

## **GOVERNANCE AND AUDIT COMMITTEE**

**MEETING TO BE HELD AT 2.00 PM ON 19 NOVEMBER 2015  
WELLINGTON HOUSE, WELLINGTON STREET, LEEDS**

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### **A G E N D A**

**1. APOLOGIES FOR ABSENCE**

**2. DECLARATIONS OF INTEREST**

**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 28 JULY 2015  
(pages 3 - 8)**

Copy attached.

**5. TREASURY MANAGEMENT**

A presentation will be given.

**6. EXTERNAL AUDIT UPDATE  
(pages 9 - 20)**

To consider the attached report

**7. INTERNAL AUDIT PROGRESS REPORT  
(pages 21 - 34)**

To consider the attached report.

**8. INTERNAL CONTROLS AND FINANCIAL MONITORING**  
**(pages 35 - 41)**

To consider the attached report.

**Signed:**

A handwritten signature in black ink, appearing to be 'AS Lytle', is written over a light blue rectangular highlight.

**Head of Paid Service WYCA**

**ITEM NO: 4**

**MINUTES OF THE MEETING OF THE  
GOVERNANCE & AUDIT COMMITTEE  
HELD ON TUESDAY 28 JULY 2015 IN WELLINGTON HOUSE, LEEDS**

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**Present:** Councillor G Hussain (Chair)

Councillors N Barnes and H Richards

In attendance: A Lince and N Rayner (Deloitte)  
M Kirkham (Mazars)

**1. Apologies for Absence**

Apologies for absence were received from Councillors G Burton (Wakefield) and S Benton (Calderdale).

**2. Declarations of Disclosable Pecuniary Interests**

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

**3. Minutes**

**Resolved:** That the minutes of the meeting held on 22 April 2015 be approved.

**4. Appointment of Deputy Chair**

**Resolved:** That Councillor H Richards be appointed Deputy Chair of the Committee.

**5. Forward Plan of Work**

The Committee considered a report setting out an overview of the programme of work for the Governance and Audit Committee for 2015/16. In noting the work programme members were advised that there was an opportunity to put items on the agenda as required.

**Resolved:** That the proposed work programme for 2015/16 be noted.

## 6. Internal Audit Progress Report

The Committee considered a report on work undertaken by the Internal Audit Section from 1 April 2015 – 30 June 2015 and the key issues which had been identified were outlined in paragraphs 4.3.1 to 4.3.9 of the submitted report.

<u>Review</u>	<u>Opinion</u>
Contract Monitoring	Controlled
Provision of Information	Requires Improvement
ICT Governance and Security	Requires Improvement
Risk Management Arrangement	Controlled
Data Sharing	Controlled
Tendered Services – Gross Contract	Controlled
VAT Accounting	Well Controlled
Local Transport Plan – Programme Management	Well Controlled
CHASE (Customer Hubs and Service Experience)	Requires Improvement
Customer Relationship Management	

The Committee was given a brief overview of the key elements of the Audit Reviews to identify:

- (i) The objectives and key risks associated with the Audit entity.
- (ii) Determine controls which Internal Audit would expect to be present to mitigate risk.
- (iii) Development of an Audit programme to review the existence and operation of controls through a combination of substantive and compliance testing.

The Committee noted that arrangements are in place to monitor the implementation of all audit recommendations. It was also noted that work on this year's audit plan is on schedule with only a slight over-run forecast.

**Resolved:** That the report be noted.

## 7. Audit Charter 2015

The Committee considered a report on the Audit Charter for the Combined Authority.

It was reported that the Public Sector Internal Audit Standards (PSIAS) require the purpose, authority and responsibility of the internal audit activity to be formally defined in an Audit Charter, consistent with the definition of Internal Auditing, the Code of Ethics and the Standards.

The Committee was advised that the Audit Charter was a formal document that defined the scope of internal audit activities. A copy of the Audit Charter for the Combined Authority 2015/16 was appended to the report. Members noted that

there were no significant changes to the Audit Charter which they had agreed previously in 2014.

**Resolved:** That the Internal Audit Charter be recommended to the Combined Authority for approval.

## **8. Quality Assurance and Improvement Program 2015**

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

It was reported that the Public Sector Internal Audit Standards (PSIAS) required the formal documenting of a Quality Assurance and Improvement Program (QAIP). The Program covered all aspects of the internal audit activity and enabled compliance with all areas of the PSIAS to be evaluated and allowed for the assessment of the efficiency and effectiveness of the internal audit activity and identified opportunities for improvement through both internal and external assessments. Comment was made that the results of the QAIP must be reported to the Governance and Audit Committee and to senior management on an annual basis.

A copy of the Internal Audit Quality Assurance and Improvement Program 2015/16 was appended to the report.

**Resolved:** That the Internal Audit Quality Assurance and Improvement Program 2015/16 be recommended to the Combined Authority for approval.

## **9. Annual Internal Audit Report and Opinion**

The Committee considered the Annual Report of the Internal Audit Manager which detailed work undertaken during 2014/15 for the West Yorkshire Combined Authority.

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 governance framework, risk management and control had operated adequately and that there were no outstanding significant issues.

A copy of the Internal Audit Annual Report and Opinion 2014/15 was appended to the report.

**Resolved:** That the Internal Audit Annual Report and Opinion 2014/15 be noted.

## **10. Review of Internal Control and Effectiveness of Internal Audit**

The Committee considered a report on the outcome of the review of internal control and the effectiveness of Internal Audit.

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 throughout the year.

Comment was raised that there were some minor instances of non-compliance with PSIAS. The Committee was assured that those areas would be addressed as the new governance arrangements for the Combined Authority were developed during 2015/16.

**Resolved:** That the outcome of the review of internal control and of the effectiveness of Internal Audit for 2014/15 be approved.

## **11. 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.

The Committee was also advised that some minor changes to officer delegations had been approved at the WYCA's Annual Meeting. It was the intention to keep such arrangements under review in order to seek any further enhancements to operational effectiveness of the organisation.

