

## GOVERNANCE AND AUDIT COMMITTEE

MEETING TO BE HELD AT 3.00 PM ON THURSDAY 7 MARCH 2024  
IN COMMITTEE ROOM 1, WELLINGTON HOUSE, 40-50 WELLINGTON  
STREET, LEEDS

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### A G E N D A

Please note that this meeting will be filmed for live or subsequent broadcast via the Combined Authority's internet site. At the start of the meeting the Chair will confirm if all or part of the meeting is being filmed. Generally, the public seating areas will not be filmed; however, by entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting. If you have any queries regarding this, please contact Governance Services on 0113 251 7220.

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS**
3. **EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC**

1. To highlight Appendix 2 to Agenda Item 11 which officers have identified as containing exempt information within the meaning of Schedule 12A to the Local Government Act 1972, and where officers consider that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.
2. To consider whether or not to accept the officers' recommendation in respect of the above information as set out in paragraph 7.1 of Agenda Item 11.
2. If the recommendation is accepted, to formally pass the following resolution:-

**RESOLVED** – That in accordance with paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, the public be excluded from the meeting during consideration of Appendix 2 to Agenda Item 11 on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

4. **MINUTES OF THE MEETING HELD ON 16 OCTOBER 2023**  
(Pages 1 - 4)
5. **NOTES OF THE INFORMAL MEETING HELD ON 11 JANUARY 2024**  
(Pages 5 - 8)
6. **INTERNAL AUDIT PROGRESS REPORT**  
Lead Director: Alan Reiss, Lead Author: Bron Baker  
(Pages 9 - 28)
7. **INTERNAL AUDIT PLAN 2024-2025**  
Lead Director: Alan Reiss, Lead Author: Bron Baker  
(Pages 29 - 38)
8. **EXTERNAL AUDIT PROGRESS REPORT**  
Lead Director: Angela Taylor, Lead Author: Gary Dowson  
(Pages 39 - 104)
9. **TREASURY MANAGEMENT**  
Lead Director: Angela Taylor, Lead Author: Gary Dowson  
(Pages 105 - 112)
10. **COMPLIANCE AND MONITORING**  
Lead Director: Alan Reiss, Lead Author: Caroline Allen  
(Pages 113 - 124)
11. **RISK MANAGEMENT**  
Lead Director: Alan Reiss, Lead Author: James Bingham  
(Pages 125 - 134)

**For Information**

12. **DATE OF THE NEXT MEETING**  
The date of the next meeting will be confirmed at the Combined Authority's Annual Meeting, subject to the approval of the proposed Calendar of Meetings 2024-25.

**Signed:**



**Chief Executive  
West Yorkshire Combined Authority**



**MINUTES OF THE MEETING OF THE  
GOVERNANCE AND AUDIT COMMITTEE  
HELD ON MONDAY, 16 OCTOBER 2023 AT COMMITTEE ROOM 1,  
WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS**

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**Present:**

Debbie Simpson (Chair)	Independent Member
Councillor Jane Scullion (Deputy Chair)	Calderdale Council
Councillor Cathy Scott	Kirklees Council
Councillor Alan Lamb	Leeds City Council

**In attendance:**

Mark Outterside	Mazars Auditors
Alan Reiss	West Yorkshire Combined Authority
Angela Taylor	West Yorkshire Combined Authority
Caroline Allen	West Yorkshire Combined Authority
Farhan Khaliq	West Yorkshire Combined Authority
Alexander Clarke	West Yorkshire Combined Authority
Ben Kearns	West Yorkshire Combined Authority

**14. Apologies for Absence**

Apologies for absence had been received from Councillor Hinchcliffe and Joanna Wardman.

**15. Declarations of Disclosable Pecuniary Interests**

There were no declarations of pecuniary interests at the meeting.

**16. Exclusion of the Press and Public**

**RESOLVED** – That in accordance with paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, the public be excluded from the meeting during consideration of Appendix 4 to Agenda Item 8 on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**17. Minutes of the Meeting of the Governance and Audit Committee held on 24 July 2023**

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

**18. Internal Audit Progress Report**

Members considered a report which provided an update on internal audit progress against the new audit plan.

Work had been completed for those review carried over into the 2023/24 audit plan and a significant number of reviews had started.

The Committee noted the ongoing recruitment challenges in the internal audit team and the risk that sufficient work may not be completed in the current plan year.

Members discussed the difficulties around recruitment and the possibility to look into a graduate programme as a partial longer term solution. It was noted that the Combined Authority had been in discussions with the LGA around workforce planning and would explore further opportunities for staff training and development.

Members asked Fraud/Whistleblowing/Money Laundering referrals were on par with other Combined Authorities and if after the investigations had been completed. Officer could bring back outcomes from the instigations to the Committee and that work around benchmarking would begin.

The Chair asked for assurance that the most important audits were prioritised, especially given the limited resource of the team, and whether the plan could be RAG rated to see which audits were prioritised as well as a planned completed due date.

Members asked for an update on the Transport Operations & Passenger Experience agreed actions, with a significant number showing as in progress or as having missed their original date. Work was ongoing to implement the agreed actions and an update could be brought to a future meeting if the position remained the same.

**Resolved:** That the progress update be noted.

**19. External Audit Progress Report**

The Committee considered a report that provided an update on external audit matters.

Members noted the ongoing work to complete the 21/22 due to nationally mandated work on Local Government Pension Scheme. The work had been completed on 22/23 but the delay around the 21/22 audit had meant that the audit could not be finalised.

A letter from Government regarding the audit delays was attached at appendix 1 to the submitted report. Members discussed the situation around local government audits was unsatisfactory and the proposed way forward around backstops which might result in incomplete or modified opinions.

Members also asked about the increase to audit fees in a difficult financial setting for local authorities. Officers would bring forward the details around the fees at the next meeting but noted that the fees had been historically low given the amount of audit work completed.

**Resolved:** That the position on external audit work be noted.

## **20. Compliance and Monitoring**

Members considered a report that provided an update on internal controls since the last meeting of the Committee.

There had been no changes to internal controls and no RIDDOR incidents.

Members noted the internal changes to officer boards and structures and the formation of the Corporate Change Management Board as well as the imminent introduction of CI Anywhere, a new integrated Finance, HR, and payroll system.

A first iteration of the compliance dashboard was attached at appendix 1 and Members thanked officers for all their hard work on the dashboard and that it would be a useful tool for the Committee. Members asked for benchmarking on the dashboard in relation to other Combined Authorities and if the complaints part of the dashboard could include the number of complainants.

**Resolved:**

- (i) That the report be noted
- (ii) That the dashboard be noted.

## **21. Risk Management**

Members considered a report that provided an update on the Combined Authority's risk management strategy.

**Resolved:**

- (i) That the proposal to review the risk management strategy with an update on progress to be provided in early 2024 be noted and endorsed.
- (ii) That the work ongoing to embed risk management though all layers of officer governance be noted.

- (iii) That the revised corporate risk register be noted and endorsed.

## **22. Corporate Governance Update**

Members considered a report that set out revisions made to the Code of Corporate Governance and provided a draft of the Annual Governance Statement.

### **Resolved:**

- (i) That the proposed revisions to the Code of Corporate Governance endorsed and recommended to the Combined Authority.
- (ii) That the draft Annual Governance Statement including the Governance Improvement Plan be endorsed for publication in due course as part of the annual accounts.

## **23. Bus Reform**

Members considered a report that provided an update on the bus reform programme.

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



**NOTES OF THE INFORMAL INQUORATE MEETING OF MEMBERS OF  
THE GOVERNANCE AND AUDIT COMMITTEE  
THURSDAY, 11 JANUARY 2024 AT COMMITTEE ROOM A,  
WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS**

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**Present:**

Debbie Simpson (Chair)	Independent Member
Councillor Jane Scullion (Deputy Chair)	Calderdale Council
Councillor Paul Davies (Substitute)	Kirklees Council

Mark Outterside	Mazars Auditors
Caroline Allen	West Yorkshire Combined Authority
Bronwyn Baker	West Yorkshire Combined Authority
Michelle Burton	West Yorkshire Combined Authority
Gary Dowson	West Yorkshire Combined Authority
David Gill	West Yorkshire Combined Authority
Ben Kearns	West Yorkshire Combined Authority
Alan Reiss	West Yorkshire Combined Authority
Angela Taylor	West Yorkshire Combined Authority
Simon Warburton	West Yorkshire Combined Authority

**Inquorate meeting status**

The meeting was inquorate and therefore members were unable to meet in a formal capacity and take decisions.

Those members who were in attendance met informally to provide feedback on agenda items which were on the published agenda.

**Apologies**

Apologies had been received by Cllr Hinchcliffe, Cllr Lamb and Joanna Wardman.

**Agenda Item 4: Minutes of the meeting of the Governance and Audit Committee held on 19 October.**

Given that the committee was inquorate, members noted that they were unable to approve the minutes of the meeting held on 19 October and that they would have to be taken forward to the 7<sup>th</sup> March meeting for formal approval.

### **Agenda Item 5: Internal Audit Progress Report**

Members present discussed the internal audit progress report and were pleased to note the recent successful recruitment campaign. The risk of insufficient delivery against the workplan was concerning but members were encouraged to hear that more audits had been completed and assigned to team members for quarter 4.

Members were satisfied with the mitigations implemented following the minimal assurance given to an Adult Education Budget provider.

### **Agenda Item 6: Draft Internal Audit Plan 2024/25**

Members present discussed the internal audit draft plan for 2024/25. They were supportive of the draft plan and felt it was comprehensive and had identified the right areas of focus while leaving some headroom for any emerging risks throughout the year.

### **Agenda Item 7: External Audit Progress Report**

Members present discussed the external audit progress report. It was noted that the 2021/22 accounts had been signed off but the value for money opinion was ongoing. A proposal regarding a backstop for incomplete audits was due in September.

Members discussed the proposed increase in external audit fees of 151% and noted that, following a consultation by Public Sector Audit Appointments (PSAA), feedback would be submitted in consultation with committee members.

### **Agenda Item 8: Draft Treasury Management Statement and General Reserves Strategy**

Members present discussed a report that set out the Treasury Management Statement and Strategy and the general reserves strategy. They noted the proposal to maintain £14 million in the general reserves and the areas of volatility, set out at table 2.7, where it would be prudent to hold a level of reserves to address in-year challenges.

### **Agenda Item 9: Compliance and Monitoring**

Members present discussed a report that provided an update on internal controls and noted that there had been no changes to internal controls and no RIDDOR incidents since the committee last met.

Members asked whether the information under the complaints section of the compliance dashboard could be displayed in a clearer way with more useful information relating to complaint topic areas.

### **Agenda Item 10: Risk Management**



Members present considered a report that provided an update on the Combined Authority's risk management strategy.

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<b>Report to:</b>	Governance and Audit Committee
<b>Date:</b>	7 March 2024
<b>Subject:</b>	<b>Internal Audit Progress Report</b>
<b>Director:</b>	Alan Reiss, Chief Operating Officer
<b>Author:</b>	Bron Baker, Head of Internal Audit

Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

## 1. Purpose of this Report

- 1.1 To ask the members of the committee to consider and note the progress report and supporting **Appendix 1**.

## 2. Information

### Recruitment

- 2.1 Following successful recruitment campaigns late last year, all posts are now filled and this incoming resource is now supporting delivery of the audit plan. A draft business case for the internal audit service has looked at the growing priorities of the organisation and the overall level of resource required to deliver an effective assurance function. The business case is to support further additional resource and is currently under consideration by Senior Management.

### Work Against The Audit Plan

- 2.2 While progress against the plan still shows some delays, five reports have been completed since the last update to Committee. With the additional resource now in place we expect to complete sufficient audit work from the 2023-24 internal audit plan to provide an overall opinion.

- 2.3 Summaries of the five reports issued are included in the progress update and a number of other reviews are highlighted as either in progress or at draft report stage. One Minimal Assurance report was issued in the period relating to a Property Services investigation and in line with agreed protocol has been escalated for consideration by directors. Also in line with the protocol a senior accountable officer will provide reassurance to this Committee that actions have been taken at a future meeting.

#### Fraud/Whistleblowing/Money Laundering

- 2.4 There have been two new referrals since the last update bringing the total to date for 2023/24 to ten. One investigation has concluded since the last report to the Committee. A breakdown of closed cases is included in the Appendix.

### **3. Tackling the Climate Emergency Implications**

- 3.1 There are no climate emergency implications directly arising from this report.

### **4. Inclusive Growth Implications**

- 4.1 There are no inclusive growth implications directly arising from this report.

### **5. Equality and Diversity Implications**

- 5.1 There are no equality and diversity implications directly arising from this report.

### **6. Financial Implications**

- 6.1 There are no financial implications directly arising from this report.

### **7. Legal Implications**

- 7.1 There are no legal implications directly arising from this report.

### **8. Staffing Implications**

- 8.1 There are no staffing implications directly arising from this report.

### **9. External Consultees**

- 9.1 No external consultations have been undertaken.

### **10. Recommendations**

- 10.1 That the Committee consider and note the progress update.

### **11. Background Documents**

There are no background documents referenced in this report.

## 12. Appendices

Appendix 1 – Internal Audit Progress Report

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West  
Yorkshire  
Combined  
Authority

Tracy  
Brabin  
Mayor of  
West Yorkshire



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# Governance and Audit Committee

Internal Audit Progress Update

March 2024

Agenda Item 6  
Appendix 1

## Appendix 1

### 1.Key Headlines / Index

**Top three issues** – Mass Transit, level four devolution funding and Cyber Security.

**Reports issued** – **Page 3** provides an update of work carried out since the last report to Committee.

**Progress against 2023/24 Audit Plan and any planned changes** – **Page 6 onwards** shows progress against the plan. Work on the 2023-24 plan is progressing. The recent successful recruitment to vacant posts are now settling in and are providing the added capacity to support the delivery of the remainder of the plan.

**Outstanding actions-** **At page 12** the status of audit recommendations has been provided along with an update on any 'in progress' and those that have not met their original due date.

**Feedback from clients** – **Page 14** There is no client feedback to report in this period.

**Performance Measures - Page 14** provides details on our performance measures.

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## 2. Reports Issued/ Progress Updates since the last Committee Meeting

### Audit Report- Contract Management – Marketing and Communications

Internal Audit reviewed the Marketing and Communications contract for compliance with the contract standing orders (CSO) and other relevant internal guidance. The review resulted in an audit opinion of **REASONABLE** assurance.

The review took into account the selection of suppliers in the framework, day to day responsibility for administering individual agreements, management oversight, supplier performance monitoring, compliance with the CSO, individual contract awards and budget management.

The framework was considered to be well managed and no management actions were made following this review.

### Audit Report- AEB Provider Review (9)

Internal Audit's ninth Adult Education Budget (AEB) provider review has been conducted, concluding with an audit opinion of **REASONABLE** assurance. The review focussed on compliance with the WYCA AEB funding and performance management rules, accuracy of data submission, that delivery of provision is in line with expectations and that appropriate procedures and controls are in place.

This conclusion was based on a good governance framework being demonstrated, key performance indicators being in place and the organisation's commitment to continuous improvement with a Quality Assurance and Improvement Strategy being established. Some improvements were required to the enrolment paperwork to aid transparency as to how identification has been verified to support funding eligibility, particularly to evidence of West Yorkshire residency. The Provider did not have a procedural document that mapped out the entire learner journey for staff and reviewing bodies.

### Audit Report- Climate Change

This high-level review provided the organisation with assurance on the governance supporting the Combined Authority's Climate and Environment Plan and on the organisation's progress against this and any other relevant action plans. The review resulted in an audit opinion of **LIMITED** assurance.

There is a strong commitment to meeting the Net Zero targets outlined in the mayor's pledge and significant funding has been committed. However, the oversight and reporting framework needs to be strengthened to ensure that adequate and effective controls are in place to ensure that the objectives will be met. The Director of Police, Environment and Place (DPEP) is the

named Director with oversight responsibility. However, all the activities are progressing through the WYCA Assurance Framework individually and report to individual programme Boards. Climate, Energy and Environment Committee is the decision-making forum for the plan but there are other Committees within the Governance Structure which have decision making responsibilities. We have not found a comprehensive map of which Boards report to which oversight committees within the Governance Structure. Without this, the DPEP does not have the level of assurance required to confirm that the objectives of the WYCEP are being met. The WYCEP is due for renewal in 2024 and it was emphasised that this was an opportunity for the activities within the plan and the structure for delivery to be reviewed in order to drive forward the agenda, this was agreed by Management.

### Investigations Report- Property Services

Internal Audit completed an investigation into allegations of fraud and corruption made by an anonymous whistleblower regarding the conduct an individual.

The investigation found that there was insufficient evidence to confirm fraud and corruption however with a systematic breakdown in adherence to financial, contract management and procurement processes it was concluded that only a **Minimal Assurance** opinion could be given. A series of recommendations have been made for Management including taking appropriate action and to ensure staff are aware of their responsibilities, to provide training on contract and financial management and improve management oversight of compliance with CA policies.

### Investigations Report- Skills Bootcamp

Internal Audit completed an investigation into allegations of fraud and corruption made by an anonymous whistleblower suggesting an abuse of power by an individual.

The investigation examined a whistleblower's complaint that there was financial irregularity and a failure to comply with legal duty relating to the management and award of contracts to suppliers for the delivery of the Skills Bootcamp programme. Audit found no evidence to support the allegations.

### Adult Education Budget (AEB) Progress Update

Audit continues to provide assurance over AEB providers in receipt of AEB funding through an annual rolling programme of reviews which focus on compliance with WYCA AEB Funding Rules. A summary against completed reviews is provided above and further work is in progress.

Regular meetings are also taking place and Internal Audit have continued to provide support, advice and guidance including: the development of the AEB funding rules, review of the Performance Management Framework attendance at the AEB Performance Board and ESFA led anti-fraud meetings along with ad hoc pieces of work.

Work is also planned for the annual assurance of the programme.

### Counter Fraud, Whistleblowing and Anti Money Laundering

There have been ten referrals in 23/24 to date and three cases that carried forward from 22/23. Out of those thirteen cases, three are still under investigation and ten have now closed.

Analysis of Fraud referrals			
	Total no of referrals 21/22	Total no of referrals 22/23	Total no of referrals 23/24
Fraud – External	1	5	6
Fraud – Internal		1	1
Whistleblowing		1	2
AML			1
<b>TOTAL</b>	<b>1</b>	<b>7</b>	<b>10</b>

One case that have been completed and closed since the last report to this Committee, related to a whistleblowing complaint, the allegations were not proven. The table below summarises all the cases included in the figures provided in this report.

	Cases Closed/In progress for last two years + current year				
	Investigation completed – No breach/fraud and no further action required	Investigation completed – Fraud proven, no loss/controls effective	Investigation completed – Fraud proven, no loss, but control improvements recommended	Investigation completed – Fraud proven, loss/control improvements recommended	Still under investigation
Fraud – External	3	5	2		2
Fraud – Internal			1		1
Whistleblowing	3				
AML	1				
<b>TOTAL</b>	<b>7</b>	<b>5</b>	<b>3</b>	<b>0</b>	<b>3</b>

<b>Grant certification</b>
Internal Audit continues to review grants that have either required checks to be carried out on expenditure incurred as part of the funding conditions or providing advice to build up assurance processes. In particular, since we last reported advice and guidance has been provided to Multiply, Active Travel Fund and the ZEBRA scheme.

### 3. Internal Audit Plan 2023/24

Overall Opinion Ratings

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Level of Assurance	Description
Reasonable	There is a good framework of controls in place and the majority of controls are being consistently applied to ensure risks are managed effectively.
Limited	There is an adequate framework of controls in place but the controls are not being consistently applied to ensure the risks are managed effectively.
Minimal	There is a weak framework of control in place and/or the controls are not being consistently applied to ensure the risks are managed effectively.

