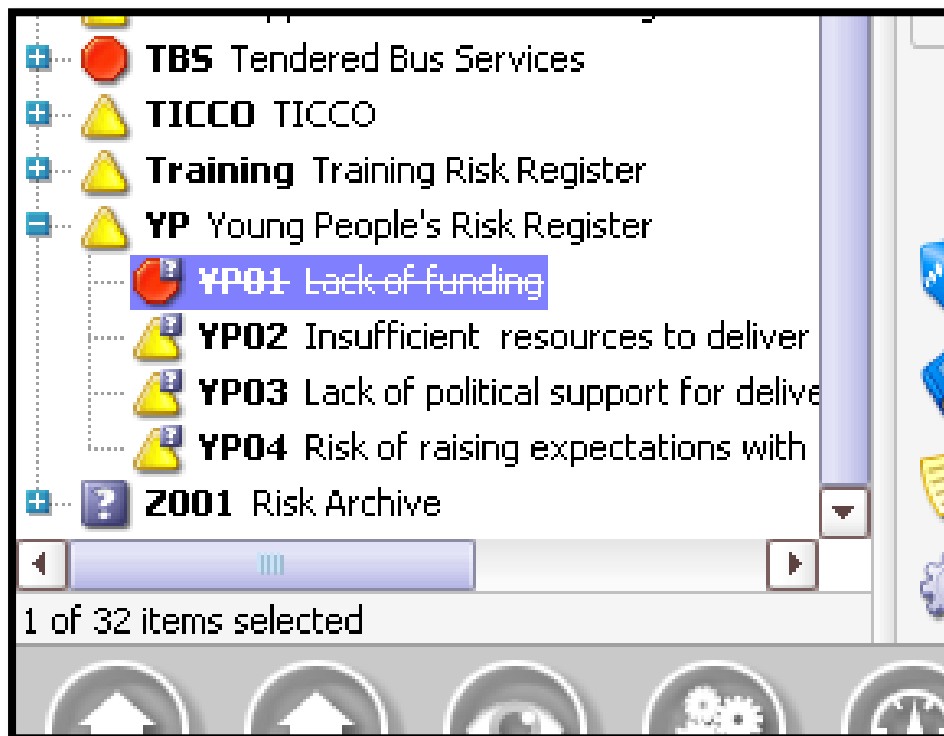
5. Find the risk you wish to delete in the risk hierarchy on the left hand side of the screen. Click on the title so it is highlighted in blue.



- Find the **Active** heading on the right hand side of the screen. Make sure the box is not ticked.



- Once you have unticked the Active box the risk title in the left hand column should appear with a line through it. Next left click and hold on the risk title. You can now drag and drop the risk into the **Risk Archive**.



5. Risk Checklist

Creating a risk

Have you:

- ✓ Inserted appropriate title, description and code?
- ✓ Graded original risks (and date) as well as target risk (and date)
- ✓ Assigned correct ownership?
- ✓ Scheduled an assessment for the future?
- ✓ Inserted Trigger Emails?

Consider attaching actions or PIs in the Related Links area

Updating a risk

Have you:

- ✓ Graded the current risk, and populated the date?
- ✓ Updated the notes?
- ✓ Is the next assessment scheduled?

6. Training and Guidance for Covalent

Training Requests

The use of WYCA's performance management system, Covalent, is continuing to increase in line with its growing role in supporting economic growth across West Yorkshire. Its use has already been extended to enable District Councils to provide updates directly in order to support the performance management of the third Local Transport Plan.

To help in co-ordinating training requests and to facilitate the efficient use of resources, please direct all future requests to the Business Improvement Team using the dedicated email address businessimprovement@westyorks-ca.gov.uk

Once your training request has been received we will help in one of the following ways:

- Where possible, training will be co-ordinated by topic and delivered to a small group (4/6 people) via PowerPoint presentation supported by individual exercises;
- Mini sessions (2/3 people) will be arranged and delivered round a user's pc;
- More complicated or urgent requests may be delivered as one-to-one sessions depending on the level of detail required.

This approach will ensure that your training request is recorded and delivered within a reasonable timescale whilst allowing the Business Improvement Team to manage their resources effectively.

Covalent Governance

A Covalent Governance group has been arranged to ensure the system continues to be developed in line with the evolving strategic and operational needs of the organisation.

The Project Direction Team for the group is made up of the following members and meets periodically:

Executive: Angela Taylor

Senior User: John Henkel

Senior Supplier: Giles Nightingale

Project Manager: Emma Wright

For all training requests please contact businessimprovement@westyorks-ca.gov.uk

For more information on the Covalent Governance arrangements please contact Emma Wright.