### Key Indicators

The Committee considered the 'key indicators' specifically with regard to accidents for the first 6 months of 2015.

It was pointed out that in the last 3 months there had been an increase in the reported number of accidents; upon further investigation there was no apparent underlying common cause with most of them being due to individuals not taking proper care when alighting buses/moving through the bus station.

### Financial Monitoring – Revenue Budgets

It was reported that a number of savings had been realised in the year which resulted in a transfer to reserves of £1.4m.

The most significant change since the forecast outturn was a saving of £300,000 on concessionary travel that related to young persons' concessions and reflected changes that had arisen following revisions both to the type of tickets available and the way in which schools transport had been provided.

It was reported that whilst there were no significant changes to note in the budget for 2015/16, work had commenced on identifying the opportunities and options for reducing expenditure from 2016 and that the work would be managed by the Combined Authority's Finance Working Group.

### Financial Monitoring – Capital Budgets

It was reported that capital expenditure for 2014/15 had been finalised as part of the year end work. All grant funding that was required to be spent by the 31 March 2015 deadline had been fully disbursed.

### Risk Management

It was reported that the annual internal audit review of risk had been undertaken and this was considered elsewhere on the agenda. No new significant risks had been identified since the last meeting.

**Resolved:** That the report be noted.

## **12. Medium Term Financial Strategy**

The Committee considered a report seeking members' views on the Authority's medium term financial strategy.

It was reported that an updated medium term financial strategy (MTFS) was being developed to support the budget process for 2016/17. The detailed work was being overseen by the Finance Working Group which had identified a number of work streams to be delivered via a number of Committees. In this respect they had requested that this Committee consider the Combined Authority's reserves policy and the treasury management arrangements.

It was reported that the reserves policy and resultant calculation had been developed to ensure that the key areas to the organisation's business could be managed in a controlled way. Members were informed that the current strategy, which had been approved by the Combined Authority in January 2015, calculated the required level of general reserves to be in the region £4 -£5m.

In considering the level of reserves, the Committee commented that they were very mindful of the financial challenges placed on the District Councils in the current climate. They suggested that officers consider different ways of reducing reserves in the levy whilst not compromising the Combined Authority's finances and its need for funding to deliver the requirements of a growing organisation.

The Committee considered the treasury management policy which is based on return of funds rather than return on funds. It was recognised that the current arrangements appeared satisfactory but that it would be useful to gain a more detailed understanding from WYCA's treasury management team of the arrangements in place.

**Resolved:**

- (i) That officers be requested to consider different ways of reducing the Combined Authority's reserves including reductions in the levy, whilst not compromising the Combined Authority's finances.
- (ii) That Leeds City Council's Treasury Management Team be invited to the next meeting in order to give members a presentation on the principles of the treasury management approach and how those principles are applied in practice across the Combined Authority.

**13. Approval of Annual Accounts for 2014/15**

The Committee considered the Annual Accounts for 2014/15 for the West Yorkshire Combined 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 on 17 September 2015.

**Resolved:**

- (i) That the Treasury Management policy and report and the methods of capital funding as outlined in Appendix B of the submitted report be approved.
- (ii) That Deloitte's final report be noted.
- (iii) That the Annual Accounts for the West Yorkshire Combined Authority for the year ended 31 March 2015 be recommended to the WYCA for approval.



## ITEM 6

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**Report to:** Governance and Audit Committee

**Date:** 19 November 2015

**Subject:** External Audit Update

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### 1. Purpose

- 1.1. To provide the Committee with an update on external audit matters.

### 2. Information

- 2.1. The external audit work for 2014/15 is now complete. At its last meeting the Committee recommended the annual accounts to the WYCA for approval. The accounts were approved and the audit opinion and certificate issued on 30 September. As expected, and as outlined to Members back in July, a clean audit opinion was issued on the accounts and on the value for money conclusion.
- 2.2. The final element of the process is the issue of the annual audit letter which must be done by the end of October each year. The letter for 2014/15 is attached as **Appendix A** and sets out the work undertaken in the year, the audit conclusions including the conclusions on the risk matters identified at the start of the audit and confirms the fee payable. There are no matters of concern raised in this letter and no change in the fee.
- 2.3. This letter completes the work that has been carried out by Deloitte and all future external audit work will be carried out by Mazars who have been appointed auditors from 1 April 2015. Initial discussions with officers regarding the work to be undertaken for the 2015/16 year end have commenced.
- 2.4. A letter has been received from Public Sector Audit Appointments, the body which, since the demise of the Audit Commission, has responsibility for managing audit contracts and the associated fees. The letter commences the consultation on the proposed work programme and scales of fees for the 2016/17 audits. There are no planned changes to the proposed work and nor are there any changes proposed to the audit fee, which for WYCA for 2015/16 is set at £33,720, a saving of £11k on the audit fee for 2014/15 which itself was a £22k reduction on the previous combined

fees for the West Yorkshire Integrated Transport Authority and Passenger Transport Executive. The proposed work programme is unchanged from the current year although the possibility of extra work (and extra fees) with regard to highways infrastructure assets is highlighted. This should be applicable to highways authorities only and is therefore not relevant to the Combined Authority.

- 2.5. The consultation on the work programme and fees for 2016/17 runs until 15 January 2016 and the Committee is asked to consider whether it wishes to provide any comments on the proposals.
- 2.6. The consultation also sets out confirmation that DCLG has approved the extension of current audit contracts for 2017/18 – under the original proposals this was an option that DCLG could choose to exercise. There is also a statement that the retained earnings of the Audit Commission will be paid out to all audited bodies and that this is likely to be in the order of 15%, so some £6.5k.

### **3. Financial Implications**

- 3.1. As set out in paragraphs 2.4 and 2.6 above. The saving on the audit fee of £11k for the 2015/16 audit is reflected in the budget that will be presented to the WYCA for approval at its meeting on 4 February 2016.