	Assurance Area	Scope	Current Status/Timetable
1	Connecting Innovation Controls Advisory report	Review of the Connecting Innovation fund to suggest improvements to controls and processes.	Advisory Report Completed
2	Adult Education Budget- Assurance statement	A review of the governance and financial arrangements of the Adult Education Budget programme to inform the Assurance Statement to the DfE.	Completed

## Internal Audit Progress Report

3	GDPR (ICO Framework)	This audit is focused on a high-level review of compliance with expectations in the Information Commissioner Office Accountability Framework	Completed <b>REASONABLE ASSURANCE</b>
4	Contract Management Review – Marketing and Communications contract	Contract review to ensure compliance with contract standing orders and contract management principles	Completed <b>REASONABLE ASSURANCE</b>
5	AEB Provider Review (9)	This review forms part of the regular assurance cycle for AEB providers that Internal Audit have been commissioned to deliver. Evidence is to be tested to ensure the reporting, eligibility of learners and claims (financial and outcomes) have followed the Funding Rules and contractual agreements in place.	Completed <b>REASONABLE ASSURANCE</b>
6	AEB Provider Review 8	This review forms part of the regular assurance cycle for AEB providers that Internal Audit have been commissioned to deliver. Evidence is to be tested to ensure the reporting, eligibility of learners and claims (financial and outcomes) have followed the Funding Rules and contractual agreements in place.	Completed <b>LIMITED ASSURANCE</b>
7	Climate Change	To examine the CA's progress against its external plans to manage climate emergency.	Completed <b>LIMITED ASSURANCE</b>
8	AEB Provider Review 7	This review forms part of the regular assurance cycle for AEB providers that Internal Audit have been commissioned to deliver. Evidence is to be tested to ensure the reporting, eligibility of learners and claims (financial and outcomes) have followed the Funding Rules and contractual agreements in place.	Completed <b>MINIMAL ASSURANCE</b>
9	Property Services investigation report	Concerns investigated following a whistleblowing complaint into the conduct of an individual.	Completed <b>MINIMAL ASSURANCE</b>
10	Skills Bootcamp investigation report	Concern raised through a whistleblowing referral investigated, report covers findings and recommendations to improve controls.	N/A

## Internal Audit Progress Report

11	Contract Management Review- Electricity contract	Contract review to ensure compliance with contract standing orders and contract management principles	Draft Report Stage
12	Police and Crime Team Commissioning (including violence reduction unit)	A review to consider how the Police and Crime team processes are fitting into the CA ways of working to ensure agile responses to short term funding.	Draft Report Stage
13	Project Review (Rail car parking package)	A review of the Rail car parking package to examine compliance with the Assurance Framework and good project management principles.	In progress
14	Procurements (sample to confirm compliance with Fin Regs/ Contracts Standing Orders)	To review a selection of recent procurements and examine compliance with financial regulations, contract standing orders and procurement rules	In progress
15	ICT – various, including Cyber Security and PCI	A programme of ICT audits provided by Salford Internal Audit Services informed by the 22/23 audit work. - PCI work now in progress, - Cyber Security to be undertaken in Quarter 4.	In progress
16	Integrated Corporate System (HR, Finance, Payroll)	To review progress with implementation of the new Integrated Corporate System and more specifically aim to provide assurance that the organisation is ready to go live.	In progress
17	Physical security including responsibilities and the social element of security	To review access arrangement and physical security of CA property and risk of social engineering with a focus on security at Wellington House.	In progress
18	Security of Assets	This review is focused on the Bradford Interchange	In progress

## Internal Audit Progress Report

19	Equality, Diversity and Inclusion (progress against the Local Govt Framework and internal EDI measures)	To examine EDI implementation across the organisation and examine progress in areas highlighted for improvement in the 22-23 audit. And to carry out compliance work to determine how well EDI is being embedded in the CA.	In progress
20	Health & Safety	To provide assurance that HS policies and practices are up to date and meet legislative requirement and review processes around incidents and reporting of these and actions taken as a result.	In scope
21	TPS Financial Controls follow up work	This work will follow up the 22/23 audit which culminated in a minimal assurance rating.	See Follow Up section below
22	Compliance with Contracts Standing Orders & Financial Regulations	Focus on the current financial system and processes in particular debt recovery.	Quarter 4
23	GDPR	To provide advice and guidance with focus on compliance with the ICO framework.	Quarter 4
24	Financial Management and Business Planning – a rolling programme of reviews over a 3-year cycle to assess controls, governance and risk management of these linked processes.	A rolling programme of reviews over a 3-year cycle to assess controls, governance and risk management of these linked processes.	Quarter 4
25	Risk Management	Health check of the risk management arrangements to inform the audit opinion	Quarter 4
26	HR – with an emphasis on recruitment/ retention/ succession planning	To review the arrangements to support recruitment and retention and succession planning.	Quarter 4

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## Internal Audit Progress Report

27	Supply chain financial liquidity, with an emphasis on risk management and business continuity plans	To examine the due diligence and financial check processes on the CA's processes	Quarter 4
28	Adult Education Budget	Reviews in line with the Assurance framework for AEB to give programme assurance	Quarter 4
29	Compliance with Contracts Standing Orders & Financial Regulations	Review focuses on control and use of Procurement Cards (Deferred, reported to January 2024 Committee)	Deferred
30	Central review of contract management to consider standards, support, guidance and monitoring.	To examine the central approach to Contract Management support provided to the organisation, (Deferred, reported to January 2024 Committee)	Deferred
31	Code of Corporate Governance and Compliance with sub delegations	This review will focus on review of the revised delegations and proposed review of the Code. (Deferred, reported to January 2024 Committee)	Deferred
32	Data Quality	To review the project examining the provision of data for the region. (Deferred, reported to January 2024 Committee)	Deferred
	Project and Programme Assurance (various reviews)	Project and programme assurance reviews to be undertaken. The reviews will primarily focus on compliance with the Assurance Framework as well as good project and contract management principles.	Ongoing
	Counter Fraud work	To undertake proactive counter fraud work to strengthen controls to prevent, detect and investigate theft, fraud and corruption	Ongoing
	Multiply – advice and guidance on new funding stream in line with DfE requirements	Ongoing advice and guidance on requirements of the programme and review to inform the year end annual assurance statement to the DfE.	Ongoing



## Internal Audit Progress Report

	Attendance on Boards	Advice and guidance to inform the control framework	Ongoing
	Various grant certifications	In line with funding applications and funding agreements	See above table
	Grant Audits	In line with funding applications and funding agreements	As required

### Key:

Audits completed
Audits in progress or at draft report stage and on track for completion within year
Audits that remain a high priority and that are aiming to be included within the opinion for 23/24, but which may carry over or be deferred
Audits that will need to be deferred due to lack of capacity, but that are felt to be either less time sensitive or currently being reviewed
Ongoing work, performed as needed/required

## 4. Audit Follow up

In line with Public Sector Internal Audit Standards and internal procedures, progress against implementation of agreed actions (audit recommendations) is followed up with the action owner/management at periodic intervals. These follow ups vary between, a formal evaluation of evidence to assess the progress management have made, to obtaining a status update from action owners.

The table above shows the status of agreed actions arising from April 2022. Of the 39 recommendations remaining to be implemented, the original due date has been revised for 17 actions following discussions with Management.

In the case of the 10 recommendations that are overdue, three of these are due to be followed up as part of a formal audit (H&S audit) that is now commencing; two recommendations relate to the previous JPB contract report which are now also reflected in the latest report for the same contract and are awaiting revised timescales for action; five recommendations related to a Security of Assets (NGT Leases) review for which we are awaiting further management comments and revised timescales. Explanations for the one “not to be implemented” recommendation has previously been provided.

<b>Status of agreed actions</b>						
Directorate	Total	Implemented	In progress	Original Due Date Not Met Revised Implementation Date Agreed	Overdue, Revised Implementation Date Not Agreed	Not to be Implemented
Cross Cutting	10	10	0	0	0	0
Finance and Commercial	5	5	0	0	0	0
COO Direct report	5	1	1	0	3	0
Transport Policy and Delivery	4	2	2	0	0	0
Inclusive Economy, Skills & Culture	0	0	0	0	0	0
Strategy, Comm, Intelligence	4	0	4	0	0	0
Policing, Environment, Place	1	0	1	0	0	0
Transport Ops & Passenger Exp	47	18	4	17	7	1
Mass Transit	0	0	0	0	0	0
<b>TOTAL</b>	<b>76</b>	<b>36</b>	<b>12</b>	<b>17</b>	<b>10</b>	<b>1</b>
		47.37%	15.79%	22.37%	13.16%	1.32%
<i>Previous report</i>		48.61%	13.89%	34.72%	1.39%	1.39%

A breakdown of actions still to be implemented is provided here;

Status of In progress recommendations		
Audit Area	In progress Recommendations	Status
Health & Safety	3	These recommendations are now overdue due to delays in seeking approval of the Health and Safety strategy, however a commitment to completion for the outstanding recommendations of the end of March has now been confirmed. Furthermore, an audit of Health and Safety is now underway which will pick up these outstanding recommendations and formally confirm progress, this is due to be completed before the end of the plan year.
Mcard APP	1	Implementation of one recommendation remains in progress, the original due date has passed, and Management has requested a revised implementation date due to changes and further development of the MCARD system.
Transport and Property (Financial Controls)	15	Finance team have confirmed that actions for the finance team have either been completed or will be as part of the distribution of 2024/25 budgets in March 2024. All the remaining outstanding recommendations from the report (most of which are dependent on completion of the system changes) will be formally reviewed as part of the follow up work that is currently in scope and due to be completed in the final quarter of the 23/24 plan year. This review will seek to test the changes made and to assess the improvement to controls as a result and will be reported to the next Committee meeting.
Equalities (EDI)	4	There is a review of EDI underway which is also picking up the status of these in progress recommendations. The EDI Performance and Oversight Board is also refreshing it's EDI plan by the end of March 2024 and will be publishing the annual report on Public Sector Equality Duty by 31 March 2024.
Security of Assets	6	The team have provided a full update on progress against the agreed actions which includes confirmation of additional recruitment, changes to policies and processes including moving records over to the new

		corporate system. A revised implementation date has been agreed to implement a new corporate debt recovery policy and Audit is currently working with officers to review and consider the evidence base for implementation of the remaining overdue recommendations.
GDPR	1	One recommendation remains in progress (due date August 2024) and is dependent upon and included in the scope of the MCA Digital Information Management project which is due to be completed in August 2024.
Contract Management Review- JPB Contract	3	Two of these recommendations that were overdue have been superseded by recommendations in the Investigation Report- Property Services which is outlined below. One recommendation in relation to re-procurement of the JPB contract is in progress and is being worked on with the Commercial team.
Contract Management Review- Leeds Bus Station	2	We have received feedback which shows that good progress has been made to implement these recommendations but that it has identified that work is also needed to improve processes across the organisation and how various teams can jointly support delivery of projects and improvements to contract performance.
Climate Change	1	Report has recently been issued (January 24) and a summary of the audit findings is included in the above section 2 of this report. Management were fully engaged with the review and have positively accepted the recommendation made. They are intending to address the points through the next climate and environment plan which is in progress. A further update will be provided at the next committee meeting.
Investigation Report- Property Services	3	Report recently issued and a summary of the audit findings is included in the above section 2 of this report. Since this review was given an audit opinion of Minimal Assurance the report was escalated and considered by directors and the following update on progress provided: <i>Since the audit has been undertaken in this area, there has been new management oversight of the team, which has led to a series of root and branch changes to the approach to financial operations and understanding of organisational processes. To strengthen and develop knowledge and reflection of roles and responsibilities, training sessions in Financial Regulations and Budget Management principles and Contract Standing Orders for key identified colleagues within the</i>

		<i>Facilities and Assets team have been arranged. Furthermore, the Head of Service/Director are holding a series of meetings with staff to develop and implement robust contract management processes. All of the above are taking place in March 2024 to seek to prevent similar issues arising in the future.</i>
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## 4. Customer Feedback

There was no customer feedback to report in this period.

## 5. Performance Measures

The following provides some general performance indicator information to support the Committee in assessing the performance of Internal Audit.

Measure	Annual Target	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	YTD
Annual Governance Statement deadline 2022/23 - to include annual audit opinion achieved	July (draft) March (final)	NA	NA	NA	NA	NA	Draft done	NA	NA	NA	NA			NA
Compliance against Public Sector Internal Audit Standards - self assessment against the Local Govt checklist achieved	July (draft) March (final)	NA	NA	Met	NA	NA	NA	NA	NA	NA	NA			Met
Customer Satisfaction (including question around EDI approach)	80% good or above	NA	100%	100%	NA	NA	100%	NA	NA	NA	NA			100%
Reports issued within 10 working days from completion of audit work	95%	0%	67%	0%	NA	100%	NA	50%	100%	NA	20%			43%
Percentage completed reviews against agreed plan, quarterly targets	Q1=10%, Q2=40%, Q3=70%, Q4=90%	0%	0%	7%	7%	7%	10%	15%	19%	19%	36%			36%
Percentage of recommendations agreed	90%	99%	100%	NA	NA	100%	NA	100%	NA	NA	100%			99%

## Internal Audit Progress Report

Fraud/ Whistleblowing acknowledgement, where appropriate, within 10 working days	100%	NA	100%	0%	100%	100%	NA	100%	NA	NA	100%			88%
Fraud/ Whistleblowing reports to be issued within 10 working days of investigation completion	95%	NA	N/A	0%	NA	NA	NA	NA	0%	NA	0%			0%
Grant certifications to be completed within 3 working days (or to a separately agreed deadline) of a fully completed evidence file being received	95%	100%	100%	NA	100%	100%	NA	NA	NA	NA	NA			100%

<b>Report to:</b>	Governance and Audit Committee
<b>Date:</b>	7 March 2024
<b>Subject:</b>	<b>Internal Audit Plan 2024/2025</b>
<b>Director:</b>	Alan Reiss, Chief Operating Officer
<b>Author:</b>	Bron Baker, Head of Internal Audit

Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

## 1. Purpose of this Report

- 1.1 To ask members to approve the internal audit plan for 24/25 in **Appendix 1**.

## 2. Information

### Proposed Audit Plan for 2024/25

- 2.1 Internal Audit presented a version of the draft plan to the January meeting of the Governance and Committee for early comments. The plan was developed following consultation with Directors/Executive Directors and views of the Internal Leadership Board have also been sought. The final proposed plan is now submitted for approval by Members.
- 2.2 This plan, whilst ambitious, reflects a balanced approach to work across all the directorates and will ensure sufficient breadth to allow the annual audit opinion to reflect the full range of Combined Authority delivery which has grown significantly over the last year. The format of the plan is set out to reflect this and there will be ongoing further discussions with directorates during the course of the year to ensure that it continues to reflect the most significant risks to those areas of the business.

- 2.3 To be able to deliver the audit plan the audit team have also developed a business case setting out the required level of resource to be able to deliver this plan and this is currently under review.

### **Key Areas To Highlight**

- 2.4 As mentioned previously to the Committee, the plan has been developed to keep focus on the management of contracts, projects/programmes and procurements to ensure that the work being done centrally to develop standards and good practice guidance is adopted and adhered to throughout the business. This will continue to drive improvement in those areas of the business that have seen a number of less favourable reviews over the last two years.
- 2.5 There are a number of rolling programmes of reviews in relation to programmes/projects with particular emphasis on Mass Transit and potentially Bus Reform. This will be subject to a business case for additional resource focused on transport major programmes being agreed. Work is being undertaken to understand some of the lessons learned from other MCAs that are further ahead in these areas to inform the assurance programme.
- 2.6 Significant work will continue on Adult Education Budget but building assurance over Multipliy and Skills Bootcamps as well.
- 2.7 Internal Audit will continue to bring in specialist resource to undertake a number of ICT reviews and given the prominent risk around cyber security will ensure that this remains a key deliverable in 24/25.
- 2.8 The plan for 24/25 will continue to make provision for counter fraud and whistleblowing investigations, but additional resource in the team (subject to the review of the resource business case) will allow focus to include preventative work and better use of data analytics for detection activity.

### **3. Tackling the Climate Emergency Implications**

- 3.1 The Plan includes reviews of activities which may have climate emergency implications.

### **4. Inclusive Growth Implications**

- 4.1 The Plan includes reviews of activities which may have inclusive growth implications.

### **5. Equality and Diversity Implications**

- 5.1 The Plan includes reviews of activities which may have equality and diversity implications.

### **6. Financial Implications**

- 6.1 There are no financial implications directly arising from this report.





## **7. Legal Implications**

7.1 There are no legal implications directly arising from this report.

## **8. Staffing Implications**

8.1 If recruitment/resource remains an issue into the next audit plan year, the proposed reviews will need to be reconsidered. The Committee will be asked to endorse any subsequent changes to the plan to accommodate resource constraints.

## **9. External Consultees**

9.1 No external consultations have been undertaken.

## **10. Recommendations**

10.1 That the Committee consider and approved the proposed plan for 2024/25.

## **11. Background Documents**

There are no background documents referenced in this report.

## **12. Appendices**

Appendix 1 – Internal Audit Plan 2024/25

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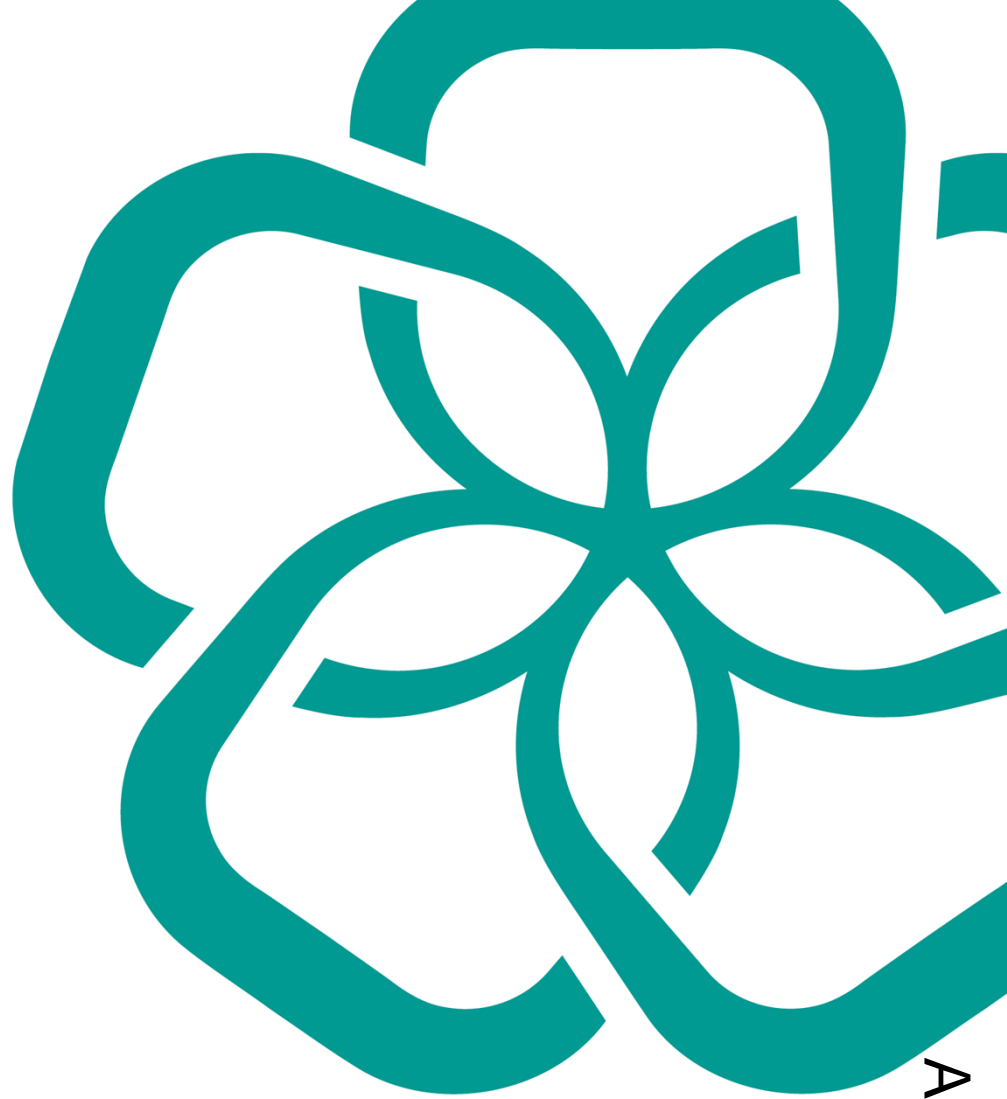
West  
Yorkshire  
Combined  
Authority

Tracy  
Brabin  
Mayor of  
West Yorkshire

# Appendix 1

24/25 Internal Audit Plan

March 2024



	<b>Directorate</b>	<b>Assurance Area</b>	<b>Provenance and Links to Risks</b>
1	<b>Transport – Mass Transit</b>	<b>Rolling programme of multiple reviews – beginning with governance</b>	Business plan commitments and director discussion, major focus for CA and Govt interest
2	<b>Transport – Policy and Delivery</b>	<b>Bus Reform – rolling programme of multiple reviews</b>	Business plan commitments and director discussion, major focus for CA and part of mayoral commitments
3	<b>Transport – Policy and Delivery</b>	<b>Transforming Cities Fund (TCF)</b>	Business plan commitments and director discussion, TCF of significant interest to DfT
4	<b>Transport – Operations and Service Transformation</b>	<b>Access Bus – contract management and cost benefit</b>	Business plan commitments and director discussion
5	<b>Transport – Operations and Service Transformation</b>	<b>Further follow up on financial controls</b>	Informed by work in 22/23 and 23/24, assessment of improvements to include outcomes of new system development
6	<b>Transport – Passenger Experience and Asset Management</b>	<b>Commercial/Financial Processes including MCard, Concessions/WYTCL</b>	Business plan commitments and director discussion, this is a key priority for this area which is supported by outcomes from audit work in 23/24
7	<b>Transport – Passenger Experience and Asset Management</b>	<b>Bus Station Security</b>	Business plan commitments and director discussion, this is an area of risk with additional investment required and assurance needed to confirm adequacy of controls and risk management.
8	<b>Transport – Passenger Experience and Asset Management</b>	<b>Asset Team structure and scope</b>	Business plan commitments and director discussion, this is a key risk given the outcomes from audit work in 23/24 which showed the need for some fundamental changes to monitoring and managing this area of the directorate including considering the asset base and asset development board.