### **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 audit letter.
- 6.2. That the Committee determine if it wishes to comment on the proposed work programme and fees for 2016/17.



West Yorkshire Combined Authority

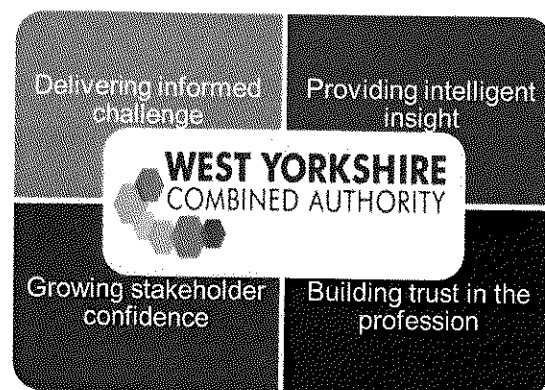
Annual audit letter to the Members of the Authority  
for the year ended 31 March 2015

October 2015

the  
Distinctive  
audit

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# The big picture

We are required to issue an annual audit letter to West Yorkshire Combined Authority (the "Authority") following completion of our audit procedures for the year ended 31 March 2015. The letter is to be published on the Authority's website.

Below are the conclusions we have formed on the significant areas of the audit process.

<b>The Authority's financial statements</b>	We issued an unqualified opinion on the Authority's financial statements for the year ended 31 March 2015 on 30 September 2015.
<b>Value for money conclusion</b>	We have issued an unmodified conclusion on the Authority's arrangements for securing value for money for the year ended 31 March 2015 on 30 September 2015.
<b>Whole of Government Accounts return</b>	We reported to the National Audit Office on the 28 September ahead of the reporting deadline of 2 October 2015, that the Authority was below the thresholds that required the consolidation schedules to be audited.
<b>Audit certificate</b>	When our audit is complete we are required to certify the closure of the audit. The audit certificate was issued on 28 September 2015.

# 1. Purpose and responsibilities

## Purpose of this letter

The purpose of this Annual Audit Letter ("Letter") is to summarise the key issues arising from the work that we have carried out during the year.

We have addressed this Letter to the members of the Authority as it is the responsibility of the members to ensure that proper arrangements are in place for the conduct of its business and that the Authority has relevant safeguards and properly accounted for public money.

The Letter will be published on the Public Sector Audit Appointments Limited website at [www.psaa.co.uk](http://www.psaa.co.uk) and should also be published on the Authority's website.

## Responsibilities of the appointed auditor and the Authority

### Responsibilities of the appointed auditor

We were appointed as the Authority's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England for 2014/15, including local authorities.

As your appointed auditor, we are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we review and report on:

- the Authority's financial statements;
- the Authority's annual report; and
- whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion) in respect of its local authority functions.

We also provide an assurance report to the National Audit Office on the financial information prepared by the Authority for consolidation into the Whole of Government Accounts.

Note: 2014/15 is the final year of our appointment as external auditors to the Authority following a national contract tendering exercise.

### Responsibilities of the Authority

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

As part of our procedures we have considered how the Authority has fulfilled these responsibilities.

## 2. Financial reporting

### Key issues arising from the audit of the Authority's financial statements

We have issued a separate report to the Governance Committee for the year ended 31 March 2015, which details the findings from our audit of the financial statements and the Authority's value for money arrangements. In that report we explained how we focused our work on areas which involve more complex accounting judgements and estimation. A summary of the significant risks identified as part of our audit is included below:

Significant audit risk	Conclusion
<b>Revenue recognition</b>	Grant income was a significant audit risk due to the requirement for management to consider each type of grant individually to consider appropriate treatment, and the associated judgement in relation to this. Prepaid ticket income was considered to be recognised in accordance with relevant accounting standards and the Authority has complied with DfT rules for concessions. We identified one immaterial misstatement from our grant income testing for which an adjustment was proposed. Management chose not to correct the adjustment as the impact was immaterial. We did not consider there to be evidence of management bias in the revenue recognition policies adopted and policies are in line with other Local Government entities and the CIPFA Code.
<b>Management override of controls</b>	We did not consider management's estimates to be unreasonable and nor did we identify any evidence of bias.
<b>Valuation of non-current assets</b>	The assets being valued can be subject to material changes in value and there is a risk that these changes are not appropriately recorded in the financial statements and valuations are by nature significant estimates which are based on assumptions made by management and specialists engaged by management. From our inquiries of management and an assessment of the valuer's report performed by our internal property team we did not consider management's estimates to be unreasonable and nor did we identify any evidence of bias.
<b>Capital Developments</b>	From our testing we did not identify any material issues with the accounting for major capital projects, as noted above we identified one immaterial misstatement in relation to grant income.

We did not identify any significant issues arising from these areas and we consider management's judgements to be reasonable.

## 2. Financial reporting (continued)

### Key issues arising from the work performed on the Whole of Government Accounts return

Whole of Government Accounts (WGA) are commercial-style accounts covering all the public sector and include some 1,700 separate bodies. Auditors appointed by the Audit Commission have a statutory duty under the Code of Audit Practice to review and report on the Authority's whole of government accounts return. Our report is used by the National Audit Office ("NAO") for the purposes of their audit of the Whole of Government Accounts.

We reported to the National Audit Office on the WGA in line with the October deadline. We reported that the Authority was below the thresholds that required the consolidation schedules to be audited.



### 3. Value for Money

#### Background

Under the Audit Commission Code of Audit practice, as appointed auditors, we are required to draw a conclusion regarding the organisation's arrangements to secure economy, efficiency and effectiveness of its use of resources (the value for money (VFM) conclusion).