9	<b>Inclusive Economy, Skills and Culture</b>	<b>AEB – rolling programme of provider reviews</b>	Business plan commitments and director discussion, part of commitment to meet DfE requirements for the programme
10	<b>Inclusive Economy, Skills and Culture</b>	<b>AEB – programme assurance review to inform annual assurance statement</b>	Business plan commitments and director discussion, part of commitment to meet DfE requirements for the programme
11	<b>Inclusive Economy, Skills and Culture</b>	<b>Multiply – programme review to inform annual assurance</b>	Business plan commitments and director discussion, part of commitment to meet DfE requirements for the programme
12	<b>Inclusive Economy, Skills and Culture</b>	<b>Skills bootcamps</b>	Business plan commitments and director discussion, informed by work in 23/24 identifying need for assurance over governance and risk management
13	<b>Inclusive Economy, Skills and Culture</b>	<b>Business support – a number of reviews on various grant programmes to be agreed</b>	Business plan commitments and director discussion, informed by work in 23/24 and considering due diligence and controls. Further in the longer term on development of the business offer considering governance arrangements (to be kept under review and with links to Level 4 Devolution).
14	<b>Policing, Environment and Place</b>	<b>Project and Programme Assurance (various reviews)</b>	Business plan commitments and director discussion – include Brownfield Housing as it ends in March 25, particularly consider approach to risk in final year, a number of other reviews to be informed by risk profile during the course of the year.
15	<b>Policing, Environment and Place</b>	<b>Climate Change – programme of assurance</b>	Business plan commitments and director discussion along with emphasis in Corporate Risk Register and work conducted in 23/24
16	<b>Policing, Environment and Place</b>	<b>Policing and Crime Team – advisory work on governance</b>	Business plan commitments and director discussion and further to outcome of audit work in 23/24 on commissioning and links to governance in this area

17	<b>Strategy, Communications and Intelligence</b>	<b>Business Planning – part of three year rolling cycle of reviews</b>	Business plan commitments and director discussion and further to outcome of audit work in 23/24
18	<b>Strategy, Communications and Intelligence</b>	<b>Business Continuity/ Incident Management</b>	Business plan commitments and director discussion, this area is a priority due to lack of consistency in dealing with incidents in different areas of the business
19	<b>Strategy, Communications and Intelligence</b>	<b>Programme of Project Reviews</b>	Business plan commitments and director discussion, specific projects to be agreed in line with risk profiles during the course of the year
20	<b>Strategy, Communications and Intelligence</b>	<b>Gateway review outcomes – follow up of recommendations (including gainshare monitoring)</b>	Business plan commitments and director discussion
21	<b>Finance and Commercial Services</b>	<b>Financial Position – management of issues and risk, forecasting – short and long term, grant spend</b>	Business plan commitments and director discussion, need for work in this area particularly in light of delays to external audit giving assurance
22	<b>Finance and Commercial Services</b>	<b>Financial Controls – address consistency of approach</b>	Business plan commitments and director discussion, need for work in this area particularly in light of delays to external audit giving assurance
23	<b>Finance and Commercial Services</b>	<b>Contract Management – central controls and monitoring, effectiveness of second line of defence</b>	Business plan commitments and director discussion, risk identified in work undertaken on contracts in 23/24

24	<b>Finance and Commercial Services</b>	<b>Commercial Development and Investment</b>	Business plan commitments, need to consider governance and risk management with specific focus to be agreed
25	<b>Corporate Centre - ICT</b>	<b>Programme of assurance in line with a risk assessment but to include Cyber Security</b>	Business plan commitments, Chief Operating Officer discussion and Corporate Risk Register priority
26	<b>Corporate Centre - COO</b>	<b>Level 4 Devolution Readiness</b>	Chief Operating Officer discussion, emerging risk, consideration of governance framework, risk management
27	<b>Corporate Centre - HR</b>	<b>Programme of Assurance</b>	Business plan commitments, Chief Operating Officer discussion, programme to be agreed in line with risk profile and discussion with Head of Service
28	<b>Corporate Centre – Legal, Governance and Compliance</b>	<b>Annual assessment of Risk Management</b>	Assurance to support the Annual Governance Statement
29	<b>Corporate Centre – Legal, Governance and Compliance</b>	<b>Annual assessment of GDPR</b>	Assurance to ensure continuing compliance with statutory and regulatory responsibilities
30	<b>Corporate Centre – Legal, Governance and Compliance</b>	<b>Programme of Assurance</b>	Business plan commitments, Chief Operating Officer discussion, programme to be agreed in line with risk profile and discussion with Deputy Director
31	<b>Corporate Centre - EDI</b>	<b>Programme of assurance and compliance checks</b>	Business plan commitments, EDI oversight board discussion and commitment
		<b>Counter Fraud/AML and Whistleblowing work</b>	Combined Authority Financial Regulations, addressing fraud risk and any referrals under these three policies
		<b>Grant Audits</b>	In line with funding applications and funding agreements, to be added to the plan as needed

		<b>Attendance on Boards</b>	Advice and guidance to inform the control framework
		<b>Various grant certifications</b>	In line with funding applications and funding agreements



<b>Report to:</b>	Governance and Audit Committee
<b>Date:</b>	7 March 2024
<b>Subject:</b>	<b>External Audit Progress Report</b>
<b>Director:</b>	Angela Taylor, Director of Finance and Commercial Services
<b>Author:</b>	Gary Dowson, Head of Finance

Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

## 1. Purpose of this Report

- 1.1 To provide an update on external audit matters that have occurred since the last meeting.

## 2. Information

### 2021/22 Audit of Accounts

- 2.1 It was previously reported that Mazars completed the audit on 30 November 2023 with an unqualified audit opinion issued.
- 2.2 Mazars are developing their plans for undertaking the work to provide the value for money opinion which is required to formally complete the 2021/22 audit work. It is expected that the vfm work will be concluded by the end of March and the conclusions will be shared with the Committee Members upon receipt and formally tabled at the next meeting of the Committee which is expected to be in the summer. The final report that formally concludes all the audit work for the year in due course will also include any revision to the audit fee which arises as a result of the additional work that the auditors were directed to undertake.

### 2022/23 Audit of Accounts

- 2.3 The Committee is aware, from previous reports, that the delay to the conclusion of the 2021/22 audits has had an impact on auditor resource allocation to undertake the audit of the 2022/23 accounts.
- 2.4 It was also previously reported that, in line with a significant number of other local government organisations, the Combined Authority has focussed on responding to the need to re-consider the 2021/22 accounts and ensure accuracy and attention to detail for the 2022/23 accounts, particularly given the likely timescales to start the audit work and that any changes to 2021/22 accounts were likely to impact on 2022/23 accounts.
- 2.5 Following the November 2023 completion of the 2021/22 audit, the 2022/23 draft financial statements have been finalised and issued and are available at [What we spend and how we spend it - West Yorkshire Combined Authority \(westyorks-ca.gov.uk\)](https://www.westyorks-ca.gov.uk/what-we-spend-and-how-we-spend-it). Mazars will be considering with management their approach to the 2022/23 audit, mindful of the current consultation underway, more details of which are set out below.

### Confirmed Fee Scale for 2023/24 Audits

- 2.6 As previously reported, Public Sector Audit Appointments (PSAA) has confirmed a major re-set of total audit fees for 2023/24, with the 2023/24 audit fee for the Combined Authority being set at £95,792, an increase of 151% on the 2022/23 fee of £38,164.
- 2.7 It was agreed by Committee members that representations be made to PSAA about this situation via their proposed consultation, with an update to be brought to the next meeting of the Committee or to Committee Members upon the launch of the consultation if earlier.

### Financial Reporting and Audit in Local Authorities

- 2.8 On 8 February 2024 both the Department for Levelling Up, Housing and Communities (DLUHC) and the National Audit Office (NAO) launched joint 4 week consultations on proposals with the aim of restoring timely, high-quality financial reporting and audit.
- 2.9 The DLUHC consultation seeks views on changes aimed at addressing the local audit backlog including introducing backstop dates for the publication of audited accounts, specifically:
- 2.9.1 Clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024.
- 2.9.2 Recovering from this in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- 2.9.3 Introducing reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

- 2.10 Full details of the DLUHC consultation can be found at **Appendix 1**.
  - 2.11 The NAO consultation seeks views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements with particular focus on:
    - 2.11.1 Status of the Code, application and general principles.
    - 2.11.2 Audit of the financial statements.
    - 2.11.3 The auditor's work on value-for-money arrangements.
    - 2.11.4 Reporting the results of the auditor's work.
    - 2.11.5 The auditor's additional powers and duties and Smaller Authority Assurance Engagements.
  - 2.12 Full details of the NAO consultation can be found at **Appendix 2**.
  - 2.13 The deadline for responses to both consultations is **7 March 2024** and is required to be provided via an online survey with a range of set questions to be considered. It is proposed that officers complete the online surveys indicating support for a proposal that seeks to end the backlog, including some of the technical accounting simplifications that will reduce the workload on both sides. The response also needs to reflect a level of concern at the lack of clarity of how a reduced amount of audit work affects the agreed audit fee, although PSAA Ltd have indicated that this will be possible.
- 3. Tackling the Climate Emergency Implications**
- 3.1 There are no climate emergency implications directly arising from this report.
- 4. Inclusive Growth Implications**
- 4.1 There are no inclusive growth implications directly arising from this report.
- 5. Equality and Diversity Implications**
- 5.1 There are no equality and diversity implications directly arising from this report.
- 6. Financial Implications**
- 6.1 The increase in audit fees for the 2023/24 audit work will have to be reflected in future budgets.
- 7. Legal Implications**
- 7.1 There are no legal implications directly arising from this report.
- 8. Staffing Implications**
- 8.1 There are no staffing implications directly arising from this report.

## **9. External Consultees**

9.1 No external consultations have been undertaken.

## **10. Recommendations**

10.1 To note the position with regard to external audit work.

## **11. Background Documents**

There are no background documents referenced in this report.

## **12. Appendices**

Appendix 1 – DLUHC Audit Backstop consultation

Appendix 2 – NAO Changes to the Code of Audit Practice consultation

[Home](#) > [Regional and local government](#) > [Local government](#)  
> [Addressing the local audit backlog in England: Consultation](#)

[Department for  
Levelling Up,  
Housing &  
Communities](#)

Open consultation

# Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit

Published 8 February 2024

## Applies to England

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This publication is available at <https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation/local-audit-delays-joint-statement-on-update-to-proposals-to-clear-the-backlog-and-embed-timely-audit>

# Executive summary

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers.

The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level. The number of outstanding opinions peaked on 30 September 2023 at 918. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771.

In July 2023, the Minister for Local Government published a [Cross-System Statement](#)

(<https://committees.parliament.uk/publications/40932/documents/199432/default/>) to Parliament setting out proposals to tackle this backlog. Since then, organisations involved in the regulation and oversight of local body financial reporting and audit (“system partners”) have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return. This new Joint Statement provides an update on the proposals. All system partners share the conviction that bold steps are necessary to reset the system and recognise the exceptional nature of the proposed measures.

To clear the backlog of historical accounts and ‘reset’ the system, the Department for Levelling Up, Housing and Communities (DLUHC) proposes putting a date in law (the “backstop date”) – 30 September 2024 – by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/23.

The National Audit Office (NAO) is proposing changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published, and to allow them to provide a single commentary on value for money (VFM) arrangements for local bodies for all outstanding years up to and including 2022/23.

The duty for local bodies to publish a delay notice where the audit has not been concluded by the deadline will be withdrawn. This is because, with a backstop in place for both local bodies and auditors, authorities would be required to publish audited accounts by 30 September 2024. The introduction of a backstop date is intended to allow those who prepare and audit local body accounts to focus on more current financial periods.

The backstop date is likely to be a factor in local auditors issuing a modified or disclaimed opinion on outstanding accounts if they do not have enough time to complete all audit work before that date. It is important that local bodies, residents and other accounts users can distinguish between modified and

disclaimed audit opinions caused by the introduction of backstop dates and those that indicate significant financial reporting or financial management issues.

Auditors have a responsibility under auditing standards to clearly communicate the reasons for their opinion within their report, including where the backstop date causes a modified or disclaimed opinion. System partners will consider guidance for auditors to remind them of these responsibilities. System partners will also issue communications that explain what the different types of modified opinions mean and that clarify that local bodies should not be unfairly judged based on modified opinions caused by the introduction of a backstop date that are largely beyond their control.

As was set out in the July Cross-System Statement, auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (including to make statutory recommendations or issue Public Interest Reports) are important for enabling identification of areas of concern at an early stage, allowing councils to address them. These remain a high priority in our proposals.

For these measures to achieve their intended objectives, auditors and local bodies need to work together to ensure that as many audits can be completed in full as possible. Auditors should make prioritisation decisions within their portfolio of the audits of local bodies to limit the impact on other public bodies' audits and ensure they complete the work required to conclude and report on whether there are any significant weaknesses in VFM arrangements. Preparers must ensure that any unaudited accounts from 2022/23 or earlier years, that have not been published, are published as soon as possible and respond to auditor requests in a timely manner.

The Financial Reporting Council's (FRC) Audit Quality Review (AQR) team will not carry out routine inspections of major local audits for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so. Alongside this, the Institute of Chartered Accountants in England and Wales (ICAEW) has committed to mirroring this approach for its inspections of non-major local audits.

To ensure that delays do not re-emerge once the backlog of local body audit opinions has been cleared and 'recover' the system, DLUHC proposes to put further backstop dates into law for the publication of audited accounts by local bodies. These would cover the 5-year audit appointments awarded in 2022 by Public Sector Audit Appointments (PSAA) for financial years 2023/24 to 2027/28. As it is anticipated there would be modified and disclaimed opinions on outstanding accounts from the 30 September 2024 backstop date, this measure is designed to enable auditors to rebuild assurance over several audit cycles rather than in a single year, reducing the risk of the backlog re-emerging. This means there would also likely be modified or disclaimed audit opinions for several years.



To support the 'recovery' of the system, the CIPFA LASAAC Local Authority Code Board (CIPFA LASAAC) will consult on temporary changes to the Code of Practice on Local Authority Accounting to reduce burdens on those who prepare and audit local body accounts. These proposed changes include extending overrides on infrastructure assets, simplifying the professional revaluation of operational property, and reducing disclosure requirements around net pension assets and liabilities for at least 2 years.

PSAA will use its fee variation process to determine the final fees local public bodies will have to pay in relation to delayed audits and 2023/24 audits. PSAA will set the scale fees for 2024/25 in accordance with the Local Audit (Appointing Person) Regulations 2015. The FRC and the NAO will support PSAA as it determines the fee impact of changes in audit requirements. It will also review relevant aspects of the contracts for the audits from 2023/24 to identify changes required to align with the changes proposed in the consultations.

All system partners have a shared resolve that the current situation needs addressing and measures of this nature are needed to achieve the shared priority of restoring timely, high-quality financial reporting and audit. Further work is required to address the systemic issues that have led to the unprecedented backlog. The issues facing local audit are widely recognised as multi-faceted and complex with no single cause or solution.

The development of these proposals has involved widespread engagement since summer 2023, especially with auditors and finance teams. To support the further development and testing of the measures, 2 consultations have been launched today, in partnership with the FRC, to receive further feedback and inform the decision on how to proceed:

- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements

CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors.

The 'local bodies' these proposals relate to include councils, but also other relevant authorities as defined under the Local Audit and Accountability Act (2014). It does not include NHS bodies.

## Introduction

1. Local bodies need to have accurate and independently audited accounts, delivered on time, to help them effectively plan, make informed decisions and manage their services. Local residents, councillors, central government and other accounts users need timely audited accounts to understand what money the local body has received and how it has used its resources so they can hold it to account. This is key to transparent, trusted and accountable local democracy.

2. In July 2023, the Minister for Local Government published a [Cross-System Statement](#)

(<https://committees.parliament.uk/publications/40932/documents/199432/default/>)

setting out proposals to set a series of backstop dates to clear the backlog in local audit opinions in England and embed timely audit. The Statement included commitments by the Department for Levelling Up, Housing and Communities (DLUHC), the Financial Reporting Council (FRC), the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW) and Public Sector Audit Appointments (PSAA).

3. Since the publication of the Cross-System Statement, the Department has worked collaboratively with the FRC, as incoming shadow system leader, and the other system partners, to develop proposals to achieve the objectives. The proposals maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)). The proposals consist of 3 stages:

- **Phase 1: Reset** involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024
- **Phase 2: Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles
- **Phase 3: Reform** involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit

4. Financial reporting and audit frameworks were not designed for the current backlog in local audit. Although these proposals have been designed to minimise risks and unintended consequences, the proposed measures are likely to result in a significant number of local authority accounts receiving modified or disclaimed opinions, during both Phase 1 and Phase 2. The work required to resolve the local audit backlog will be challenging for both local body finance teams and auditors, as well as system partners.

## Phase 1: Reset

5. In line with the Cross-System Statement in July 2023, Phase 1 involves using legislation and changes to the Code of Audit Practice to implement a backstop date for the publication of audited financial statements which are outstanding for all financial years up to and including 2022/23. The current duty, set out in legislation, for local bodies to publish a delay notice in instances where the audit has not been concluded ahead of the deadline, would be removed.

6. Local auditors would be required to issue an opinion based on the work they have been able to complete to enable local bodies to publish audited accounts ahead of the backstop dates. An audit opinion can be either unmodified, modified (qualified or adverse) or disclaimed.

7. Auditing standards allow auditors to issue modified or disclaimed opinions in the event of a statutory backstop date, even in cases where little to no substantive testing has been carried out. As set out in the Cross-System statement in July, the proposed backstop date is likely to result in modifications or disclaimers of the audit opinion. System partners will provide clear communications to the system explaining what the different types of opinions mean, including explaining that modified or disclaimed opinions caused by the backstop date do not necessarily indicate significant financial reporting or financial management issues in a local body.

8. The auditors' statutory duty to report on VFM arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) are an important for identifying areas of concern at an early stage, allowing local bodies to address them. Under these proposals this will remain a high priority including during Phase 1.

9. The NAO consultation asks for views on changes to the Code of Audit Practice to enable auditors to produce a single commentary on VFM arrangements covering all outstanding periods up to 2022/23 and remind auditors of their obligations to use their statutory reporting powers to draw significant matters to the attention of bodies and residents in a timely way.

10. The proposed backstop date for Phase 1, as set out in DLUHC's consultation on changes to the Accounts and Audit Regulations 2015, 30 September 2024. This has been designed to enable sufficient time for auditors to issue opinions, including modified or disclaimed opinions due to the backstop, and for bodies to publish accounts containing those audit opinions once the legislation has come into force.

11. The NAO's consultation on changes to the Code and any subsequent laying of a new Code of Audit Practice in Parliament would support the backstop date. The proposed backstop date also recognises the multiple priorities of preparers and auditors. For example, finance teams need to, amongst other things, prepare budgets and medium-term financial plans, and for auditors, there will be pre-existing commitments to carry out other public sector audit work,

including NHS external audit work, most of which will take place between April and June 2024.

12. The government will publish a list of local bodies and their auditors which do not meet the backstop date, making it clear where unaudited accounts have also not been published.

13. There will be no exemptions for auditors or local bodies except in very limited circumstances. The NAO will consult on specific exemptions to auditors issuing their opinion ahead of the backstop date as part of its consultation on changes to the Code of Audit Practice. These include, for example, if the auditor is unable to issue their opinion where there are outstanding elector objections to the accounts that could be material to the opinion. DLUHC's consultation also includes a question about creating an equivalent exemption for local bodies in this circumstance, as well as a question seeking views on any other exceptional circumstances in which exemptions may be justifiable.

14. If auditors have completed the required work then they are able to issue their audit opinion ahead of the backstop date. Auditors are expected to complete as much audit work as possible ahead of the backstop date. The NAO, working closely with the FRC, will produce statutory guidance and any additional advice needed to ensure the reset works as intended.

## Phase 2: Recovery

15. The July Cross-System Statement set out that recovering from modified and disclaimed audit opinions requires significant work for preparers and auditors. Following modified or disclaimed audit opinions, auditors will need to audit some of the opening balances in order to obtain assurance over the current year closing balances. Where the audit opinion is modified or disclaimed, the auditor does not have assurance over all historical figures that carry forward into the subsequent year. Opening balances can impact closing balances and movements in the current year. In some cases, where the auditor does not have assurance over opening balances, they would be unable to obtain assurance over the closing balances.

16. System partners committed to consider the secondary effects of the proposals, which may impact the audit of opening balances within the accounts for future years. Under these proposals and to maintain compliance with the ISAs (UK), auditors need to perform sufficient testing on opening balances to rebuild assurance that enables them to issue unmodified opinions in the future.

17. To prevent this recovery work causing delays to future audits, the proposals involve establishing new statutory backstop dates for all financial years up to and including 2027/28. These backstop dates would replace the existing

deadlines in the Accounts and Audit Regulations 2015. As at Phase 1, the current duty, set out in legislation, for local bodies to publish a delay notice in instances where the audit has not been concluded by the deadline, would be removed. The changes to the Code of Audit Practice in Phase 1 requiring auditors to discharge their statutory duties in relation to the financial statements audit in accordance with backstop dates would continue to apply in Phase 2.

18. These new backstop dates would enable auditors to rebuild assurance over local bodies' financial information which has been subject to modified opinion over a longer period of several years. The default position without backstop dates would be that auditors need to rebuild all assurance in the first year following a modified or disclaimed opinion, creating an exceptional workload in this first year, which would risk a recurrence of the backlog. Instead, these proposals enable spreading the work to rebuild this assurance over multiple periods, and we welcome responses on local bodies' and auditors' capacity to manage this work. Backstop dates may result in additional modifications or disclaimers of the audit opinion for some bodies. Unmodified opinions cannot be issued until assurance has been sufficiently rebuilt for the auditor to conclude that the financial statements as a whole are free from material misstatement. This proposal draws on the findings of the recent Levelling Up, Housing and Communities Committee report on financial reporting and audit in local authorities.

19. The FRC has confirmed that rebuilding assurance over multiple periods is compliant with ISAs (UK).

20. Taken together with the proposal outlined in 'Phase 1' for a backstop date of 30 September 2024 for all years up to and including 2022/23, the government is now consulting on the following additional backstop dates:

- Year ended 31 March 2024: 31 May 2025
- Year ended 31 March 2025: 31 March 2026
- Year ended 31 March 2026: 31 January 2027
- Year ended 31 March 2027: 30 November 2027
- Year ended 31 March 2028: 30 November 2028

21. These dates are intended to achieve a balance between restoring timely audit and returning to unmodified audit opinions for the majority of local bodies. They have also been designed, to the extent possible, to limit the impact on other public sector audits, including NHS audits.

22. As has been set out, returning to full and timely reporting on VFM arrangements is a priority. Whilst Phase 1 enables the auditor to incorporate outstanding VFM arrangements reporting for historical years into a single output under a reduced scope, proposals for Phase 2 involve the restoration of full scope VFM arrangements by 2023/24. In addition, it is proposed that the Code of Audit Practice will set a requirement that from 2023/24 the Auditors' Annual Report will be issued in draft to those<sup>51</sup> charged with governance by 30

November each year, irrespective of the position on the audit, to enable auditors to report regularly on most of the VFM arrangements work in a more timely and predictable way.

23. To reduce burdens on preparers and support auditors spreading the work to rebuild assurance over multiple periods CIPFA LASAAC will consult on 3 temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25:

- extending the override relating to the valuation and disclosure requirements for infrastructure assets
- simplifying the revaluation of operational property and instead permitting the use of indexation until new requirements for revaluation of operational property are introduced in 2025/26 following HM Treasury's thematic review of the valuation of non-investments assets in the public sector
- reducing the requirements for disclosures around net defined benefit pension liabilities / assets for 2 years to align with those in FRS 102 (UK Generally Accepted Accounting Practice) rather than International Financial Reporting Standards (IFRS)

24. The current deadline for local bodies (other than NHS bodies) for the publication of unaudited accounts is 31 May following the financial year end. This means the 2024/25 unaudited accounts deadline is set to be the same date as the backstop date for 2023/24 audited accounts. The government's consultation includes questions asking for views over whether this will create any significant issues and for views on the 31 May deadline for 2024/25 to 2027/28.

## **Consultations to deliver Phase 1 and Phase 2**

25. There will be 3 consultations to implement the Phase 1 and Phase 2 measures set out:

- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements
- CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors

## Commitments by the FRC to support delivery of Phase 1 and Phase 2

26. All system partners recognise that the exceptional nature of the proposed measures means there will need to be an extensive programme of communications and engagement with local bodies, auditors and wider system stakeholders including elected members.

27. The FRC will support the NAO and CIPFA to issue guidance for preparers and auditors. The guidance for auditors will be designed to support audit firms with implementing the proposed approach to Phase 1 and Phase 2 in a way that is compliant with the ISAs (UK) and the Code of Audit Practice whilst supporting the overall objectives of the reset and recovery.

28. It is important that local bodies, residents and other accounts users can distinguish between modified and disclaimed audit opinions caused by the introduction of backstop dates and those that indicate significant financial reporting or financial management issues. Guidance for auditors will remind auditors of their responsibilities to communicate the reasons for a modified or disclaimed opinion in reports to audit committees and in the auditor's report. This includes indicating clearly where the modified or disclaimed opinion occurs because the auditor has not completed work ahead of the backstop date.

29. We expect audit committees and other stakeholders to take this into account and ensure that their decisions and judgements are cognisant of where modified or disclaimed opinions are a result of the introduction of backstop dates.

30. The FRC will also hold an exceptional local audit specific meeting of the Technical Advisory Group (TAG). TAG normally takes place every 2 months to consider the application of ISAs (UK), ethical and quality management standards. TAG provides a forum for firms to raise technical issues with the application of standards as well as a means for the FRC to informally consult on standards and guidance that it might issue. The purpose of the local audit specific TAG would be for the FRC to respond to queries from firms in applying the ISAs (UK) in light of the backstop dates as well as any technical guidance issued by the NAO or the FRC. It will also provide an opportunity for firms to discuss best practice and practical matters of implementation in a forum convened by the FRC. The FRC will invite all firms involved in local audit, and representatives from system partners, to this special TAG meeting.

31. In line with the July Cross-System Statement, the FRC's AQR team has recently set out changes to its regulatory approach as part of its [report on the quality of major local audits \(https://www.frc.org.uk/news-and-events/news/2023/12/frc-publishes-report-on-the-quality-of-major-local-audits-amid-delays-in-local-government/\)](https://www.frc.org.uk/news-and-events/news/2023/12/frc-publishes-report-on-the-quality-of-major-local-audits-amid-delays-in-local-government/). This sets out that AQR will not carry out routine inspections of major local audits for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so. AQR will provide

further details on its planned approach to individual inspections for 2023/24 onwards, once the proposed measures are finalised. ICAEW has committed to mirroring the FRC's approach for its inspections of non-major local audits.

32. Working with DLUHC, the FRC is developing an escalated reporting framework. The intention is for the framework to be fully operational for 2023/24 audits so local authorities and auditors can use it to raise risks to individual audits meeting backstop dates and / or emerging systemic issues ahead of backstop dates to enable them and system partners to take appropriate action as early as possible. The framework is being designed to enable a coordinated response where there are more significant risks and complexities facing entities and ensure that system wide issues are identified as soon as possible so they can be addressed. We will provide further details on the proposed framework by the point the legislation on the backstop dates is in place.

33. The FRC intends to conclude its Audit and Assurance Sandbox on the approach to materiality on local audits in the first quarter of 2024 and will publish the findings. The Sandbox has brought together groups of auditors, practitioners, regulatory bodies and interested parties to explore potential pathways whereby auditors could set differential materiality levels for balance sheet items, such as operational property, from overall account materiality set based on expenditure.

## **Commitments by ICAEW**

34. ICAEW has committed to mirroring the FRC AQR's approach for its inspections of non-major local audits.

## **Commitments by PSAA**

35. PSAA will set scale fees and determine fee variations where the auditor undertakes more or less work than assumed by the scale fee in line with the Local Audit (Appointing Person) Regulations 2015. It will also consult with bodies where appropriate. Where possible (subject to sufficient satisfactory data and information from key parties), PSAA will develop indicative fee ranges and assumptions for areas where there is expected to be a change in the audit work carried out.

36. When PSAA subsequently determines the fees payable, the principles set out in the Cross System Statement will apply: if auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, and the body is due to



pay the applicable fee, including where there is a modified or disclaimed opinion. Conversely, if an auditor has collected audit fees in part or in full, and the backstop date means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount – this ensures that the bodies pay only for work that has been done and reported.

## **Expectations of auditors and local bodies to deliver Phase 1 and Phase 2**

37. If implemented, all system partners believe Phase 1 and Phase 2 taken together will result in an overall significant reduction in work compared to the option of not introducing backstop dates. Nevertheless, the success of these proposals depends on both auditors and audited bodies focusing on their obligations in the public interest for timely, high-quality financial reporting and audit.

38. During the consultation period, any local body with concerns about specific financial risk resulting from the proposals should discuss this with their auditors and engage with DLUHC or the relevant parent Department at the earliest opportunity. This may include, but is not limited to, bodies with covenants that require audited accounts with unmodified audit opinions. Any auditors with specific technical, practical, or ethical concerns should flag these with the FRC as soon as possible.

39. Any slowdown in activity would lead to further issues in the future. Ahead of the first proposed backstop date, auditors and local bodies should work together to ensure that as many audits can be completed in full as possible. Where work has already been completed to provide sufficient evidence to support the audit opinion, preparers and auditors should work together to publish the audited accounts as soon as possible.

40. The potential introduction of backstop dates does not preclude the legal responsibilities for local bodies to publish unaudited accounts and hold the 30-working day inspection period for local electors. Any local body that has not yet published unaudited accounts for all years up to and including the financial year 2022/2023, or held the inspection period, should do so as soon as possible.

41. Where a local body believes they will not be able to provide draft accounts, which have been subject to the 30-working day inspection period, to the auditor, with sufficient time ahead of the backstop date, they should, following engagement with their auditors, flag this with DLUHC or the relevant sponsor department as soon as possible. Auditors are only able to provide an opinion – whether unmodified, modified or disclaimed – on a set of accounts which have

been certified by the Section 151 Officer as true and fair, subject to the 30-day inspection period and approved as final by those charged with governance.

42. It should not be necessary for the audit of the previous year's accounts for Section 151 Officers to comply with their responsibilities to certify that the unaudited accounts show a true and fair view as local bodies should have sufficient internal controls and processes for the Section 151 Officer to obtain this assurance.

43. In consultation with local bodies and those charged with governance, auditors will need to make prioritisation decisions about the work they complete on local bodies' audits. When making such prioritisation decisions, auditors should consider the impact on other local bodies' audits. For example, they may choose to prioritise conducting sufficient audit work on pension funds to provide IAS 19 assurances to auditors of other local bodies. Finance teams should ensure they provide high-quality evidence requested by auditors in a timely manner.

44. Where an auditor has not obtained sufficient audit evidence to conclude they have reasonable assurance that the financial statements as a whole are free from material misstatement, they will need to modify or disclaim their audit opinion, as required by the ISAs (UK). Auditors are reminded of their existing responsibilities to clearly communicate the reasons for modified or disclaimed opinions in the auditor's report. They should explain in reports to the audit committee if the modified opinion is caused by the introduction of statutory backstop dates and to communicate what work they have been able to carry out.

45. Auditors should also keep in mind that the July Cross-System Statement stated that the auditors' statutory duty to report on VFM arrangements and their wider reporting powers remain a high priority. Auditors will need to ensure that they are able to conclude and report significant weaknesses in VFM arrangements in the audit report ahead of the backstop date as this legal duty cannot be disclaimed. For audits undertaken under the 2015 Code of Audit Practice, covering years up to 2019/20, auditors will need to report their conclusion on VFM arrangements as part of the auditor's report. Where auditors have concerns about a local body's ability to prepare accounts of sufficient quality ahead of the backstop date, they should consider using their wider reporting powers.

46. The government recognises that all audit firms conduct a variety of public sector audit work in addition to local audit. Local auditors should plan and commit to deliver work ahead of the backstop dates that allows for their existing contractual commitments for other public sector audits. Apart from in exceptional circumstances, NHS England will not accept requests for extensions to audit deadlines for NHS bodies because of auditors needing to complete work ahead of backstop dates for non-NHS local audited accounts.

## Phase 3: Reform

47. Further, longer term work is required to address the systemic challenges that have led to the current local audit backlog. All parties to the Cross-System Statement have committed to continue work to ensure that financial reporting, auditing and regulatory requirements are proportionate and based on a common understanding of the purposes of local audit and reporting.

48. This work will build on the recommendations of the [Redmond Review \(https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review\)](https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review), the recent Levelling Up, Housing and Communities Committee report into financial reporting and audit in local authorities and Public Accounts Committee reports on the timeliness of local audit. The government remains committed to establishing the Audit, Reporting and Governance Authority as system leader for local audit when Parliamentary time allows.

49. CIPFA LASAAC's strategic plan includes a workstream looking at long-term reforms to financial reporting based on the needs of accounts users. CIPFA are in the process of relaunching the Better Reporting Group to inform this work.

50. HM Treasury will be setting out in the first quarter of 2024 the outcome of the thematic review into the valuation of non-investment assets. CIPFA will continue to work with HM Treasury on how the changes apply to local bodies with the intention that they are introduced to the Code of Practice for Local Authority Accounting for 2025/26.

51. The FRC intends to publish its Local Audit Workforce Strategy during 2024, following a presentation to the Local Audit Liaison Committee. The Strategy will include both short-term and longer-term recommendations to increase the supply of suitably skilled auditors, including for further changes to Key Audit Partner requirements.

52. Closely linked to the Local Audit Workforce Strategy, the government has successfully procured the development of a Local Audit Qualification which will shortly be launched by CIPFA, opening the training route for experienced Responsible Individuals to become Key Audit Partners. In addition, CIPFA and the Local Government Association (LGA) are working on a parallel Workforce Strategy for local government finance teams.

## Conclusion

53. The measures proposed are an important step in restoring timely financial reporting and audit for local bodies. The government is grateful for the hard work and collaboration of system partners in developing these ambitious

measures. All system partners are committed to continue to work closely together to, following the consultation, implement measures to clear the backlog of local audit opinions and develop the long-term reforms required to prevent a backlog arising in the future.

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National Audit Office

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## **Consultation document**

by the National Audit Office

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# Local audit in England Code of Audit Practice

## Draft Code Consultation

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We are the UK's independent public spending watchdog.

We support Parliament in holding government to account and we help improve public services through our high-quality audits.

The National Audit Office (NAO) helps Parliament hold government to account for the way it spends public money. It is independent of government and the civil service.

The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether government is delivering value for money on behalf of the public, concluding on whether resources have been used efficiently, effectively and with economy. The NAO identifies ways that government can make better use of public money to improve people's lives. It measures this impact annually. In 2022, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £572 million.

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# Introduction

- 1 The Local Audit and Accountability Act 2014 (the 2014 Act) makes the Comptroller and Auditor General (C&AG) responsible for the preparation and maintenance of the Code of Audit Practice (the Code) and gives the C&AG the power to issue guidance to auditors in support of the Code, to which auditors must have regard when carrying out their work. Schedule 6 of the 2014 Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2020.
- 2 This document provides a summary of the key changes included in the draft Code along with the main draft Code text. Note that the Code text included in this document excludes the preface, glossary and Schedules 1 and 2 which are factual references only and are to be updated during the consultation.

## How to respond

- 3 **Please respond by Thursday 7 March 2024.**
- 4 We have set out in this paper the proposed changes to the relevant sections of the Code.
- 5 When answering the consultation questions, it would be very helpful if you could please refer as far as possible to the relevant Chapter of the draft Code and paragraph(s) and also provide additional explanation and detail where appropriate, to help us understand the basis for your comments.
- 6 You do not need to respond to all the consultation questions set out in this document; we welcome brief or partial responses addressing only those issues where you wish to put forward a view. If there are further observations you would like to make in addition to the questions included in this consultation, however, feel free to include these in your response.
- 7 Please email your response to [lacg@nao.org.uk](mailto:lacg@nao.org.uk).
- 8 If you need paper copies of this consultation document, please let us know using the email address above and provide us with your contact details. We will be happy to post copies to you.
- 9 We may draw on your responses when explaining how we have acted on the consultation, or if we need to follow up matters raised with some or all other respondents. Therefore, your comments will be regarded as public unless you let us know that they should not be. If so, please let us know when you submit your response whether you consider all or part of your submission to be confidential.

# Background and context

## Scope of the consultation

- 1 The Code of Audit Practice is a key document setting out how local auditors in England meet their responsibilities under the 2014 Act. Local public services account for a significant amount of public spending, delivering many of the public services local taxpayers rely on every day. Much of this money is raised through taxation, so public audit is wider in scope than that of the private sector. Taxpayers, national bodies and other stakeholders reasonably expect that the auditor will be able to provide assurance over whether the accounts have been properly prepared and are free from material error, and whether the body has proper arrangements in place to manage its business and finances. Through the principles set out in the Code, local auditors are expected to have regard to this wider scope by maintaining their independence, acting proportionately and efficiently, and reporting effectively to the public.
- 2 In the C&AG's 'Progress update: Timeliness of local auditor reporting on local government in England', January 2023<sup>1</sup>, he reported the significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. Just nine per cent of local government bodies received opinions in time to publish audited 2020-21 financial statements by the 30 September deadline. This was a significant reduction from 45% for 2019-20, even allowing for the tighter publication deadlines compared with the previous year. Only 12% of local government bodies received opinions in time to publish audited 2021-22 financial statements by the deadline, despite a further extension of the publication deadline to 30 November 2022.
- 3 At the LGA Local Government Finance Conference in January 2024, the C&AG noted that at the end of December 2023 only 45 audits for 2022-23 had been completed leaving 422 outstanding and a cumulative backlog of 771.
- 4 Delays in audit opinions undermine the effectiveness of local audit: for example, accountability and transparency are reduced for relevant authorities as users of the accounts cannot obtain an accurate picture of authorities' financial position. Delays also undermine the effectiveness of value for money arrangements work and the exercise of additional powers, as there is an increased risk that recommendations, reports and other interventions will come too late to have their desired impact.
- 5 There are also detrimental impacts elsewhere in the public audit system including delays to the certification of central government accounts that include material local government pension scheme information, delays in publication and risks of reduced quality for the Whole of Government Accounts. The delivery of audits at local NHS bodies is also affected, as they rely on the same market of local audit firms as local government bodies.
- 6 Minister Lee Rowley, the then Minister for the Department for Levelling Up, Housing and Communities'(DLUHC) issued a cross-system statement (14 July

2023)<sup>2</sup> on proposals setting out the actions that the local audit sector and others propose to take to tackle the issue of delays in local public audit, clear the current backlog and return local audit to a sustainable footing. In line with the system-wide objectives outlined by the Minister, the C&AG has established a Programme Board to develop proposals to consider in relation to a replacement Code which aims to play its part in bringing local auditor reporting up to date and ensure that reporting in future is more timely.

- 7 The new Minister for Local Government, Simon Hoare MP, also wrote to the Chair of the Levelling Up, Housing and Communities Committee on 9 January 2024, confirming that resolve to address these issues remained strong and acknowledging the forthcoming consultations on proposals to clear the backlog and restore timely local audit.
- 8 Given the requirement for concerted action, system partners have published a joint statement explaining the package of measures and how the various elements are intended to interact. This joint statement, which can be accessed at <https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation/local-audit-delays-joint-statement-on-update-to-proposals-to-clear-the-backlog-and-embed-timely-audit>, provides vital context for this consultation, and should be reviewed before responding.
- 9 DLUHC is also consulting, in parallel to this consultation, on related changes to the Accounts and Audit Regulations 2015. Further detail on DLUHC's proposals can also be found in the joint statement.
- 10 CIPFA is also consulting, in parallel to this consultation, on related changes to the Code of Practice for Local Authority Accounting. Further detail on CIPFA's proposals can also be found in the joint statement.

# Summary of proposed changes to the draft Code

- 1 This section summarises the changes proposed within the main text of the draft Code.

## **Chapter One: Status of the Code, application and general principles**

- 2 Paragraph 1.5 of the Code is amended so that it applies to all incomplete audits from 2015-16 onwards. This is to allow auditors to incorporate outstanding Value for Money (VFM) arrangements reporting for historic years into a single output under a reduced scope. Auditors will, however, still need to report by exception where they are not satisfied with arrangements to secure VFM in a particular year in that year's audit report.
- 3 Public Sector Audit Appointment's national auditor appointment scheme covers 470 (99%) out of 475 eligible local government bodies. The most recent procurement covered audits from 2023-24 to 2027-28. Major procurement exercises often lead to more changes in auditor portfolios, but on this occasion, in addition to the changes in auditor appointments, the period of time between a new auditor being appointed and the previous auditor completing their work is extended considerably by the backlog. The Code therefore aims to be more explicit that co-operation between auditors includes this extended 'handover period'. It also aims to ensure that any significant current issues arising during this extended period are identified and reported on in as timely a manner as possible.

## **Chapter Two: Audit of the financial statements**

- 4 The 2014 Act sets out the requirement for local auditors to give an opinion on the body's statement of accounts. To meet their duties, the current Code requires auditors to comply with auditing standards currently in force (and as may be amended from time to time), having regard to any other relevant guidance and advice issued by the Financial Reporting Council (FRC), and the NAO on behalf of the C&AG.
- 5 One of the proposals outlined in the then Minister's cross system statement is for DLUHC to set a series of statutory deadlines known as 'backstop' dates for accounts preparers and auditors to clear the backlog of delayed audits for financial years 2015-16 to 2022-23. This would introduce for each

financial year a date before which auditors would be required to give their opinion on a local authority's accounts. Local authorities would also be required to approve their accounts as 'final' by the same date. This would mean that for any given year, there would be a date by which almost all local authorities would have had their audits completed, even if that means the opinion is qualified or disclaimed (modified).

- 6 DLUHC also proposes to have ongoing backstop dates to be set out in the Accounts and Audit Regulations for years up to and including 2027-28. These backstop dates are intended to achieve a balance between restoring timely audit and returning to unmodified audit opinions for the majority of local authorities.
- 7 While the 'backstop' date(s) would be introduced through regulation and the Code, it will remain for the appointed local auditor to determine what type of opinion they issue and, especially in relation to more recent years, there is the likelihood that there will be fewer unqualified opinions issued than would normally be expected. Where a modified opinion is as a result of the introduction of backstop dates, it is expected that the audit report will make this clear.
- 8 The Code also sets out circumstances in which it may not be possible for the auditor to issue their audit report in time for the relevant authority to publish its accounts by the specified date. Such circumstances include where the auditor is considering an objection that may have a material impact on their opinion on the financial statements; where in the auditor's judgement recourse to the Court could be required; or where the auditor is unable to conclude as to whether they are satisfied with the body's VFM arrangements.

### **Chapter Three and Schedule 3: The auditor's work on value-for-money arrangements**

- 9 The 2014 Act places a specific duty on the local auditor to be satisfied whether the body they are auditing has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. In the current Code. This is referred to as work on arrangements to secure value for money (VFM arrangements).