#### Audit work completed to address the significant risk

In 2014/15 as set out in the *2014/15 Work Programme and Scales of Fees: Local Government*, the approach to local VFM audit work at the larger relevant bodies, including the Authority, is not based on criteria specified by the Commission. For 2014/15, auditors of these bodies will continue to meet their VFM duty by:

- reviewing the Annual Governance Statement;
- reviewing the results of the work of the Commission and other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditor's responsibilities at the audited body; and
- undertaking other local risk-based work as appropriate, or any work mandated by the Commission.

#### Audit work completed

We reviewed the Annual Governance Statement. We did not identify any work undertaken by other regulatory bodies or the need to undertake any local risk-based work, nor was there any additional work mandated by the Commission.

No issues impacting our VFM conclusion were identified and we issued an unqualified conclusion.

#### Financial resilience

We considered the financial standing of the Authority as at 31 March 2015. We assessed this based on current and on-going expenditure demands, expected income levels and the current cash position of the Authority. Following the Government's comprehensive spending review and the extent of reduction in the funding settlement, and major changes in Government policy, the Authority continues to face severe financial pressures over the next few years but we have no specific concerns over the response to those challenges or the financial standing of the Authority.

## 4. Purpose of our report and responsibility statement

### What we report

Our report is designed to help the Authority discharge its governance duties and includes:

- Results of our work on key audit judgements and our observations on the quality of your Financial Statements.
- Our value for money conclusion, based on work undertaken in response to our risk assessment and guidance issued by the Audit Commission in October 2014.
- Results of any other work undertaken in relation to our responsibilities and duties in line with the Audit Commission Act 1998 and Code of Audit Practice 2010.
- Any conclusion, opinion or comments expressed herein are provided within the context of our opinion on the financial statements and our conclusion on value for money as a whole, which was expressed in our auditors' report.

### What we don't report

- As you will be aware, our audit is not designed to identify all matters that may be relevant to the Authority.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by Officers or by other specialist advisers.
- Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### Other relevant communications

- The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body and in this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.
- This report should be read alongside the supplementary "Briefing on audit matters" circulated to you previously.

We welcome the opportunity to discuss our report with you and receive your feedback.



**Deloitte LLP**

Chartered Accountants

Leeds

23 October 2015

This report has been prepared for the Authority, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

# Appendix 1: Independence and fees

<b>Independence confirmation</b>	We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.
<b>Non-audit services</b>	In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the Authority's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
<b>Relationships</b>	There are no other relationships with the Authority and its known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

	<b>2014/15</b> <b>£</b>
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Fees payable in respect of our work under the Code of Audit Practice in respect of the Authority's annual accounts, assurance report on the Whole of Government accounts and the value of money conclusion

45,000

**Total fees payable in respect of our role as Appointed Auditor**

**45,000**



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**Member of Deloitte Touche Tohmatsu Limited**

## ITEM 7

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**Report to:** Governance and Audit Committee

**Date:** 19 November 2015

**Subject:** Internal Audit Progress Report

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### 1. Purpose

- 1.1. To inform the Authority 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 2015 to 31 October 2015 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 through the performance and release of the following audit reports:
- English National Concessions Travel Scheme.
  - Smart Card & Information Programme – Web 1 Project Healthcheck.
  - Payzone Sales Systems.
  - Anti-Fraud –Data Matching.

### 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 substantially in line with the Plan with only a slight overrun of 11 days forecast at this point. This is due to the intentional over-programming in the Plan which was approved by the Combined Authority at their meeting in March 2015, (26 days in year). Details of progress made to date in completing the Audit Plan 2015/16 are provided in **Appendix A**.

4.2. The reviews undertaken in the latest period were assessed as well controlled or controlled with 2 reviews evaluated as requiring improvement.

A summary of the internal audit reviews performed along with details of any significant issues identified and respective audit opinions are provided in sections 4.3.1 to 4.3.4 of this report.

4.3. Progress in implementing all audit recommendations is monitored through Internal Audit's outstanding recommendations tracking system. Information relating to the

number of recommendations issued by internal audit and the status of management responses is provided below:

	Priority High	Priority Medium	Priority Low
Number of Audit Recommendations Issued 2015/16	20	19	0
Number of Audit Recommendations Fully Implemented.	9	5	0
In Progress Audit Recommendations	4	2	0
Overdue Audit Recommendations.	7	12	0
Other Overdue Recommendations from Reports Issued in 2014/15	2	1	0

The majority of the overdue medium priority recommendations have an implementation date of 30th September 2015 and are partially implemented at the date of writing this report. WYCA's directorate management teams will continue to overview and report progress to internal audit on these matters.

Information relating to the overdue high priority recommendations is provided in **Appendix B** of this report.

#### 4.3.1. English National Concessions Travel Scheme (ENCTS)

##### **Opinion – “controlled”**

*There is an acceptable control framework in place. Key controls were found to be present and operating effectively.*

##### **Objectives**

The objectives of this review were to assess the arrangements in place for the maintenance of ENCTS data, validation requirements, the robustness of systems for establishing eligibility and issuing passes and agreements with third parties concerning data accuracy and handling.

##### **Observations**

The primary recommendation concerned the development of system user access rights for the new “CHASE” customer database system to provide appropriate access and alignment with each individual's processing responsibilities.

#### 4.3.2. Smart Card & Information Programme – Web 1 Project Healthcheck

##### **Opinion – “requires improvement”**

*Key PRINCE2 project management strategies were not provided as part of this scheme.*

##### **Objectives**

The objectives of this review were to assess the project management arrangements against the PRINCE2 framework.

##### **Observations**

It was recommended that the Authority recognises the requirements to identify project strategies and applies them to future projects. The review identified an absence of quality management, risk management, communications and benefits realisation strategies.

In addition, it was recommended that project tolerances be determined and monitored throughout the project life cycle along with the maintenance of a daily log to demonstrate continuous project management activity.

#### 4.3.3. Payzone System

##### **Opinion – “requires improvement”**

*Based upon our findings, our overall opinion for this review is that Payzone system management arrangements require improvement at this time.*

##### **Objectives**

The objectives of this review were to assess the I.T. controls in operation which manage data relating to the sales and payments made for MCard products sold through a network of Payzone outlets provided through a separate organisation, Yorcard Ltd.

The review considered the presence and the operation of the following key elements:

- Access controls surrounding data received (Payzone / Yorcard) and stored (Yorcard / WYCA).
- Controls relating to file transfers and any (or opportunities to make) manual changes to files received.
- Controls relating to data (product types and price changes).



- Reporting - Payment / Reversal Statements - i.e. format and security.
- Change management processes.
- Testing of the delivered solution.
- Availability of supporting system documentation.

### **Observations**

In total, eighteen recommendations were identified, nine of which were categorised as High Priority and the remainder as Medium Priority. The principal recommendations concerned:

- Improvements to system user password security.
- Introduction of formal daily checks on completeness of data.
- Documentation of processes for handling any data loss or other significant issues including the recovery of prime files.
- The identification of authorised personnel who are allowed to set, change price and product records.
- The provision of output in read only format.
- Setting of automatic alerts in the event of output and reports not produced.
- The review of system documentation to ensure that it is up to date and the provision of version control.

#### **4.3.4. Anti-Fraud**

### **Opinion – “well controlled”**

*There is an acceptable control framework in place. Key controls are in place and operating effectively.*

### **Objectives**

The objective of these tests were to identify occurrences where payments were made directly into employees bank accounts, through the financial management system, and investigate the authenticity of these transactions.

Data interrogation, using specialist audit in software systems (ACL), was performed on databases held within WYCA's payroll and financial management systems. A review was performed of employees' bank account details held within the payroll system, Payrite and then compared with

creditor payment bank details contained within the Authority's financial management system, Dream.

### **Observations**

The results of these tests identified a number of data matches which, on investigation, were found to have legitimate reasons for these occurrences, these included advance of salary for new starters and payments for eye tests and glasses.

## **5. Other Activity**

- 5.1. In addition to the completion of scheduled audit reviews provided in section 4 of this report, audit testing work has been concluded in relation to Purchasing, Transport Fund Scheme Appraisal, Castleford Bus Station Project Healthcheck, Health & Safety and Low Moor Rail station Project Healthcheck. Final release of these audit reports is now subject to quality reviews of the audit files and the agreement of recommendation implementation actions. A summary of the results from these reviews will be provided to this Committee at the next meeting.

## **6. Financial Implications**

- 6.1. None relating directly to the Internal Audit function.

## **7. Legal Implications**

- 7.1. The Accounts and Audit Regulations 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 these arrangements.

## **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.

## Appendix A Audit Plan Progress

Directorate	Milestone Description	Summary	Estimated Days	Actual Days	Audit Testing	Milestone Note
Passenger Services	Unannounced Visits	Unannounced visits to Travel Centres to check cash and ticket stocks.	5	0	Outstanding	
Cross-Cutting	Pro –Active Anti- Fraud Exercise	Statistical analysis for duplicate payments, data matching for creditor payments into inappropriate bank accounts. Sample review of changes to bank payment master records.	5	5	Completed	
Passenger Services	English National Concessions Travel Scheme (ENCTS)	Data handling and protection requirements, access rights to ENCTS database, agreements with the third parties concerning the handling and maintenance of ENCTS data. Validation rules for applicants to provide evidence of identity, residency and a photo. NFI checks have been performed with other datasets. System is secure and backed up at frequent intervals with limited access rights, satisfactory contingency plan is in place.	20	20	Completed	
Cross-Cutting	AGS	Completion of Annual Report and internal audit opinion	2	2	Completed	
Development	Local Transport Plan Capital Programme Management	Review of arrangements to identify, monitor, control and report on the Capital Programme.	15	15	Completed	

Directorate	Milestone Description	Summary	Estimated Days	Actual Days	Audit Testing	Milestone Note
Development	Interreg Carbon Responsible Transport Strategies (CARE NORTH)	Head of IA assurance. Periodic report and claim review and certification.	5	5	Completed	
Development	Interreg Improving Transport & Accessibility through new Community Technology (ITRACT)	Head of IA assurance. Periodic report and claim review and certification.	5	5	Completed	
Passenger Services	Better Bus Area Fund	Head of IA assurance. Periodic report and claim review and certification.	5	5	Completed	
Passenger Services	Bus Services Operators Grant	Head of IA assurance.	5	5	Completed	
Passenger Services	Cycle City Grant	Head of IA assurance. Periodic report and claim review and certification.	5	3	In Progress	
Development	Transport Fund	Head of IA assurance.	10	2	In Progress	
Resources	Purchasing	Review of the operation of key controls including tendering, ordering, commitments, compliance with Standing Orders and Financial Regulations, e-procurement, purchasing cards.	12	12	Completed	
Resources	VAT	Arrangements for the accounting and submission of VAT returns to HM Revenues & Customs.	5	5	Completed	

Directorate	Milestone Description	Summary	Estimated Days	Actual Days	Audit Testing	Milestone Note
Resources	Data Security/ Protection	Arrangements for the protection of data from loss.  System penetration testing.	25	7	In Progress	
Passenger Services	Smart Card & Information Programme (SCIP)  Smart transactions  Web  Customer Hubs and Service Experience (CHASE)	Review to provide independent assurance. Business change – benefits realisation back office operations.	15	15	Completed	Web 1 project management
Enterprise Partnership	Economic Development	LEP assurance mapping.  Review of processes and controls for the provision of economic development functions for West Yorkshire.  *Growing Places Fund *Employer Ownership Pilot *Tackling Long Term Youth Unemployment  <b>Local Growth Fund</b>  *Business Growth Programme  *Skills Gap  *Energy Accelerator *Resource Efficiency Fund *Biovale *Housing & Regeneration Projects  * West Yorkshire Broadband	30	18	In Progress	Work in 2015/16 will include reviews of the control environment for Skills Gap funding regimes, West Yorkshire & York Broadband – contract compliance & certification of expenditure and ESIF & EFDR funding reviews.