- 10 The Code currently requires auditors to write a commentary on the body's arrangements against specified reporting criteria: financial sustainability; governance; and improving economy, efficiency and effectiveness. Where the auditor identifies a significant weakness in arrangements, they should report them to the body and raise recommendations setting out what the body needs to do to address them.
- 11 It is clear from our on-going engagement with local auditors and the sector that significant delays to VFM arrangements work is reducing the value added. While we have evidence of some auditors using the approach to raise concerns in a more timely manner, given the extent of the backlog of work, this is not the case more generally.
- 12 While the Code is not proposing any significant changes to the principles of the overall approach currently applied, Schedule 3 introduces a reduced scope of VFM arrangements work for incomplete audits from 2020-21 up to and including 2022-23. To bring reporting up to date, the work required focusses on aspects of financial sustainability and governance, with full scope VFM arrangements work across all three criteria proposed to be restored by 2023-24, the first year of the new audit contracts.
- 13 We recognise that this will mean that VFM arrangements reporting for incomplete audits up to and including 2022-23 will vary in terms of its coverage depending on when the auditor undertakes the work and the approach taken by individual audit firms. We believe however, this compromise is necessary to restore timely VFM arrangements reporting as quickly as possible.
- 14 Where the auditor identifies significant weaknesses in arrangements, for historic years (incomplete audits up to and including 2022-23) auditors would not need to make a recommendation where they were satisfied that the issue had been resolved. From 2023-24, however, the proposal is that a requirement for recommendations would return.

## **Chapter Four and Schedule 4: Reporting the results of the auditor's work**

- 15 Local auditors undertake a key role in providing local bodies, local people and other stakeholders with independent assurance about their financial statements and arrangements to manage their business and finances. It is therefore essential that the way this is reported to local bodies – and to the public – is as effective and transparent as possible and promotes local improvement. Auditors need to ensure that where they are identifying risks and issues, they are drawing attention to them promptly and clearly, so that bodies can take appropriate corrective action and the executive can be held to account.
- 16 Under the 2020 Code, the auditor's annual report brought together all of the auditor's work over the year. A key element of the auditor's annual report is the commentary on the specified reporting criteria regarding VFM arrangements set out in Chapter Three. In order to bring reporting up to date and recognising the perishability of the usefulness of this work for outstanding audits, Schedule 4 of the Code allows for the combining of historic years' auditor's annual reports to a single report covering incomplete years' VFM arrangements work and focussing on significant weaknesses.
- 17 For incomplete audits up to and including 2022-23, the draft Code sets the requirement that auditors should aim to issue their auditor's annual report as soon as they have completed their work on VFM arrangements.
- 18 Chapter Four then proposes to require that from 2023-24, the auditor's annual report instead provides a summary of progress on the audit at the time of issue, and for local government bodies only, will be expected to be issued in draft to those charged with governance by 30 November each year, irrespective of the position on the audit. This will enable auditors to report regularly on most of the VFM arrangements work in a more timely and predictable way. The Code will not require auditor's annual reports to be reissued once the audit is fully complete. Any issues identified by the auditor after issuing their auditor's annual report are expected to be included in their report for the following year.
- 19 For local NHS bodies, proposals are that auditors should aim to issue their auditor's annual report no later than one month after the date on which they have issued their audit report. Where the auditor is unable to issue their audit report in accordance with the requirements set out in the NHS timetable, the auditor should consider whether it is in the public interest to issue their auditor's annual report to reflect the work completed to date.

- 20 The C&AG has previously issued guidance to auditors (under paragraph 9 of Schedule 6 of the Local Audit and Accountability Act 2014), initially in response to the COVID-19 pandemic and the ongoing delays in local audit, known as 'special reporting provisions'. These enabled auditors to report in respect of significant weaknesses in VFM arrangements later than the time of issuing the opinion on the financial statements.
- 21 In order to encourage more timely reporting, the C&AG proposes to remove the 'special reporting provisions' relating to VFM arrangements work and again require auditors to report on significant weaknesses in arrangements by exception in the opinion on the financial statements.
- 22 This means that where auditors have not been able to complete their work to satisfy themselves as to whether there are significant weaknesses in VFM arrangements, they will not be able to issue their opinion on the financial statements until they have completed their work.

### **Chapters Five and Six: The auditor's additional powers and duties and Smaller Authority Assurance Engagements**

- 23 A paragraph has been added to Chapter 5 relating to the auditor's additional powers and duties where a qualified or disclaimed opinion is issued on the financial statements that is not as a result of any statutory publication requirements for audited financial statements.



# Code consultation questions

## Code of Audit Practice Chapter One

*Question 1 – Do you agree with the principles of effective co-operation during the handover period where there is a change in the appointed auditor? (The handover period is defined as the period from the date from which the new auditor’s appointment takes effect to the date on which the outgoing auditor certifies completion of their audit).*

## Code of Audit Practice Chapter Two: for relevant authorities other than local NHS bodies

*Question 2 – Do you think that the proposed Code requirements in respect of the ‘backstop’ dates are sufficient to require and enable auditors to report their opinion at the backstop date, apart from in the exceptional circumstances set out?*

*If not, what needs to be added or strengthened?*

## Code of Audit Practice Schedules 3 and 4: For relevant authorities other than local NHS bodies and in relation to audit years prior to 2023-24 that are incomplete at the date on which this Code comes into force

### Schedule 3

*Question 3 – Do you agree that the Code should require auditors to perform a reduced scope of work on proper arrangements to secure VFM on a temporary basis for incomplete audits up to and including 2022-23?*

*Question 4 – Do you have any comments on the proposals for the reduced scope of proper arrangements set out under the reporting criteria that auditors are required to report for incomplete audits up to and including 2022-23?*

## **Schedule 4**

***Question 5** – Do you agree with the approach to enable the auditor to issue a combined commentary as part of a single auditor’s annual report for incomplete audits up to and including 2022-23?*

## **Code of Audit Practice Chapters 3 and 4: For relevant authorities including local NHS bodies and in relation to audit years from 2023-24 at the date on which this Code comes into force**

### **Chapter Three**

***Question 6** – Do you agree that auditors should be required to return to the full scope of VFM arrangements work under the three reporting criteria set out under paragraph 3.11 of Chapter Three of the Code from audit year 2023-24 (the year of which the new audit appointments contracts under PSAA’s national scheme start)?*

### **Chapter Four**

***Question 8** - Do you agree that the Code should specify the 30 November as the date by which auditors should issue their auditor’s annual report based on the work they have completed so far rather than wait for the audit to be fully completed?*

## **General Comments**

***Question 9** - Are there any other comments you wish to make?*

## **Equality Impacts**

In considering new legislation, public bodies need to ensure that they eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.

***Question 10** - Do you have any comments on whether any of the proposals outlined above could have disproportionate impact, either positively or negatively, on people with protected characteristics or wish to highlight any other potential equality impacts?*

# Appendix One

## Draft Code text

(Note that proposed amendments to the text are highlighted)

## Chapter One

### Status of the Code, application and general principles

- 1.1 This chapter covers the status of the Code, provides details on its application and sets out principles which should underpin the conduct and work of the auditor in discharging their statutory duties.

#### Status of the Code

- 1.2 The Comptroller and Auditor General is required to prepare the Code of Audit Practice (the Code) under paragraph 1 of Schedule 6 to the Local Audit and Accountability Act 2014 (the Act), which must be laid before Parliament under paragraph 2 of that schedule. The Code is required to be approved by both Houses of Parliament.

#### Application of the Code

- 1.3 The Code applies to the audit of relevant bodies as set out in Schedule 2 and Schedule 13(3)(1) to the Act. Additionally, Schedule 6 to the Act extends the duty to prepare the Code to cover the audit of NHS foundation trusts. Auditors of these bodies are required to comply with the Code.
- 1.4 The auditor should use their professional judgement to apply the principles and requirements set out in this Code to the particular circumstances that exist at different audited bodies.
- 1.5 This Code comes into force on the date of publication ('commencement date') and applies until this Code is replaced. This Code supersedes the Code of Audit Practice 2020, which was published by the National Audit Office (NAO) in April 2020. This Code applies to incomplete audits from 2015-16 onwards. This new Code will then apply for future years of account until replaced.

## **Principles**

- 1.6 The Code takes as its starting point long-established and enduring principles of public audit, which are the wider scope of public audit; independence; and public reporting, and builds on them as set out below:

### **Wider scope of public audit**

#### **Public accountability**

- 1.7 The audit of a public sector organisation is wider in scope than that of a private sector body. Special accountabilities attach to the use of public money and the conduct of public business. It is not part of the auditor's responsibilities to question the merits of policy, but the auditor does have wider duties (depending upon the relevant legislation) to scrutinise and report not only upon the truth and fairness of the financial statements but also on aspects of stewardship of public funds. The auditor carries out this work on behalf of the public and in the public interest.
- 1.8 The auditor does not act as a substitute for the audited body's own responsibility for putting in place proper arrangements in support of the proper conduct of public business, and for ensuring that public money is safeguarded, properly accounted for and used with due regard to value for money.
- 1.9 The auditor should, however, be mindful of the unique position they hold as a public auditor, and ensure that they have open and transparent arrangements in place that recognise their responsibilities to both the audited body and also to local taxpayers and residents.

#### **Proportionality**

- 1.10 The auditor's work should be risk-based and proportionate. It should be designed to meet the auditor's statutory responsibilities, applying the auditor's professional judgement to tailor their work to the circumstances in place at the audited body and the audit risks to which they give rise. The auditor should also consider carefully the practical and resource implications for the audited body when framing recommendations arising from their work.
- 1.11 There may be circumstances in which it appears to the Comptroller and Auditor General that aspects of the Code need to be applied in a certain way in order to meet the specific circumstances of certain bodies, for example because of the nature of their business or the relatively small amounts of public money that they control. In such circumstances, the auditor should weigh the significance of the issue against the amounts involved in relation to the size of the body concerned to determine whether further action is proportionate and in the public interest, having regard to any statutory guidance issued on behalf of the Comptroller and Auditor General.

## Cooperation

- 1.12 Local public bodies increasingly operate, commission and deliver services in a range of partnerships and other forms of joint working or contracts with other public, private or third-sector bodies. In meeting their statutory duties, therefore, the auditor should consider how best to obtain assurance over such arrangements, working effectively with other auditors where appropriate.
- 1.13 The auditor should, likewise, be mindful of the activities of inspectorates and other bodies and take account of them where relevant to prevent duplication and ensure that the demands on audited bodies are managed effectively. In so doing, the auditor should be informed by the reported results of inspectorates and other bodies in relation to corporate or service performance. The auditor is not required to carry out procedures to assess the quality of, or re-perform, the work of inspectorates and other bodies, except where it would be unreasonable not to do so, for example, to provide assurance in accordance with auditing standards issued by the relevant regulatory body in support of the audit opinion on the financial statements.
- 1.14 The auditor should adopt a constructive approach to their work with the audited body. The auditor should share and discuss their audit plan at an early stage with the audited body. The auditor should build effective coordination arrangements with internal audit, using the work of internal audit where, in the auditor's judgement and in line with professional standards, this is appropriate.
- 1.15 Where there is a change in the appointed auditor, auditors should also ensure that they co-operate effectively during the handover period<sup>2</sup>, having regard to any guidance issued by the C&AG to support the efficient and effective discharge of responsibilities.
- 1.16 In addition to maintaining the Code and issuing statutory guidance to auditors, the NAO has functions in respect of considering value for money across local services. To support its functions, the NAO may request information from auditors. The auditor should provide such information in response to reasonable requests.<sup>3</sup>

## Independence

### Integrity and objectivity

- 1.17 The auditor should carry out their work with integrity and objectivity to underpin and safeguard their independence at all times. Auditors also need to comply with the ethical framework applicable to auditors, including any ethical standards set by a relevant regulatory body, along with any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work

<sup>2</sup> The handover period is defined as the period from the date from which the new auditor's appointment takes effect to the date on which the outgoing auditor certifies completion of their audit.

<sup>3</sup> Relevant to this is Schedule 11, paragraph 2(1)(b) and Schedule 11, paragraph 2(1)(d)(i), Local Audit and Accountability Act 2014.

would impair their independence in carrying out any of their statutory duties or might reasonably be perceived as doing so.

### **Professionalism**

1.18 The auditor should carry out their work in compliance with the requirements of the Code, which itself requires compliance, where applicable, with standards issued by a relevant regulatory body. The auditor should conduct their work economically, efficiently and effectively, and in as timely a way as possible. The auditor should adopt an integrated approach to their work under the Code, where the knowledge gathered, and work carried out in support of each of the auditor's statutory and reporting obligations, informs the auditor's judgements as a whole.

### **Professional scepticism**

1.19 In carrying out their work, the auditor should exercise professional scepticism. They should obtain and document such information and explanations as they consider necessary to provide sufficient, appropriate evidence in support of their judgements, both in relation to their work on the financial statements and their work on arrangements to secure value for money. The auditor should meet the requirements of legislation, the Code and, where applicable, professional standards while also having regard to statutory guidance issued by the NAO, on behalf of the Comptroller and Auditor General, under paragraph 9 of Schedule 6 to the Act.

### **Public reporting**

1.20 The auditor has a range of means at their disposal, by which their findings may be reported publicly. The auditor should report using their professional judgement on the most appropriate and effective means of reporting and applying the following principles, reflecting the wider scope of public audit. The auditor should, therefore:

- report on a timely basis, clearly, concisely and objectively without fear or favour. Timely reporting includes producing audit reports in time, insofar as the auditor can do so under auditing standards, to allow local bodies to comply with the requirements placed on them to publish their audited financial statements. It also means ensuring that when matters of concern arise during the course of the audit, the auditor raises them promptly with the body and considers whether the matter needs to be brought to public attention at the appropriate time;
- when reporting in public, use language that readers will understand, reflecting the principle that local audit reporting is for the benefit of the public as well as the body being audited;
- use the most appropriate form of reporting available in the expectation that audited bodies ensure that the report is sufficiently prominent and accessible to people when published;

- set out to whom the report is addressed, the period to which it relates, its date, its purpose and the relevant duty or power under which the auditor is issuing it;
- reflect the wider scope of public audit by covering the range of audit responsibilities under the Code;
- be open and transparent about the scope and nature of the work carried out; and
- if making recommendations, set judgements out clearly, along with the evidence on which those judgements are based, explain the impact they have on the audited body, and the actions the body should take in response.

#### **Appropriate knowledge and skills**

- 1.21 In order to undertake audits effectively and report to local bodies and their stakeholders in accordance with these principles, the auditor should ensure that they have the necessary skills and knowledge to discharge their functions effectively and have arrangements in place to ensure that audit teams have sufficient knowledge of the relevant public sector financial reporting, regulatory and legislative frameworks.
- 1.22 The auditor should ensure that audit teams comply with statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information, particularly personal information received or obtained during the course of their audit work.

# Chapter Two

## Audit of the financial statements

- 2.1 This chapter addresses the auditor's statutory duties in respect of the audit of the financial statements. *Schedule 1: The auditor's statutory responsibilities* summarises the statutory duties of auditors of the different types of principal body covered by the Code.
- 2.2 The auditor of a body that meets the qualifying conditions of a smaller authority should apply procedures as set out in Chapter Six of the Code, unless the body chooses to be treated as a full audit authority in accordance with regulations made under Section 5 of the Act.

### Responsibilities of the audited body

- 2.3 The specific responsibilities of different types of audited body regarding the production and reporting of financial statements and other information vary depending on relevant legislation, regulations and any other requirements that may be placed upon them. However, all audited bodies are expected to have effective corporate governance arrangements to deliver their objectives. To this end, the publication of the financial statements is an essential means by which the audited body accounts for its stewardship and use of the public money at its disposal.
- 2.4 The precise form and content of the audited body's financial statements, and any additional schedules or returns for consolidation purposes, should reflect the requirements of the relevant accounting and reporting framework in place for that particular type of audited body and any additional guidance issued in support of the accounting and reporting framework.
- 2.5 The audited body may also be required to prepare schedules or returns to facilitate the preparation of consolidated accounts such as HM Treasury's Whole of Government Accounts or other relevant group accounts.

### Responsibilities of the auditor

- 2.6 To meet their duties in respect of the audit of the financial statements, the auditor should comply with auditing standards currently in force in the United Kingdom, as may be amended from time to time, having regard to any other guidance issued by a relevant regulatory body, and statutory guidance issued by the NAO on behalf of the Comptroller and Auditor General.



- 2.7 The auditor should undertake work to support the provision of their audit report to the audited body. In respect of their audit of the financial statements, the auditor's report should include the following components:

#### Opinion on the audited body's financial statements

- whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

#### Opinion on other matters

- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

#### Opinion on regularity

- where required – whether in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them.<sup>4</sup>

- 2.8 Other information published together with the audited financial statements covers material that the audited body chooses or is required to provide alongside its financial statements. For example, the governance statement, a strategic report, a directors' report or a narrative report or equivalent. In reading the information given with the financial statements, the auditor should take into account their knowledge of the audited body, including that gained through work in relation to the body's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources.

- 2.9 The auditor will report to the audited body by exception in respect of the governance statement, and other accompanying material as required, in accordance with relevant statutory guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

4 Auditors of certain local public bodies (for example, integrated care boards) are required to provide an opinion on regularity as part of their audit of the financial statements when this is required by the relevant framework of authorities.

## **Auditors' duties in relation to Accounts and Audit Regulations**

- 2.10 Where relevant authorities other than local NHS bodies have adopted their accounts in accordance with the requirements of the Accounts and Audit Regulations (as may be amended from time to time), auditors must issue their audit report in time for the relevant authority to publish its accounts by the specified date. This paragraph does not apply where the auditor is considering an objection that may have a material impact on their opinion on the financial statements; where in the auditor's judgement recourse to the Court could be required; or where the auditor is unable to satisfy themselves about the body's arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 2.11 In cases where any of the above conditions apply, the auditor must issue their audit report as soon as practicable after the matters are resolved.
- 2.12 The auditor's report should address any additional reporting requirements set out in applicable auditing standards or as required by Schedule 1 to this Code. This may include issuing enhanced auditor reports under the relevant auditing standard. The NAO, on behalf of the Comptroller and Auditor General, will specify any such reporting requirements in statutory guidance to auditors.
- 2.13 Where the audited body is required to produce schedules or returns to facilitate the preparation of consolidated accounts, the auditor should, having regard to any relevant statutory guidance or group audit instructions prepared by the NAO on behalf of the Comptroller and Auditor General, examine and report on the consistency of the schedules or returns with the body's audited financial statements for the relevant reporting period.
- 2.14 The auditors of bodies that administer pension funds are also required to give a separate opinion on the part of the administering authority's financial statements that relates to the accounts of the pension fund. In doing so, the auditor should have regard to relevant statutory guidance issued by the NAO on behalf of the Comptroller and Auditor General.

# Chapter Three

## The auditor's work on value-for-money arrangements

3.1 This chapter addresses the auditor's statutory duties in respect of the audited body's arrangements to secure value for money through the economic, efficient and effective use of its resources. *Schedule 1: The auditor's statutory responsibilities* summarises the statutory duties of auditors of the different types of principal body addressed by this Code. The auditor of a body that meets the qualifying conditions of a smaller authority should apply procedures as set out in Chapter Six of this Code, unless the body chooses to be treated as a full audit authority in accordance with regulations made under Section 5 of the Act.

**3.2 For audit years 2023-24 onwards, auditors should comply with paragraphs 3.6 to 3.15 of Chapter Three and the requirements of Chapter Four. For relevant authorities other than local NHS bodies and in relation to audit years prior to 2023-24 that are incomplete at the date on which this Code comes into force, auditors should comply with the requirements set out in Schedules 3 and 4.**

### Responsibilities of the audited body

3.3 Local public bodies are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

3.4 As part of the material published with its financial statements, the audited body is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement.

3.5 In preparing its governance statement, the audited body will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. While this introduces variation in the detail of what should go into the governance statements for different types of audited body, for most local bodies there is a requirement to provide commentary on their arrangements for securing value for money from their use of resources.

## **Responsibilities of the auditor**

3.6 Auditors of the different types of local public body covered by the Code have a consistent statutory responsibility in respect of the audited body's use of resources – to satisfy themselves that the audited body:

...has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.<sup>5</sup>

3.7 In practice, this means that the auditor should, having regard to relevant statutory guidance issued by the NAO on behalf of the Comptroller and Auditor General, undertake sufficient work to be able to satisfy themselves as to whether, in the auditor's view, the audited body has put arrangements in place that support the achievement of value for money. In carrying out this work, the auditor is not required to satisfy themselves that the audited body has achieved value for money during the reporting period. However, should evidence of poor value for money come to the auditor's attention during the course of the audit, the auditor should consider the implications of this for their work.

3.8 The auditor's work should be underpinned by consideration of what arrangements the audited body is expected to have in place. This should be based on the relevant governance code or framework for the type of local public body being audited, together with any other relevant guidance or requirements.

3.9 The auditor should take into account their knowledge of the relevant sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, are relevant to the auditor's work on value-for-money arrangements. An understanding of the sector includes the relevant regulatory framework in which the audited body operates.

3.10 The auditor's work on value-for-money arrangements should be informed by:

- the audited body's governance statement and any additional reporting by the body on the arrangements it has in place to manage risks to the achievement of value for money through the economic, efficient and effective use of its resources;
- evidence that the audited body's arrangements were in place during the reporting period;
- evidence obtained from the auditor's other work – including previous work on value-for-money arrangements, work completed as part of the audit of the financial statements and the audited body's response to this work;

5 Section 20(1)(c) and Section 21(1)(c) Local Audit and Accountability Act 2014 and Schedule 10(1)(d) National Health Service Act 2006.