Directorate	Milestone Description	Summary	Estimated Days	Actual Days	Audit Testing	Milestone Note
		<ul style="list-style-type: none"> <li>* Super Connected Cities</li> <li>* Revolving Investment fund</li> </ul>				
Development	LTP	<p>Head of IA assurance.</p> <p>Periodic report and claim review and certification. Systems and procedures to control the allocation of payments and provide evidence of eligible expenditure.</p>	10	10	Completed	
Cross-Cutting	Health & Safety	<p>Health &amp; Safety Policy meets legal requirements as provided in the Health &amp; Safety at Work Act and other relevant Acts.</p> <p>Workplaces and welfare requirements, recording accidents, illness and first aid, use and maintenance of work equipment, control of exposure to hazardous substances, electrical equipment, noise and radiation. Provision of protective clothing or equipment, Reporting of injuries, diseases and dangerous occurrences to the enforcing authority (RIDDOR). The control and management of asbestos, management of contractors, smoke free legislation, alcohol and substance abuse.</p>	15	15	Completed	
Passenger Services	Tendered Subsidised Contracts	<p>Tendering arrangements, batches, de minimis contracts, insurance, operator's licenses, lost mileage, payment calculations and processes.</p> <p>Arrangements support and provide contract compliance.</p> <p>Public and education services.</p>		17	In Progress	

Directorate	Milestone Description	Summary	Estimated Days	Actual Days	Audit Testing	Milestone Note
Resources	Payroll	Review of the operation of key controls including arrangements for starters, leavers, pay points, member's allowances, expenses & deductions.		4	In Progress	
Resources	Treasury Management	Review of the operation of key controls including treasury management, segregation, review, authorisation, third part services and assurances, prudential code.		1	In Progress	
Development	Castleford Bus Station	PRINCE2 project management health check.		12	In Progress	
<b>QTR 1&amp;2 Allocation</b>			<b>194</b>	<b>183*</b>		

*\*Difference (11 days) - over programming.*





## Appendix B

### Overdue High Priority Audit Recommendations

Title	Recommendations	Action	Due Date	Progress	Priority
M/SD/P29/AR215 PPT & Cons - Dream /Payzone UDI	<p><b>Dream /Payzone UDI</b></p> <p>It was noted whilst discussing the UDI link for Yorcard with ICT, that there is currently a hold up in progressing this issue because the Dream test system is not up to date. It is important that this testing can take place to minimise the amount processing within the back office.</p> <p><b>Testing has been successfully undertaken and subject to a minor 'tweak' to be actioned by ICT is ready for deployment</b></p>	Concessions & Integrated Ticketing Manager	31-Mar-2015	95%	High
M/SD/P29/AR223 Provision of Information - Environmental Information Regulations	<p><b>Environmental Information Regulations</b></p> <p>With the amalgamation of activities of the Local Enterprise Partnership into WYCA it is likely that request for information which fall under the Environmental Information Regulations could increase.</p> <p>It is recommended that WYCA consider arrangements to identify and process requests for information where the Environment Information Regulations apply.</p> <p><b>Plans have been drawn up over the past few months, but little progress has been made on delivery due to the fact that FOI requests have virtually doubled since last year and this has meant that the single officer in the legal section that is tasked to progress this aspect of compliance is almost exclusively engaged in ensuring that WYCA complies with the statutory time limits for responding to FOI requests. Plans to increase the resource within the team are being developed.</b></p>	Assistant Director Legal & Democratic Services	30-Sep-2015	0%	High
M/SD/P29/AR248 CHASE CRM - Security and Access	<p><b>Security and Access</b></p> <p>Steps should be urgently taken to establish baseline security and access controls for the CRM system.</p> <p><b>Security and audit module has proven to be more difficult than anticipated – Project Direction Team determined that a CRM consultant should be appointed to help determine the best way of specifying the implementing of the appropriate solutions. Consultant brief drafted and will be subject to a tender process. This will be issued in November, with a consultant appointed in December.</b></p>	Project Manager - CHASE	30-Sep-2015	25%	High

M/SD/P29/AR249 CHASE CRM - Data Protection	<p><b>Data Protection</b></p> <p>The WYCA Data Protection Officer should provide compliance advice to ensure legal requirements are being fulfilled. This review should be evidenced accordingly. This should also include ensuring any contracts / agreements for the support by third party suppliers and issues relating to data storage and retention.</p> <p><b>Further meeting to be scheduled when initial data migration work from Aecom is completed, prior to signing off any spec document relating to data migration</b></p> <p><b>Data migration analysis has been delayed due to ICT resource constraints for the provision of a SQL Server to install the Innovator backup onto. IT is anticipated that this will be completed week commencing 9 Nov with Aecom to visit the same week to recommence their analysis.</b></p>	Information & Marketing Manager	30-Sep-2015	25%	High
M/SD/P29/AR265 Payzone - Daily Checks	<p><b>Daily Checks</b></p> <p>Management at Yorcard Limited should ensure daily checks are completed as expected and evidence to support the task is available.</p> <p><b>Yorcard reported that resource implications of undertaking this recommendation are under consideration by the Yorcard operations team. (SCIP Programme Manager, 18th September 2015). SCIP Programme Board to pursue/monitor progress.</b></p>	Concessions & Integrated Ticketing Manager	31-Jul-2015	0%	High
M/SD/P29/AR267 Payzone - Data Loss	<p><b>Data Loss</b></p> <p>A documented process should be drawn up for handling any data loss / other significant issues including the recovery of prime files from the Payzone environment. This process should include alerting senior management if necessary.</p> <p><b>Yorcard reported this as complete on 11th September 2015. Currently requesting to see copy of process. Recommend waiting to close this item. (SCIP Programme Manager, 18th September 2015). SCIP Programme Board to pursue/monitor progress.</b></p>	Concessions & Integrated Ticketing Manager	31-Jul-2015	0%	High
M/SD/P29/AR268 Payzone - Price Changes	<p><b>Price Changes</b></p> <p>A formal process should be agreed and documented relating to price / product changes. At all stages WYCA stakeholders should sanction (in writing / email) their agreement.</p> <p><b>Yorcard reported this as complete on 11th September 2015. Currently requesting to see copy of process. Recommend waiting to close this item. (SCIP Programme Manager 18th September 2015). SCIP Programme Board to pursue/monitor progress.</b></p>	Concessions & Integrated Ticketing Manager	31-Jul-2015	0%	High