- the work of inspectorates and other bodies – where the scope and results are relevant to the auditor’s value-for-money responsibilities. The auditor is not required to quality-assure or re-perform the work of others and may use such work to the extent that, in their judgement, it is appropriate to do so; and
- any other evidence source that the auditor regards as necessary to facilitate the performance of their statutory duties.

3.11 Determining how much work to do on arrangements to secure value for money is a matter of auditor judgement. The auditor should clearly document the work they have undertaken and report each year in accordance with Chapter Four of this Code having regard to the following specified reporting criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

3.12 The auditor should keep their risk assessment under continuous review. Where appropriate, the auditor should update their work to reflect emerging risks or findings. The auditor should document any changes to their planned work and ensure these are communicated with the audited body.

3.13 In reviewing the audited body’s value-for-money arrangements, it is not part of the auditor’s function to question the merits of the audited body’s policy decisions. However, the auditor may examine the arrangements by which policy decisions are reached and implemented. In making recommendations, the auditor should avoid any perception that they have any role in the decision-making arrangements of the audited body.

3.14 The auditor’s work should be designed to provide the auditor with sufficient assurance to enable them to report to the audited body in accordance with Chapter Four of this Code and with the specified reporting criteria on the arrangements the body has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

3.15 Where the auditor identifies significant weaknesses in arrangements as part of their work on arrangements to secure value for money, they should make recommendations setting out:

- their judgement on the nature of the weakness they have identified;
- the evidence on which their view is based;
- the impact on the local body; and
- the action the body needs to take to address the weakness.

# Chapter Four

## Reporting the results of the auditor's work

- 4.1 This chapter addresses the auditor's statutory duties for reporting the results of their work as summarised within *Schedule 1: The auditor's statutory responsibilities*. The auditor of a body that meets the qualifying conditions of a smaller authority should apply procedures as set out in Chapter Six of the Code, unless the body chooses to be treated as a full audit authority in accordance with regulations made under Section 5 of the Act.
- 4.2 The auditor should report the results of their work using a range of outputs at the appropriate point in the audit process as set out in this chapter.
- 4.3 **For audit years 2023-24 onwards, auditors should comply with paragraphs 4.4 to 4.11 of Chapter Four. For relevant authorities other than local NHS bodies and in relation to audit years prior to 2023-24 that are incomplete at the date on which this Code comes into force, auditors should comply with the requirements set out in Schedule 4.**

### Planning the audit

- 4.4 The audit planning report sets out how the auditor intends to carry out their duties in respect of the accounts in accordance with auditing standards. In addition to planned work on the audit of the financial statements, the audit planning report should encompass the auditor's planned work to meet their duties in respect of the audited body's arrangements to secure value for money through the economic, efficient and effective use of its resources. The responsibility for establishing the overall audit strategy and the audit plan rests solely with the auditor. The auditor should discuss their risk assessment and planned approach as set out in the audit planning report with management and with those charged with governance.

### Completion of audit fieldwork

- 4.5 In support of the completion of their work, and at least annually, the auditor should report to those charged with governance. Reports to those charged with governance should comply with auditing standards and may include any matters the auditor wishes to bring to the body's attention.

## Conclusion of the audit

4.6 In order to promote timely and impactful reporting that supports local bodies to improve and provides appropriate assurance to wider stakeholders, the auditor should report in a way that is consistent with the principles of public reporting set out in Chapter One. To achieve this, the Code requires that the auditor issues the following reports when they have concluded their audit:

- Audit report on the financial statements – the audit report should cover the results of the auditor’s work on the financial statements as set out in Chapter Two of the Code. Where the auditor has issued referrals to the Secretary of State as set out in Schedule 2 (Reporting of additional matters by exception), these should also be included in the auditor’s report on the financial statements. The partner or director who is the relevant engagement lead should sign the audit report with his or her name as well as the name of the firm of auditors. Where the auditor is not satisfied in respect of arrangements to secure value for money, they should refer to this by exception.
- Audit completion certificate – the auditor should certify the completion of the audit. The effect of the certificate is to close the audit. This marks the point when the auditor’s responsibilities in respect of the audit of the period covered by the certificate have been discharged. There may be occasions when the auditor is able to issue the audit report on the financial statements but cannot certify completion of the audit because they are considering an objection made under Section 27 of the Local Audit and Accountability Act 2014. In such circumstances, the auditor should consider whether to issue their audit report ahead of certifying closure of the audit. Auditors may identify significant weaknesses in arrangements after the auditor’s annual report has been issued (for example as a result of completing work on the opinion or in the case of an objection under section 27 of the 2014 Act). Where auditors identify significant weaknesses relevant to the year under consideration after issuing the auditor’s annual report, the weakness should be reflected in either the audit report or the certificate as relevant.

### Auditor’s annual report

- Auditor’s annual report – the auditor’s annual report should provide an annual summary of the position of the audit at the time of issue.<sup>6</sup> A core element of the auditor’s annual report will be the commentary in accordance with the specified reporting criteria set out in Chapter Three (and as supplemented in statutory guidance issued by the NAO). The commentary should be clear, readily understandable and highlight any issues that the auditor wishes to draw to the attention of the body or the wider public. This should include details of any recommendations issued to the body from the audit and follow-up of recommendations related to previous years, along with the auditor’s view as to whether they have been implemented satisfactorily.

<sup>6</sup> The auditor’s annual report constitutes an audit letter for the purposes of local bodies complying with the Accounts and Audit Regulations.



4.7 The auditor should aim to issue their auditor's annual report for local NHS bodies no later than one month after the date on which they have issued their audit report. Where the auditor is unable to issue their audit report in accordance with the requirements set out in the NHS timetable, the auditor should consider whether it is in the public interest to issue their auditor's annual report to reflect the work completed to date.

4.8 For relevant authorities other than local NHS bodies, auditors should issue their draft auditor's annual report to those charged with governance by 30<sup>th</sup> November each year. This includes where the auditor has not yet issued the auditor's report on the financial statements or is considering an objection. The auditor should reflect the work completed to date since the issue of the last auditor's annual report. If during the completion of opinion work, or consideration of the objection, any significant weaknesses are identified in arrangements to secure value for money, these should be reported to the body promptly and reflected in the audit report on the financial statements or in the certificate as appropriate.

4.9 The auditor's annual report should also include:<sup>7</sup>

- confirmation of the status of the work on the opinion on the financial statements, including the type of opinion given where it has been issued; and
- (by exception), reference to any reporting by the auditor on a range of additional matters as appropriate. *Schedule 2: Reporting of additional matters by exception* sets out these additional matters and the types of audited body to which each applies.

## Other reporting

4.10 Statement on consolidation schedules – the auditor should provide a statement on whether any schedules or returns the audited body is required to produce for the purposes of preparing consolidated accounts are consistent with the audited body's financial statements for the relevant reporting period. The auditor's statement should refer to any modification of the auditor's opinion on the financial statements.

<sup>7</sup> Schedule 1 sets out the different reporting requirements that apply to different types of audited body.

## **Any stage during the audit**

4.11 The auditor should consider whether any matters coming to their attention require them to progress the actions and outputs identified below before the end of the audit:

- Communication on specific elements of the auditor's work – the auditor should maintain regular communication with the audited body to ensure that emerging findings are raised on a timely basis in the form, and at the level within the audited body, that the auditor judges appropriate.
- Reports in the public interest – the auditor should consider whether, in the public interest, they should report on any matter that comes to their notice so that it is brought to the attention of the audited body and the public:
  - When preparing and issuing reports in the public interest, the auditor should tailor their approach to the urgency and significance of their concerns. The auditor should make a report during the audit if they consider the matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.
  - If the auditor issues a report in the public interest, this should be referred to in the next auditor's annual report.
- Written recommendations – the auditor should consider whether to use the powers Schedule 7 of the Act provides to make written recommendations to the audited body which need to be considered by the body and responded to publicly. Where the auditor considers it appropriate to make such recommendations, these can be made during or at the end of the audit and can be included, where relevant, within other written outputs from the audit or they may be the subject of a specific report to the audited body. Where the auditor makes a recommendation under Schedule 7, they should clearly identify the recommendation as such so as to distinguish it from other, more general, recommendations for improvement that may arise during the audit (or as a result of an objection). The power to make such recommendations under the Act does not apply to the auditors of NHS foundation trusts.
- Referral of matters arising – the auditor of an NHS body has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State, and/or relevant NHS regulatory body as appropriate.<sup>8</sup> The auditor should still consider the need for a report in the public interest in respect of matters so referred.

# Chapter Five

## The auditor’s additional powers and duties

5.1 This chapter addresses the auditor’s use of additional powers and duties, as summarised below. These powers and duties apply to all types of bodies covered by the Code, except for health service bodies.

Power or duty	Legislation
To give local government electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts.	Sections 26 and 27 Local Audit and Accountability Act 2014.
To apply to the court for a declaration that an item of account is contrary to law.	Section 28 Local Audit and Accountability Act 2014.
To consider whether to issue and, if appropriate, to issue an advisory notice or to make an application for judicial review.	Sections 29 and 31, Schedule 8 Local Audit and Accountability Act 2014.
Matters reported in the public interest.	Schedule 7 Local Audit and Accountability Act 2014.
Written recommendations made to the audited body under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014.	Schedule 7 Local Audit and Accountability Act 2014.

5.2 In exercising any of the above powers and duties, including when performing a smaller authority assurance engagement as specified at Chapter Six of the Code, the auditor should tailor their approach to the particular circumstances of the matters under consideration, having particular regard to the principle of proportionality set out in Chapter One.

5.3 Where any representations are made to the auditor or information is provided that is relevant to the audit or smaller authority assurance engagement, or relevant matters otherwise come to their attention, the auditor should consider whether the matter needs investigation and action under these additional powers and duties or whether it can be considered more effectively within planned work programmes and reporting arrangements under the auditor’s other audit or smaller authority assurance engagement responsibilities.

5.4 In considering whether to exercise any of their additional powers and duties, and in determining the time and resource to be spent on dealing with matters that come to their attention, the auditor should consider the relevant requirements of the Act and:

- the significance of the subject matter;
- whether there is wider public interest in the issues raised and/or whether it would be in the public interest for the auditor to comment publicly on an issue;
- whether the substance of the matter has been considered and/or reported upon previously by the body's auditor;
- whether the substance of the matter falls within the scope of work conducted by an inspectorate or other body;
- the costs of dealing with the matter when set against the sums involved and the size of the audited body, bearing in mind that these costs are borne by the taxpayer and so should be proportionate and in the public interest; and
- in the case of objections, the rights of both those subject to objection and of the objector.

5.5 Where the auditor issues a qualified or disclaimed opinion on the financial statements that is not as a result of any statutory publication requirements for audited financial statements, they should consider whether to issue a statutory recommendation or public interest report to draw attention to the significance of the issue(s).

### **The exercise of public rights and considering objections**

5.6 Under Section 27 of the Act, local electors have the right to object to a local authority's draft accounts during a fixed 30-working day period each year. Where a local auditor receives an objection, they should:

- determine whether the objection is eligible;
- decide whether or not to consider the objection; and
- where they decide to consider the objection, look into the matter being raised and decide whether to exercise any of their additional powers.

5.7 When considering objections, the auditor should do so in a timely manner, keeping the objector and the authority updated as to their progress. Specifically:

- when considering eligibility, the auditor should use best endeavours to determine whether the objection is eligible within one week of receipt;
- when exercising their discretion whether or not to consider the objection, the auditor should use best endeavours to reach their decision and to inform the objector and the authority of their decision within one month of determining eligibility; and
- where the auditor decides to consider the objection, use best endeavours to complete their work and inform the objector and the authority of their decision within six months of their decision to accept the objection for consideration. Where the auditor is not able to decide the objection within six months, they should inform the objector and the authority and provide a further update on progress every three months until the objection is decided.

# Chapter Six

## Smaller authority assurance engagements

6.1 This chapter addresses the auditor's statutory duties in respect of the audit of the accounts of smaller authorities as set out in the Act and in relevant regulations made by the Secretary of State. Under the Act and supporting regulations, an audit means carrying out the assurance engagement functions of a local auditor in relation to the accounts of the smaller authority:

- in compliance with the relevant parts of this Code; and
- in accordance with any procedures specified in statutory guidance issued by the NAO on behalf of the Comptroller and Auditor General.

6.2 A smaller authority is one whose annual income or annual expenditure is below a financial threshold as prescribed in relevant regulations. The NAO, on behalf of the Comptroller and Auditor General, may provide details of relevant thresholds in statutory guidance to auditors.

### **Responsibilities of the smaller authority**

6.3 A smaller authority is responsible for putting in place arrangements to ensure the proper conduct of their financial affairs and to monitor the adequacy and effectiveness of those arrangements in practice. A smaller authority should maintain proper accounting records and control systems and operate an adequate system of internal audit of those accounting records and control systems.

6.4 A smaller authority should prepare and publish financial statements and related information within an annual return in accordance with proper practices specified by the Secretary of State.

### **Responsibilities of the auditor (smaller authority assurance engagements)**

6.5 Unless the smaller authority is exempt under regulations, or chooses to be treated as a full audit authority in accordance with regulations, the auditor of a smaller authority should undertake a smaller authority assurance engagement. The auditor should meet their responsibility under this engagement by performing specified procedures as set out in statutory guidance to auditors provided by the NAO on behalf of the Comptroller and Auditor General.

### **Responsibilities of the auditor (additional powers and duties)**

6.6 When conducting a smaller authority assurance engagement, or performing work as a consequence of questions or objections from a local elector, the auditor should follow the requirements of Chapter Five – The auditor’s additional powers and duties together with the following elements of Chapter Four of the Code:

- communication on specific elements of the auditor’s work;
- reports in the public interest; and
- written recommendations.

6.7 When considering the exercise of additional powers in relation to matters at smaller authorities, the auditor should have regard in particular to the principle of proportionality in Chapter One, unless they have significant concerns about the way the smaller authority is being managed or led, or they judge that the exercise of additional powers would be in the public interest.

## **Schedule 3 - Auditors' work on value-for-money arrangements relating to incomplete audits for bodies other than local NHS bodies**

### **The auditor's work on value-for-money arrangements**

3.1 This **schedule** addresses the auditor's statutory duties in respect of the audited body's arrangements to secure value for money through the economic, efficient and effective use of its resources. *Schedule 1: The auditor's statutory responsibilities* summarises the statutory duties of auditors of the different types of principal body addressed by this Code. The auditor of a body that meets the qualifying conditions of a smaller authority should apply procedures as set out in Chapter Six of this Code, unless the body chooses to be treated as a full audit authority in accordance with regulations made under Section 5 of the Act.

**3.2 This schedule applies to incomplete audit years prior to 2023-24 that are incomplete at the date on which this Code comes into force.**

#### **Responsibilities of the audited body**

3.3 Local public bodies are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

3.4 As part of the material published with its financial statements, the audited body is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement.

3.5 In preparing its governance statement, the audited body will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. While this introduces variation in the detail of what should go into the governance statements for different types of audited body, for most local bodies there is a requirement to provide commentary on their arrangements for securing value for money from their use of resources.



## Responsibilities of the auditor

3.6 Auditors of the different types of local public body covered by the Code have a consistent statutory responsibility in respect of the audited body's use of resources – to satisfy themselves that the audited body:

...has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.<sup>9</sup>

3.7 In practice, this means that the auditor should, having regard to relevant statutory guidance issued by the NAO on behalf of the Comptroller and Auditor General, undertake sufficient work to be able to satisfy themselves as to whether, in the auditor's view, the audited body has put arrangements in place that support the achievement of value for money. In carrying out this work, the auditor is not required to satisfy themselves that the audited body has achieved value for money during the reporting period. However, should evidence of poor value for money come to the auditor's attention during the course of the audit, the auditor should consider the implications of this for their work.

3.8 The auditor's work should be underpinned by consideration of what arrangements the audited body is expected to have in place. This should be based on the relevant governance code or framework for the type of local public body being audited, together with any other relevant guidance or requirements.

3.9 The auditor should take into account their knowledge of the relevant sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, are relevant to the auditor's work on value-for-money arrangements. An understanding of the sector includes the relevant regulatory framework in which the audited body operates.

3.10 The auditor's work on value-for-money arrangements should be informed by:

- the audited body's governance statement and any additional reporting by the body on the arrangements it has in place to manage risks to the achievement of value for money through the economic, efficient and effective use of its resources;
- evidence that the audited body's arrangements were in place during the reporting period;
- evidence obtained from the auditor's other work – including previous work on value-for-money arrangements, work completed as part of the audit of the financial statements and the audited body's response to this work;

- the work of inspectorates and other bodies – where the scope and results are relevant to the auditor’s value-for-money responsibilities. The auditor is not required to quality-assure or re-perform the work of others and may use such work to the extent that, in their judgement, it is appropriate to do so; and
- any other evidence source that the auditor regards as necessary to facilitate the performance of their statutory duties.

3.10 In relation to incomplete audits from 2015-16 up to and including 2019-20, auditors should have considered arrangements to secure value for money in accordance with the scope of the 2015 Code of Audit Practice and supporting auditor guidance. For incomplete audits from 2020-21 up to and including 2022-23, auditors will discharge their responsibility under the Code in respect of arrangements to secure value for money by considering the following:

- **Financial sustainability - how the body plans and manages its resources to ensure it can continue to deliver its services:**
  - how the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
  - how the body plans to bridge its funding gaps and identifies achievable savings;
  - how the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities; and
  - how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.
- **Governance - how the body ensures that it makes informed decisions and properly manages its risks:**
  - how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
  - how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships; and
  - how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.

- **Other matters that have come to the auditor's attention.**

- In some cases, in order to be satisfied in respect of bodies' arrangements to secure value for money, auditors may identify a significant risk relating to arrangements falling outside of the criteria specified above, for example evidence of poor value for money as illustrated in paragraph 3.7. In such cases, the auditor should document their judgement as to whether additional work is required in order to conclude whether a significant weakness exists. However, where no significant risks have been identified that fall outside the scope of this schedule, the auditor is not required to document why they have not considered it necessary to undertake additional work.

3.11 Determining how much work to do in order to gain sufficient assurance to be able to discharge their duties in relation to arrangements to secure value for money is a matter of auditor judgement. The auditor should clearly document the work they have undertaken and report in accordance with Schedule 4 of this Code. There is no requirement for auditors to document why they have not undertaken work on areas outside of those specified above.

3.12 Where auditors have begun or already undertaken work that no longer falls under the scope of this schedule, they may still report on it in accordance with Schedule 4.

3.13 The auditor should keep their risk assessment under continuous review. Where appropriate, the auditor should update their work to reflect emerging risks or findings. The auditor should document any changes to their planned work and ensure these are communicated with the audited body.

3.14 In reviewing the audited body's value-for-money arrangements, it is not part of the auditor's function to question the merits of the audited body's policy decisions. However, the auditor may examine the arrangements by which policy decisions are reached and implemented. In making recommendations, the auditor should avoid any perception that they have any role in the decision-making arrangements of the audited body.

3.15 The auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report to the audited body in accordance with Schedule 4 of this Code and with the specified reporting criteria on the arrangements the body has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

3.16 Where the auditor identifies significant weaknesses in arrangements as part of their work on arrangements to secure value for money, they should make recommendations where the auditor judges it appropriate to do so setting out:

- their judgement on the nature of the weakness they have identified;
- the evidence on which their view is based;
- the impact on the local body; and
- the action the body needs to take to address the weakness.

3.17 In relation to incomplete audits up to and including 2022-23, there is no expectation for auditors to make recommendations where they are satisfied the significant weakness has already been addressed.

## Schedule 4 - Auditor reporting relating to incomplete audits for bodies other than local NHS bodies

### Reporting the results of the auditor's work

- 4.1 This **schedule** addresses the auditor's statutory duties for reporting the results of their work as summarised within *Schedule 1: The auditor's statutory responsibilities*. The auditor of a body that meets the qualifying conditions of a smaller authority should apply procedures as set out in Chapter Six of the Code, unless the body chooses to be treated as a full audit authority in accordance with regulations made under Section 5 of the Act.
- 4.2 The auditor should report the results of their work using a range of outputs at the appropriate point in the audit process as set out in this chapter.
- 4.3 **This schedule applies to incomplete audit years prior to 2023-24 that are incomplete at the date on which this Code comes into force.**

### Planning the audit

- 4.4 The audit planning report sets out how the auditor intends to carry out their duties in respect of the accounts in accordance with auditing standards. In addition to planned work on the audit of the financial statements, the audit planning report should encompass the auditor's planned work to meet their duties in respect of the audited body's arrangements to secure value for money through the economic, efficient and effective use of its resources. The responsibility for establishing the overall audit strategy and the audit plan rests solely with the auditor. The auditor should discuss their risk assessment and planned approach as set out in the audit planning report with management and with those charged with governance.

### Completion of audit fieldwork

- 4.5 In support of the completion of their work, and at least annually, the auditor should report to those charged with governance. Reports to those charged with governance should comply with auditing standards and may include any matters the auditor wishes to bring to the body's attention.