M/SD/P29/AR269 Payzone - Authorised Personnel	<b>Authorised Personnel</b>  Going forward a list of authorised personnel should be agreed between Yorcard Limited and WYCA of those members of staff who can set / change prices / product.  <b>Yorcard reported this as complete on 11th September 2015. Currently requesting to see copy of process. Recommend waiting to close this item. (SCIP Programme Manager 18th September 2015). SCIP Programme Board to pursue/monitor progress.</b>	Concessions & Integrated Ticketing Manager	31-Jul-2015	0%	High
M/SD/P29/AR271 Payzone - Read Only Format	<b>Read Only Format</b>  Users should receive a version of the output in a read only format to ensure the integrity of the data can be checked / maintained.  <b>Yorcard reported this as complete on 11th September 2015. Currently requesting to see copy of process. Recommend waiting to close this item. (SCIP Programme Manager 18th September 2015). SCIP Programme Board to pursue/monitor progress.</b>	Concessions & Integrated Ticketing Manager	31-Jul-2015	0%	High



Originator: Angela Taylor  
Director, Resources



## ITEM 8

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**Report to:** Governance and Audit Committee

**Date:** 19 November 2015

**Subject:** Internal Controls and Financial Monitoring

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### 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. 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.

#### Key indicators

- 2.3. The Committee has requested regular information via key indicators, specifically with regard to accidents. Set out overleaf are the figures to date for 2015.

### 2015 Statistics chart:

2015 Month ending	Accidents	YTD	Near Misses	YTD	Collisions	YTD	First Aid	YTD	Abuse	YT D	RIDDOR S	YTD
January	4	4	4	4	0	0	8	8	-	-	0	0
February	4	8	3	7	3	3	16	24	-	-	0	0
March	5	13	5	12	3	6	10	34	-	-	2	2
April	16	29	11	23	5	11	24	58	-	-	2	4
May	9	38	5	28	2	13	15	72	-	-	1	5
June	12	50	6	34	3	16	19	91	-	-	0	5
July	6	56	11	45	2	18	15	106	6	6	1	6
August	6	62	11	56	5	23	16	122	2	8	0	6
September	8	70	7	63	4	27	16	138	2	10	0	0
October	7	77	9	72	3	30	10	148	0	10	0	6

- 2.4. Of the reported accidents the RIDDOR column at the end shows how many of these were reportable to the Health and Safety Executive (HSE). The Committee has previously considered the incidents to the end of June. Since then there has only been one reportable accident to the HSE and no particular increase in accidents or near misses that would require further work and investigation.
- 2.5. Other key indicators monitored include the suite of financial controls undertaken monthly in both the finance and concessions and integrated ticketing team. These are both up to date as at the time of writing this report.

### Financial monitoring – revenue budgets

- 2.6. The final accounts for 2014/15 are now complete, including receipt of the audit opinion and certificate. The final position was a transfer to reserves of £1.4m.
- 2.7. The latest forecast position for 2015/16 is set out overleaf.

<b>Combined Authority</b>			<b>Actuals</b>	<b>Budget</b>	<b>Latest Estimate</b>
			<b>2014/15</b>	<b>2015/16</b>	<b>2015/16</b>
Concessionary travel			<b>53,736</b>	55,474	<b>55,144</b>
Subsidised Services			<b>19,544</b>	19,632	<b>19,417</b>
Passenger Services			<b>7,617</b>	7,791	<b>7,723</b>
Prepaid Tickets			<b>29,678</b>	31,000	<b>31,000</b>
Rail - Franchise Costs			<b>43,154</b>	43,155	<b>43,155</b>
Pensions			<b>1,370</b>	1,406	<b>1,406</b>
Financing charges			<b>6,613</b>	6,703	<b>6,353</b>
Corporate			<b>5,944</b>	5,892	<b>5,976</b>
Development				315	<b>315</b>
Economic development			<b>0</b>	0	<b>3,616</b>
			<b>167,656</b>	171,368	<b>174,105</b>
Prepaid Tickets			<b>-29,678</b>	-31,000	<b>-31,000</b>
Special Rail Grant			<b>-43,154</b>	-43,155	<b>-43,155</b>
LEP funding					<b>-2,866</b>
Transport levy			<b>-96,198</b>	-96,198	<b>-96,198</b>
Use of reserves			<b>-1,374</b>	1,015	<b>886</b>
Remaining reserves at year end			<b>7,944</b>	5,500	<b>7,058</b>

- 2.8. The most significant change to note since the forecast outturn was agreed is a saving of £300k on concessionary travel. This relates to young persons' concessions and reflects changes that have arisen following changes both to the types of tickets available and the way in which schools transport has been provided. The WYCA has approved extending the concessionary offer for young people such that all 16-18 year olds receive the concessionary offer, not just those in full time education. This has been introduced from 1 November and the expected costs of this are included in the figures above and the medium term financial strategy. At this stage costs are best estimates as the take up of this offer is not yet known and the impact of this will be closely monitored.
- 2.9. The budget presentation above for 2015/16 includes both the transport levy and budget as approved by the WYCA at its meeting on 29 January and the budget and funding for the Leeds City Enterprise Partnership activities which had previously been agreed through the Leaders' Board and which passed to WYCA on 1 April 2015. In addition the WYCA agreed a position with respect to the inward investment function of Leeds and Partners transferring to the LEP/WYCA on 1 April. These budgets have been consolidated and are being considered by the Finance Working Group during this year to ensure all the available funding for the WYCA is being used to best effect. There is a timing issue with regard to the funding for the former Leeds and Partners work which will require the use of WYCA reserves to part fund these activities in 2015/16 but which will be reimbursed in 2016/17.

- 2.10. At this point in the year there are no further significant changes to note in the budget for 2015/16. Work has commenced on identifying the opportunities and options for reducing expenditure from 2016 onwards and this work will be managed through the Finance Working Group. Similarly work is progressing on the medium term financial strategy, again overseen by the Finance Working Group and seeking to ensure a balanced budget for the next three years without increasing the costs to the District Councils. Any changes required to budgets or medium term financial strategy as the result of a devolution deal will be considered at an appropriate time.

#### **Financial monitoring – capital budgets**

- 2.11. Delivery of the Transport Fund and Local Growth Fund projects is being monitored by the Investment Committee and dashboards showing progress on these are available on the WYCA website.
- 2.12. Appropriate organisational 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 progressed.

#### **Risk management**

- 2.13. There have been no significant changes to risk since the last meeting of this Committee. The detailed risk registers and corporate risk register continue to be monitored by officers.
- 2.14. In response to an item raised in the internal audit review of risk management in 2014/15 a risk appetite statement has been drafted. This sits alongside the risk management strategy statement and seeks to support the organisation in ensuring everyone understands the extent to which risk will be tolerated in different areas. The draft statement is attached as **Appendix A** and comments are invited from the Committee.
- 2.15. An element of risk previously identified relates to the delivery of the Local Growth Deal and the need to ensure expenditure is achieved and that all expenditure is properly managed. A number of measures are in place to support this including the Assurance Framework and the Single Appraisal Framework. These are currently being reviewed to ensure they remain relevant as the delivery of the Growth Deal develops and to bring together the Transport Assurance Framework and the LEP Assurance Framework into one document.
- 2.16. Work has been underway in recent months to develop a Finance handbook which sets out details for how schemes within the West Yorkshire plus Transport Fund should be costed, how approvals are sought, how funding will be advanced and the responsibilities and accountabilities of different parties working on these schemes. Production of the handbook has been a collaborative piece of work, led by an officer from Bradford Council and involving finance officers and engineers/technical officers from all West Yorkshire Districts. Earlier drafts have been considered by the Transport Portfolio Advisory Group which includes District Portfolio Holders and



senior highways officers from the Districts and the final draft will be considered by the Investment Committee early in 2016 prior to submission to the WYCA for approval.

- 2.17. The intention is that the Assurance Framework, Single Appraisal Framework and Finance handbook form part of a suite of guidance documents that will assist in ensuring the risks relating to delivery of complex projects are mitigated. Input from the Governance and Audit Committee will be sought at a future meeting when the documents are further developed.

### **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.
- 6.2. That the Committee provide any feedback on the risk appetite statement.



## Appendix A

### Risk Appetite Statement

Risk appetite is the level of risk West Yorkshire Combined Authority (WYCA) is prepared to tolerate or accept in the pursuit of our strategic objectives. Our aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery whilst also providing an acceptable level of value for money.

The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate risk are established before decisions are made. We recognise that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply. Specifically, our approach is to minimise exposure to compliance and reputational risk, whilst accepting and encouraging an increased degree of risk in other areas in pursuit of our strategic objectives as illustrated in the diagram and statements below.

	<b>Lower Risk</b>			<b>Higher Risk</b>	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Compliance and Regulation</b>					
<b>Operational/Service Delivery</b>					
<b>Financial</b>					
<b>Reputational/Marketing/PR</b>					
<b>Strategic</b>					
<b>Transformational</b>					
<b>Change</b>					
<b>Development and Regeneration</b>					
<b>People and Culture</b>					

*Compliance & Regulation* – WYCA recognises the need to place high importance on compliance, regulation and public protection and has no appetite for breaches in statute, regulation, professional standards, ethics, bribery or fraud.

*Operational/Service Delivery* – WYCA accepts a moderate to high level of risk arising from the nature of the Authority's business operations and service delivery to deliver an appropriate level of service at value for money, whilst minimising any negative reputational impact.

*Financial* – WYCA aims to maintain its long term financial viability and its overall financial strength whilst aiming to achieve its strategic and financial objectives subject to the following minimum criteria:

- WYCA requires to set a balanced overall revenue budget by February every year and Directors must then contain net expenditure within approved service totals;

- An appropriate level of unallocated general reserves, calculated in accordance with the approved risk based reserves strategy; and
- Working within a set of Treasury management principles that seek to protect funds rather than maximise returns.

*Reputational* – It is regarded as essential that WYCA preserves a high reputation and hence it has set a low appetite for risk in the conduct of any of its activities to avoid damage to that reputation through adverse publicity.

*Strategic Transformational Change* – The environment WYCA works in is continually changing through both its internal operations and the services it provides. Change projects provide WYCA with an opportunity to be the leading force in the Region and also to establish benefits for the longer term. WYCA recognises that this may require increased levels of risk and is comfortable accepting the risk subject to always ensuring that risks are appropriately managed.

*Development and Regeneration* – WYCA has a continuing obligation to invest in the development and regeneration of the Region. To continue to be progressive and innovative in the work performed WYCA is willing to accept a higher risk appetite whilst ensuring that benefits are assessed and risks are fully scrutinised and appropriately mitigated before developments are authorised.

*People and Culture* – WYCA recognises that its staff are critical to achieving its objectives and therefore the support and development of staff is key to making WYCA fulfilling and supportive place to work. It has moderate to high appetite for decisions that involve staffing or culture to support transformational change and ensure WYCA is continually improving.