## Conclusion of the audit

- 4.6 In order to promote timely and impactful reporting that supports local bodies to improve and provides appropriate assurance to wider stakeholders, the auditor should report in a way that is consistent with the principles of public reporting set out in Chapter One. To achieve this, the Code requires that the auditor issues the following reports when they have concluded their audit:
- Audit report on the financial statements – the audit report should cover the results of the auditor’s work on the financial statements as set out in Chapter Two of the Code. The partner or director who is the relevant engagement lead should sign the audit report with his or her name as well as the name of the firm of auditors. Where the auditor is not satisfied in respect of arrangements to secure value for money, they should refer to this by exception having regard to any associated statutory guidance issued by the C&AG in support of this Schedule.
  - Audit completion certificate – the auditor should certify the completion of the audit. The effect of the certificate is to close the audit. This marks the point when the auditor’s responsibilities in respect of the audit of the period covered by the certificate have been discharged. There may be occasions when the auditor is able to issue the audit report on the financial statements but cannot certify completion of the audit because they are considering an objection made under Section 27 of the Local Audit and Accountability Act 2014. In such circumstances, the auditor should consider whether to issue their audit report ahead of certifying closure of the audit. Where auditors identify significant weaknesses relevant to the year under consideration after issuing the auditor’s annual report, the weakness should be reflected in either the audit report or the certificate as relevant.

## Auditor’s annual report

- Auditor’s annual report – the auditor’s annual report should provide a summary of the position of the audit at the time of issue.<sup>10</sup> A core element of the auditor’s annual report will be the commentary in accordance with the specified reporting criteria set out in Schedule 3 (and as supplemented in statutory guidance issued by the NAO). The commentary should be clear, readily understandable and highlight any issues that the auditor wishes to draw to the attention of the body or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor’s view as to whether they have been implemented satisfactorily. For audits from 2015-16 to 2019-20, a commentary on arrangements is not required; auditors need only report whether significant weaknesses were identified.

<sup>10</sup> The auditor’s annual report constitutes an audit letter for the purposes of local bodies complying with the Accounts and Audit Regulations.

- 4.7 For incomplete audits up to and including 2022-23, the auditor may issue a combined commentary as part of a single auditor's annual report. The commentary should focus on any significant weaknesses identified but auditors may include additional information for context where they consider it to be useful.
- 4.8 Where the auditor has identified significant weaknesses that have not been addressed at the time of issuing their auditor's annual report, they should make a recommendation in accordance with paragraph 3.16 of Schedule 3.
- 4.9 Once this Code comes into force, auditors should aim to issue their auditor's annual report containing their commentary on arrangements as soon as they have completed their work on VFM arrangements.

4.10. The auditor's annual report should also include:<sup>11</sup>

- confirmation of the status of work on the opinion on the financial statements, including the type of opinion given where it has been issued; and
- (by exception), reference to any reporting by the auditor on a range of additional matters as appropriate. *Schedule 2: Reporting of additional matters by exception* sets out these additional matters and the types of audited body to which each applies.

### Other reporting

- 4.11 Statement on consolidation schedules – the auditor should provide a statement on whether any schedules or returns the audited body is required to produce for the purposes of preparing consolidated accounts are consistent with the audited body's financial statements for the relevant reporting period. The auditor's statement should refer to any modification of the auditor's opinion on the financial statements.

### Any stage during the audit

- 4.12 The auditor should consider whether any matters coming to their attention require them to progress the actions and outputs identified below before the end of the audit:
- Communication on specific elements of the auditor's work – the auditor should maintain regular communication with the audited body to ensure that emerging findings are raised on a timely basis in the form, and at the level within the audited body, that the auditor judges appropriate.

<sup>11</sup> Schedule 1 sets out the different reporting requirements that apply to different types of audited body.

- Reports in the public interest – the auditor should consider whether, in the public interest, they should report on any matter that comes to their notice so that it is brought to the attention of the audited body and the public:
  - When preparing and issuing reports in the public interest, the auditor should tailor their approach to the urgency and significance of their concerns. The auditor should make a report during the audit if they consider the matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.
  - If the auditor issues a report in the public interest, this should be referred to in the auditor’s annual report.
- Written recommendations – the auditor should consider whether to use the powers Schedule 7 of the Act provides to make written recommendations to the audited body which need to be considered by the body and responded to publicly. Where the auditor considers it appropriate to make such recommendations, these can be made during or at the end of the audit and can be included, where relevant, within other written outputs from the audit or they may be the subject of a specific report to the audited body. Where the auditor makes a recommendation under Schedule 7, they should clearly identify the recommendation as such so as to distinguish it from other, more general, recommendations for improvement that may arise during the audit (or as a result of an objection).



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National Audit Office

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<b>Report to:</b>	Governance and Audit Committee
<b>Date:</b>	7 March 2024
<b>Subject:</b>	<b>Treasury Management</b>
<b>Director:</b>	Angela Taylor, Director of Finance and Commercial Services
<b>Author:</b>	Gary Dowson, Head of Finance

Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

## 1. Purpose of this Report

- 1.1 To provide members with an update on Treasury Management activities since the last meeting held in January 2024.

## 2. Information

- 2.1 The regular governance meetings continue to be held with both Treasury partners (separate arrangements are in place for the Police Fund) to consider and review the transactions relating to investments and treasury management. No areas of concern were raised since the last meeting on 20 February 2024 and 27 October 2023, with Leeds City Council (for the Combined Authority Fund) and Wakefield Council (for the Police Fund) respectively. The high level of cash balances and the challenges with regard to placing funds with approved counterparties, are unchanged since previously reported.
- 2.2 The next meeting with Wakefield Council (for the Police Fund) is, subject to confirmation, to be scheduled for mid to late March 2024.

- 2.3 It remains the intention to bring together all the treasury management arrangements such that they will be administered by a single partner authority and this is a key outcome in the Finance Plan on a Page for 2024/25.
- 2.4 The Combined Authority capital programme wholly relates to investment in Transport infrastructure and Economic regeneration projects. The Police Fund capital programme covers police related schemes such as vehicles, police stations and investment in new information and communications technology. The capital programme for the Police Fund is recorded separately in accordance with legislation and is therefore excluded from the above figures.
- 2.5 The Treasury Management Statement and Strategy was approved by the Combined Authority at their meeting held on 1 February 2024 following approval by members of the Governance and Audit Committee in January 2024.

### **Economic Outlook**

- 2.6 At its meeting on 31 January 2024, the Monetary Policy Committee (MPC) voted to maintain the base interest rate at 5.25%. It is expected to remain around this level until the autumn of 2024 and then decline gradually to around 4.25% by the end of 2026.
- 2.7 Inflation has fallen from its peak of 11.1% recorded in October 2022 to a level of 4% in December 2023. The Bank of England expects inflation to continue to fall in 2024, though more gradually than in 2023, due to lower energy prices and reduced inflation in consumer goods and food. In its latest set of forecasts published in February 2024, it forecast the CPI inflation rate to fall to around 2.75% by Q4 2024. For comparison, in forecasts published alongside the Autumn Statement, the Office for Budget Responsibility (OBR) expects inflation to average 2.8% in Q4 2024.
- 2.8 As with any forecast the above is subject to change and revision as market and economic conditions evolve.

### **Implementation of the CIPFA Codes of Practice 2021 – Key Update**

- 2.9 Work remains ongoing in the implementation of CIPFA's revised Codes of Practice for Capital and Treasury Management from 1 April 2023. The Treasury Strategy Statement 2024/25 has incorporated those requirements and a new reporting pack for GAC continues to be developed.
- 2.10 The proposed new reporting pack has been provided in this paper at **Appendix 1** which shows the summary of the Prudential Indicators.
- 2.11 Although the Capital Financing Requirement (CFR) is predicted to increase over the forecast period external borrowing is not expected to increase as the strategy is to internalise available cash balances. This strategy has the added advantage of reducing

counterparty risk in the cash investment portfolio. The CFR is a balance sheet view of how much the Authority needs to borrow to finance its capital programme which is not funded by other means (e.g. grant).

- 2.12 At the year-end 2024/25 external investment and cash are now expected to be in the region of £500m.
- 2.13 **Appendix 2** shows the 10-year liability benchmark graph and emphasises the expected and significant turnaround in the Authority's cash and investment position. This is projected on the utilisation of the significant cash grants that have been received and the capital programme spend particularly for those programmes that result in a borrowing requirement. The purpose of the graph is to highlight the gap between the liability benchmark (expected need to borrow externally – the red dotted line) and comparing that to the stock of external borrowing anticipated (the stacked bars on the graph). The gap between the two elements highlights the exposure to external borrowing interest rate risk. This is not a significant factor until 2027/28 based on current projections.

### **3. Tackling the Climate Emergency Implications**

- 3.1 There are no climate emergency implications directly arising from this report.

### **4. Inclusive Growth Implications**

- 4.1 There are no inclusive growth implications directly arising from this report.

### **5. Equality and Diversity Implications**

- 5.1 There are no equality and diversity implications directly arising from this report.

### **6. Financial Implications**

- 6.1 The treasury management strategy will inform and shape future financial decision making.

### **7. Legal Implications**

- 7.1 There are no legal implications directly arising from this report.

### **8. Staffing Implications**

- 8.1 There are no staffing implications directly arising from this report.

### **9. External Consultees**

- 9.1 No external consultations have been undertaken.

## **10. Recommendations**

10.1 That the Committee notes the report.

## **11. Background Documents**

None.

## **12. Appendices**

Appendix 1 – Summary of Prudential Indicators

Appendix 2 – Liability Benchmark Graph

Financial Year 2023/24

Notes

**Budget**  
Period 11 22/23

**Current**  
Period 10

**Movement**

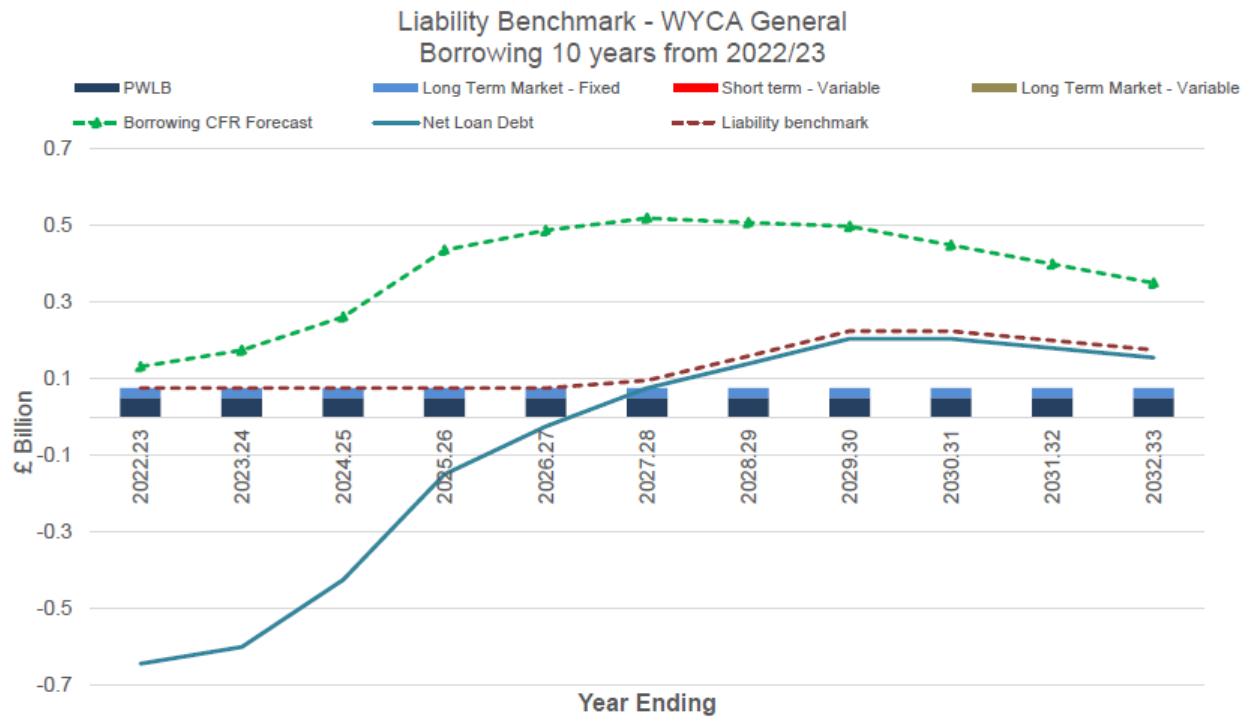
<b>PRUDENTIAL CODE INDICATORS</b>							
<b>CAPITAL EXPENDITURE</b>							
<u>Estimate of Capital Expenditure</u>		a					
WYCA - General	£k		325,565	324,189	-1,376		
WYCA - PCC	£k		49,004	49,004	0		
<b>Total</b>	£k		<b>374,569</b>	<b>373,193</b>	<b>-1,376</b>		
<u>Capital Financing Requirement</u>		b					
<u>Borrowing</u>							
WYCA - General	£k		116,280	173,659	57,379		
WYCA - PCC	£k		144,493	144,493	0		
<b>Sub Total Borrowing</b>	£k		<b>260,773</b>	<b>318,152</b>	<b>57,379</b>		
<u>Other Long Term Liabilities</u>							
WYCA - General	£k		0	0	0		
WYCA - PCC	£k		79,327	79,327	0		
<b>Sub Total Other Long Term Liabilities</b>	£k		<b>79,327</b>	<b>79,327</b>	<b>0</b>		
<b>Total Capital Financing Requirement</b>	£k		<b>340,100</b>	<b>397,479</b>	<b>57,379</b>		
<b>EXTERNAL DEBT</b>							
<u>Operational Boundary</u>		c					
WYCA - General	£k		100,000	100,000	0		
WYCA - PCC	£k		233,000	233,000	0		
<b>Total</b>	£k		<b>333,000</b>	<b>333,000</b>	<b>0</b>		
<u>Authorised Limit</u>		c					
WYCA - General	£k		282,000	282,000	0		
WYCA - PCC	£k		266,000	266,000	0		
<b>Total</b>	£k		<b>548,000</b>	<b>548,000</b>	<b>0</b>		
<u>Actual External Debt (year end Forecast)</u>		d					
WYCA - General							
PWLB	£k		50,000	50,000	0		
Market (Inc LOBO)	£k		25,000	25,000	0		
Short term (Actual)	£k		0	0	0		
<b>Total Gross External Debt</b>	£k		<b>75,000</b>	<b>75,000</b>	<b>0</b>		
<u>Other Long Term Liabilities</u>	£k		0	0	0		
<b>Total Including OLTTL</b>	£k		<b>75,000</b>	<b>75,000</b>	<b>0</b>		
WYCA - PCC							
PWLB	£k		64,146	63,274	872		
Market (Inc LOBO)	£k		9,000	9,000	0		
Short term (Actual)	£k		0	0	0		
<b>Total Gross External Debt</b>	£k		<b>73,146</b>	<b>72,274</b>	<b>872</b>		
<u>Other Long Term Liabilities</u>	£k		0	0	0		
<b>Total Including OLTTL</b>	£k		<b>73,146</b>	<b>72,274</b>	<b>872</b>		
<u>Gross Debt and the CFR</u>		e					
WYCA General External Borrowing			ok	ok			
WYCA PCC External Borrowing			ok	ok			
<b>Total Gross Debt and the CFR</b>			<b>ok</b>	<b>ok</b>			
<b>AFFORDABILITY</b>							
<u>Estimate of Financing Cost to Net revenue Stream</u>		f					
WYCA - General							
Financing Cost	£k		7,134	7,229	-95		
Net Revenue Stream	£k		103,533	103,533	0		
<b>Ratio</b>	%		<b>6.89%</b>	<b>6.98%</b>	<b>-0.09%</b>		
WYCA - PCC		f					
Financing Cost	£k		12,010	12,010	0		
Net Revenue Stream	£k		159,933	159,933	0		
<b>Ratio</b>	%		<b>7.51%</b>	<b>7.51%</b>	<b>0.00%</b>		
<b>INVESTMENTS - WYCA General Only</b>							
<u>Limit on non-Treasury Investments</u>	g		20,000	20,000	0		
<u>Estimate of Net Income from Investments for Commercial and Service Purposes</u>		g					
Income	£k		108	108	0		
<b>Ratio of Income from Commercial and Service Purposes to Net revenue Stream</b>	%		<b>0.10%</b>	<b>0.10%</b>	<b>0.00%</b>		
<b>TREASURY MANAGEMENT CODE INDICATORS</b>							
<u>Liability Benchmark for Borrowing</u>			See Annexe 2				
<u>Maturity Structure of Borrowing 2022/23</u>		h	Lower	Upper	Projected £m	Projected £m	%
under 12 mths		0%	30%	-	-	0%	
12 mths and within 24 mths		0%	20%	-	-	0%	
24 mths and within 5 years		0%	50%	-	-	0%	
5 years and within 10 years		0%	75%	-	-	0%	
10 years and within 20 years				-	-		
20 years and within 30 years				9	17		
30 years and within 40 years		25%	100%	41	33	100%	
40 years and within 50 years				15	15		
50 years and above				10	10		
				<b>75</b>	<b>75</b>	<b>100.00%</b>	
<u>Upper Limit for Long Term treasury investments to mature in following years</u>		i					
Year +1				20,000	20,000	20,000	
Year +2				20,000	20,000	20,000	
Year +3				20,000	20,000	20,000	

Notes

- a Forecast of capital expenditure for year at period end, actual at year end outturn
- b Forecast of CFR for year end at period end, actual at year end outturn
- c Authorised limit and Operational Boundary as set at the Budget setting time should only change in exceptional circumstances
- d This is the year end forecast for DEBT and OLTTL with Short term being the balancing figure
- e In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that total gross debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement, which is used for comparison with gross external debt. This is a key indicator of prudence. (This is shown as "OK" or "Breach" depending on the result of the above comparison)
- f Code only requires full comparison of debt costs including OLTTL to Net revenue Streams however the Council have always reported the external borrowing metrics which are more informative.
- g This is all investments under the code for Service or Commercial purposes and excludes Investments for Treasury Management purposes
- h This now includes all external debt including variable and short term external debt
- i This is non specified Treasury Management investments typically with a duration of greater than 364 days

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<b>Report to:</b>	Governance and Audit Committee
<b>Date:</b>	7 March 2024
<b>Subject:</b>	<b>Compliance and Monitoring</b>
<b>Director:</b>	Alan Reiss, Chief Operating Officer
<b>Author:</b>	Caroline Allen Deputy Director, Legal, Governance & Compliance

Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1: paragraph 3	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

## 1. Purpose of this Report

- 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.
- 1.2 To present an update on the Combined Authority's compliance with regulatory requirements and internal controls (compliance dashboard).

## 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.

### Internal Controls

- 2.2 The Combined Authority's Corporate Centre Management Board (CCMB) under the leadership of the Chief Operating Officer has internal responsibility for monitoring compliance with regulatory requirements and internal controls.

- 2.3 The integrated Finance, HR and payroll system CI Anywhere went live from 13 November 2023. In the coming months, officers will be implementing new modules within the system. An officer steering group has been set up to manage this and further developments and implementation phases will include Learning Management and Talent Management for 2024.
- 2.4 The latest version of the dashboard is published as part of the Combined Authority's publication scheme. An updated version of the dashboard for consideration of the Committee is provided at **Appendix 1**.
- 2.5 The dashboard has been populated with data where this is currently available, and work will continue to ensure that all data fields can be populated in future iterations.
- 2.6 The following key indicators can be drawn from the dashboard:

#### Information and Communications Technology

- 2.6.1 In the Autumn of 2023 the Combined Authority, along with other transport authorities, was the target of multiple Distributed Denial of Service (DDoS) attacks which rendered its public facing journey planning website unavailable for multiple periods. This is a serious matter, which affects the ability of people across West Yorkshire to plan their journeys. During these attacks, we have swiftly communicated with the public via social media and Metroline and put in place additional protections to bring the service back online as quickly as possible.

To mitigate any future DDoS attacks, DDoS protection has been purchased and enabled to protect all the Combined Authority websites, this prevents low level network attacks. A Web Application Firewall (WAF) service has also been purchased which provides advanced protection against DDoS and other Cyber Attacks to websites. The WAF service mitigated the most recent DDoS attacks, and no future outage has been experienced.

To ensure stability, additional capacity has been built into the webservices platform allowing for the automatic scaling out of services in response to higher load, allowing for dynamic load management. This is required because under any DDoS attack additional traffic is expected to reach the webservices and needs to be absorbed to ensure the websites remain functional.

The total number of attempted malware attacks has reduced from last year with zero successful attempts.

ICT Services have a new Cyber Security Manager, who brings a wealth of knowledge and experience in cyber security and securing ICT infrastructure. The new Cyber Security Manager has already started to prioritise and action security improvements and remediation work and is leading on the implementation of the managed Security Operations Centre (SOC) which will provide the Combined Authority with a detection and response capability to protect the organisation 24/7/365.

### Complaints, Correspondence and Casework

- 2.6.2 The total number of Complaints, Correspondence and Casework received was less in December than in previous months, falling significantly from the high in September when schools returned. There are no areas of concern over the last quarter. The case which was at Stage Two in December is now with the LGO which will reflect in figures for January.
- 2.6.3 Overall KPI's for the last quarter were above the 85% target, showing a slight decrease for December.

### Health and Safety

- 2.6.4 There have been no RIDDORs reported over the last two years.
- 2.6.5 On Friday 5 January 2024 the Combined Authority took the precautionary measure to close Bradford Interchange Bus Station to safeguard public safety, following a degree of concrete fall into the basement of the facility. Contractors have begun work onsite to establish the extent of the damage and what remedial works are required before it can be safely reopened. It is anticipated that these surveys could take several weeks to complete and the bus station will remain closed throughout this period. A temporary bus station solution has been established to limit disruption for passengers, operators and the city centre during this time. These arrangements will develop to ensure that current highways work in the city centre can progress, traffic congestion minimised and all preparations can continue for the 2025 City of Culture programme. Bradford Council is supporting us with this to help minimise disruption to transformation work that is happening in the city centre. Train services remain unaffected by the closure of the bus station.

### Internal Audit

- 2.6.6 The number of fraud/whistleblowing referrals have increased (10 to date) compared to last year (7 in total) and the year before that (1 in total). Of all the cases referred to date, 3 are currently still under investigation.
- 2.6.7 There are five overdue audit recommendations.

### Legal, Governance and Compliance (including Information Governance)

- 2.6.8 There has been a drop (-5.6%) in the number of quorate Combined Authority committee meetings compared to last year, however, significantly fewer committees cancelled (-7.2%).
- 2.6.9 The percentage of Member declarations of interest returned within the 28 day deadline remains at 96.6% in 23/24.
- 2.6.10 Compliance with deadlines for publication of committee agendas and key decisions remains on target (100%).

2.6.11 Response times to FOIs have dipped slightly below the Combined Authority's KPI of 100%. However, an internal process has been developed as well as communications to officers to reemphasise the importance of meeting the legal deadline. At 96.6% compliance, this remains significantly above the Information Commissioner's Office (ICO) threshold of 85% which triggers enforcement action. Response times to and data subject access requests have fallen below KPI, however, the number of requests which have exceeded the deadline remains low in numbers.

2.6.12 There have been no reportable data security incidents.

### Human Resources

2.6.13 Recruitment activity was suspended from 6<sup>th</sup> November to 31<sup>st</sup> December 23 in preparation for the implementation of CI Anywhere. This has affected the data figures for the end of Q3 and the beginning of Q4, therefore no further data can be provided for this period.

### Finance and Commercial

2.6.14 There has been a slight increase in Standing Orders waivers year on year but by far the majority are low value and have been deemed low risk.

### **Financial Update**

- 2.7 Revenue and Capital expenditure year to date positions and year end forecasts for the first 9 months of 23/24 have been prepared and will be reported to the Finance Resources and Corporate Committee in March 2024. The Combined Authority is reporting a Quarter 3 net income position of £27k compared to a budgeted position of net income of £70k.
- 2.8 The variations in both income and expenditure are predominantly driven by the project portfolio, where the incidence of income and expenditure varies throughout the financial year, in contrast to budgets which are phased equally across 12 months.
- 2.9 The significant variances have been reviewed in detail and arise from timing differences, for example where income is received in advance of incurring related expenditure, or where expenditure is recovered from third parties, and this is only invoiced after the expenditure occurs. The introduction of the new finance system will facilitate improved phasing of budgets and thereby reduce temporary timing differences.

## 2023/2024 Quarter 3 Revenue Summary

	Actual to	Budget to	Difference	Difference
	31-Dec-23	31-Dec-23	31-Dec-23	31-Dec-23
	£000s	£000s	£000s	%
<b>Income</b>				
Transport Levy	69,148	69,149	(0)	(0%)
AEB Income	44,678	52,225	(7,547)	(14%)
Pre Paid Ticket Income	22,057	16,500	5,557	34%
Income - Operational	6,619	10,733	(4,115)	(38%)
Funding - Grants	25,345	49,173	(23,828)	(48%)
Tendered Services Income	2,374	4,741	(2,367)	(50%)
<b>Total Income</b>	<b>170,222</b>	<b>202,521</b>	<b>(32,299)</b>	<b>(16%)</b>
<b>Expenditure</b>				
AEB costs	44,678	52,134	7,455	14%
Concessions	35,053	34,632	(420)	(1%)
Consultancy and Professional Services	1,630	2,064	434	21%
Employee Costs	27,048	30,858	3,810	12%
Financing Charges	557	5,390	4,832	90%
Grants and Agency costs	-	1,133	1,133	100%
ICT Related Costs	2,307	2,511	204	8%
Indirect Employee Costs	914	1,307	394	30%
Members Allowances & Expenses	152	279	127	46%
Non-staffing Project costs	14,983	39,159	24,176	62%
Premises Costs	3,888	5,506	1,619	29%
Prepaid Tickets Costs	20,026	16,500	(3,526)	(21%)
Supplies and Services	2,468	2,972	504	17%
Tendered Services	24,981	25,179	199	1%
Travel, Subsistence & Transport Costs	127	170	42	25%
<b>Total Expenditure</b>	<b>178,812</b>	<b>219,794</b>	<b>40,982</b>	<b>19%</b>
<b>Indirect Contribution* (Capitalisation/ Internal recharges)</b>	<b>8,617</b>	<b>17,343</b>	<b>(8,727)</b>	<b>50%</b>
<b>Net Income / (Expenditure)</b>	<b>27</b>	<b>70</b>	<b>(43)</b>	
<b>Net Income / (Expenditure) as a % of Income</b>	<b>0.02%</b>	<b>0.03%</b>		

## Quarter 3 Capital Summary

The Combined Authority's capital programme at Quarter 3 shows expenditure of over 56% of the December 2023 revised forecast, with the majority concentrated across the City Region Sustainable Transport Settlement (CRSTS), the Transforming Cities Fund (TCF), the West Yorkshire plus Transport Fund and the Zero Emissions Regional Bus Areas (ZEBRA). In line with previous years, it is expected that expenditure will increase as the year progresses and at this stage there is confidence that the full year forecast will be achieved.

Capital Programme Expenditure	Indicative Forecast Combined Authority February 2023	Revised In-Year Forecast as at Dec 2023	Expenditure upto Quarter 3 2023/24	% of in-year Forecast
<b>Transport Programmes</b>				
City Region Sustainable Transport Settlement	£103,031,181	£103,031,181	£67,014,024	65.04%
Transforming Cities Fund (inc. Tranche 1) (non CRSTS)	£72,144,806	£64,319,670	£41,077,776	63.87%
West Yorkshire plus Transport Fund	£76,485,552	£68,832,475	£41,166,916	59.81%
Zero Emissions Bus Regional Areas	£10,108,378	£10,108,378	£6,193,387	61.27%
Leeds Public Transport Investment Programme	£824,728	£699,728	£78,813	11.26%
Integrated Transport Block (CA legacy projects)	£2,569,856	£2,569,856	£1,162,161	45.22%
Active Travel	£9,113,471	£6,835,962	£2,757,542	40.34%
New Station Fund	£7,044,369	£3,360,369	£0	0.00%
Levelling Up Fund	£1,308,784	£1,086,618	£97,955	9.01%
Gainshare Capital (Capital Flood Infrastructure Programme)	£1,094,236	£1,094,236	£0	0.00%
Gainshare Capital (LUF2 match)	£1,523,000	£1,523,000	£0	0.00%
LEVI	£438,220	£438,220	£0	0.00%
<b>Economic Development Programmes</b>				
Getting Building Fund	£0	£0	£0	n/a
Brownfield Housing Fund	£15,000,000	£15,000,000	£0	0.00%
Social Housing Decarbonisation Fund	£6,978,371	£6,886,923	£2,020,082	29.33%
British Library North	£302,000	£303,835	£255,307	84.03%
Corporate Projects	£1,553,410	£1,554,881	£769,259	49.47%
Broadband	£25,000	£1,815	£1,815	100.00%
Growth Deal - Economic Development	£55,000	£55,000	£0	0.00%
Business Accelerator Fund	£3,126,168	£2,626,168	£2,303,349	87.71%
<b>Total Capital Spend</b>	<b>£312,726,530</b>	<b>£290,328,315</b>	<b>£164,898,387</b>	<b>56.80%</b>

2.10 The revenue and indicative capital budgets for 2024/25 were approved by the Combined Authority at the 1 February 2024 meeting.

### 3. Tackling the Climate Emergency Implications

3.1 There are no climate emergency implications directly arising from this report.

### 4. Inclusive Growth Implications

4.1 There are no inclusive growth implications directly arising from this report.

### 5. Equality and Diversity Implications

5.1 There are no equality and diversity implications directly arising from this report.



**6. Financial Implications**

6.1 As set out in the report.

**7. Legal Implications**

7.1 There are no legal implications directly arising from this report.

**8. Staffing Implications**

8.1 There are no staffing implications directly arising from this report.

**9. External Consultees**

9.1 No external consultations have been undertaken.

**10. Recommendations**

10.1 That the Committee considers the information contained in this report.

**11. Background Documents**

None

**12. Appendices**

Appendix 1 – Dashboard.

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**Complaints, Casework & Correspondence**

Complaints, Correspondence & Casework	2023-24			
	Dec	Nov	Oct	Apr-Sep
Total: Complaints, Correspondence & Casework	403 ↓	436 ↑	562	2951
Mayoral Office (Casework)	74 ↓	80 ↓	121	838
Combined Authority (Casework)	8 ↓	9 ↓	28	124
Combined Authority (Correspondence)	128 ↓	155 ↓	219	845
Operators	190 ↑	185 ↓	195	1174
Total Number at Stage 1	128 ↓	155 ↓	219	814
Number Resolved at Stage 1	122 ↓	153 ↓	217	791
Number at Stage 2	1 ↑	0 ↔	0	2
Number Overturned at Stage 2	1 ↑	0 ↔	0	0
Number at LGO	0 ↔	0 ↔	0	0
Number Upheld by LGO	0 ↔	0 ↔	0	0
<b>Responded to within 15 working days KPI: 85%</b>				
Combined Authority (Casework)	100%	88%	92%	
Combined Authority (Correspondence)	81%	89%	85%	
<b>Top 5 Complaints, Casework &amp; Correspondence 2023-24</b>				
Failed to Operate e.g. buses failing to operate at scheduled time	199	8.53%		
Poor Attitude e.g. attitude of driver (unwilling) unable to assist, ignoring anti-social behaviour	109	4.67%		
Feedback e.g. general enquiries, not complaints	101	4.33%		
Failed to Stop e.g. bus failing to stop, missing stop, overcrowding	99	4.24%		
Bus Station e.g. antisocial behaviour, facilities, cleanliness, staff	87	3.73%		
<b>Definitions</b>				
Casework: Predominately made up from member or MP enquiries.				
Correspondence (inc. Complaints, as an expression of dissatisfaction about the standard of service the Combined Authority provides)				
Stage 1, Stage 2: Includes correspondence and complaints				

**Health & Safety**

Health & Safety	2023-24	2022-23
	Total	Total
Number of RIDDOR's Q1	0	0 ↔
Number of RIDDOR's Q2	0	0 ↔
Number of RIDDOR's Q3	0	0 ↔
Number of RIDDOR's Q4		0
Number of Incidents Q1	61	38 ↑
Number of Incidents Q2	81	39 ↑
Number of Incidents Q3	50	56 ↓
Number of Incidents Q4		59
Number of Near Misses Q1	157	97 ↑
Number of Near Misses Q2	253	179 ↓
Number of Near Misses Q3	95	242 ↓
Number of Near Misses Q4		248

**Internal Audit**

Internal Audit	2023-24	2022-23
Total Number of Whistleblowing Cases	2	3 ↓
Total Number of Fraud Referrals	10	4 ↑
Number of Upheld Fraud Investigations	3	1 ↑
%age of Audit Recommendations Implemented	46%	48% ↓
Number of Audit Recommendations Overdue	4	0 ↑
Number of Limited\ Minimal Assurances	4	7 ↓
%age of Audits Completed to Plan	36%	77%

**Key**

Increase vs last year\ month	↑
Decrease vs last year\ month	↓
Same as last year\ month	↔

**Legal, Governance & Compliance (inc. Information Governance)**

Legal, Governance & Compliance   Information Governance	2023-24		2022-23	Change
	Total YTD	KPI*	Total	
Percentage of Quorate Committees	83.3%		88.9%	↓ -5.6%
Percentage of Committees Cancelled	2.8%		10.0%	↓ -7.2%
Number of Committee Self-Reviews Undertaken	0		0	↔ 0
%age of Member Returns (Declarations of Interest) within 28-day deadline	96.6%	100%	96.6%	↔ 0.0%
Compliance with Committee Agenda Publication Deadline	100.0%	100%	100.0%	↔ 0.0%
Compliance with Statutory Key Decision Publication Deadlines	100.0%	100%	98.0%	↑ 2.0%
Number of Complaints Against Members Upheld	0		0	↔ 0
Number of Complaints Against Members Not Upheld	1		0	↑ 1
Insurance Claims	46			
Uninsured Claims	3			
Number of Freedom of Information Requests Closed (inc. EIRs)	149		177	
Number of Freedom of Information Requests Responded on Time	144	100%	176	
Number of Data Subject Access Requests Closed	20		18	
Number of Data Subject Access Requests Responded on Time	15	100%	18	
Number of Data Security Incidents	45		74	
Number of Data Security Incidents reported to ICO	0		0	

\*Whilst the CA KPI on FOI's is 100%, the ICO's compliance target is 85%

**Human Resources**

Human Resources	2023-24 (Q3)	2022-23	West Yorks.
Training Completion of Key Courses (GDPR, Cyber Security, H&S, EDI)	89.80%		
Gender Mean Pay Gap	5.38%	3.63%	↑
Ethnicity Mean Pay Gap	9.80%	11.80%	↓
BME Employees	113 13%	TBC	↗ 23%
White Employees	703 82%	TBC	↗ 77%
Unknown (includes prefer not to say)	46 5%	TBC	

Arrows on BME Employee's, White Employee's show direction which organisation is moving and not comparisons with West Yorks.

**Finance & Commercial**

Finance & Commercial	2023-24	2022-23
Number of Procurement Challenges	0	0 ↔
Number of Retrospective Waivers	4	3 ↑
Number of Waivers Linked to Contract Standing Orders Cats	37	35 ↑
Category A Waivers <=£10,000	6	4 ↑
Category B Waivers >£10,000 <£60,000	30	26 ↑
Category C Waivers >£60,000 <£200,000	6	7 ↓
Category D Waivers >£200,000 <£2,000,000	4	2 ↑
Category E Waivers >£2,000,000	1	0 ↑

For the purpose of determining the requisite tendering procedure under the Contracts Standing Orders, financial categories apply to all contracts for the execution of works, the supply of goods or the supply of services, unless a Procurement Framework or Central Purchasing Body is being utilised. Approval must be sought before Contracts Standing Orders can be waived

**Information & Communications Technology**

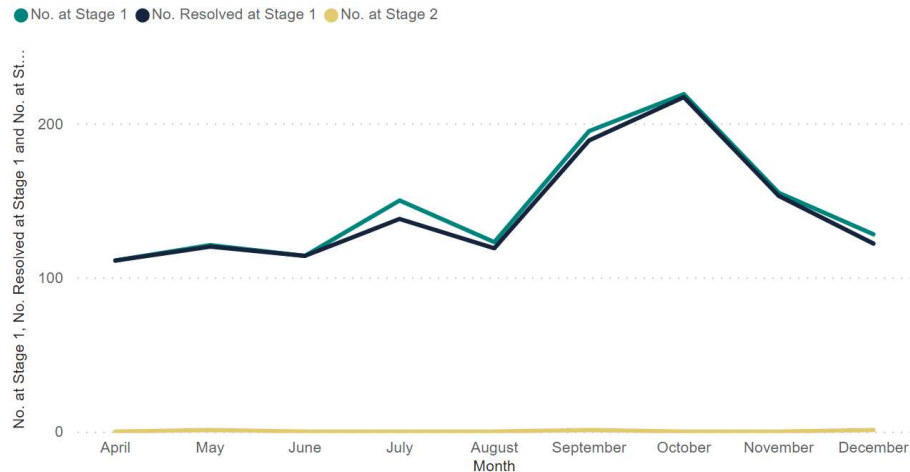
ICT	2023-24 Total	2022-23 Total
Number of Attempted Malware Attacks	116	114 ↑
Number of Successful Malware Attacks	0	0 ↔
Number of Attempted Distributed Denial-of-Service (DDoS) Attacks*	3	N/A
Number of Successful Distributed Denial-of-Service (DDoS) Attacks*	2	N/A

\*Monitoring Data collected from August 2023

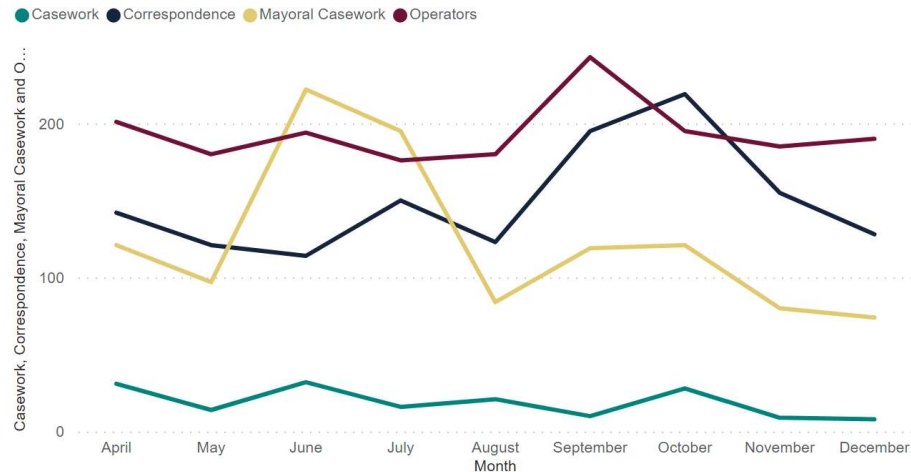
# West Yorkshire Combined Authority

## Governance & Audit Compliance Dashboard - Summary of Casework, Complaints & Correspondence

No. at Stage 1, No. Resolved at Stage 1 and No. at Stage 2 by Month



Casework, Correspondence, Mayoral Casework and Operators by Month



At 219, October had the highest No. at Stage 1 and was 97.30% higher than April, which had the lowest No. at Stage 1 at 111.

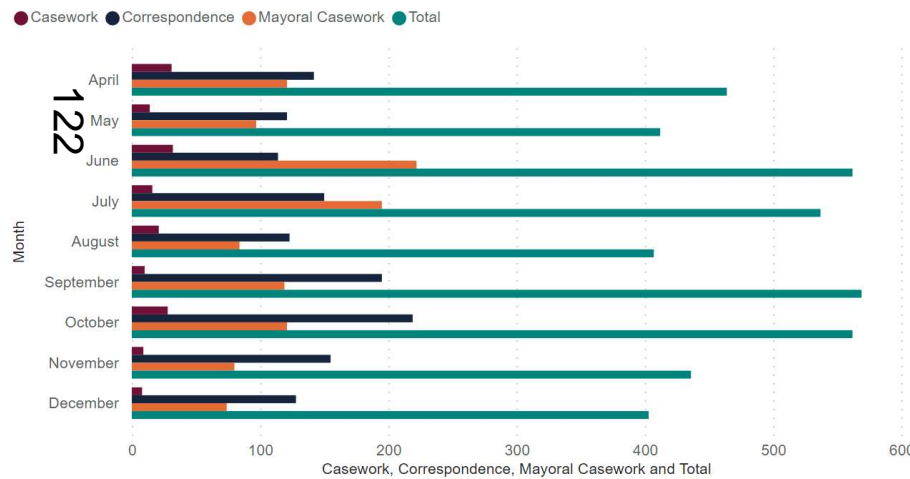
No. at Stage 1 and total No. Resolved at Stage 1 are positively correlated with each other.

October accounted for 16.64% of No. at Stage 1.

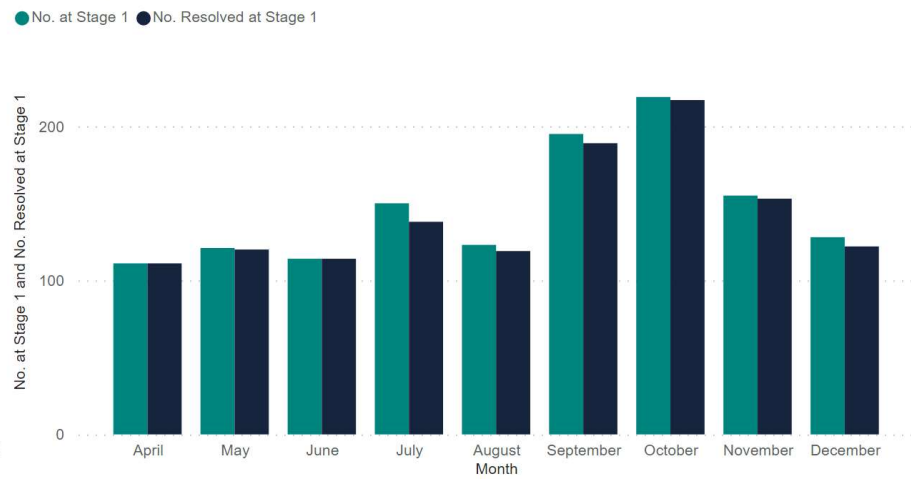
Across all 9 Month, No. at Stage 1 ranged from 111 to 219, No. Resolved at Stage 1 ranged from 111 to 217, and No. at Stage 2 ranged from 0 to 1.

No. at Stage 1 and No. Resolved at Stage 1 diverged the most when the Month was July, when No. at Stage 1 were 12 higher than No. Resolved at Stage 1.

Casework, Correspondence, Mayoral Casework and Total by Month



No. at Stage 1 and No. Resolved at Stage 1 by Month



**Note:** The CA has a two-stage process for dealing with complaints.

Upon receipt of a complaint, the CA will look at whether this could be resolved quickly, known as "informal resolution". If not:

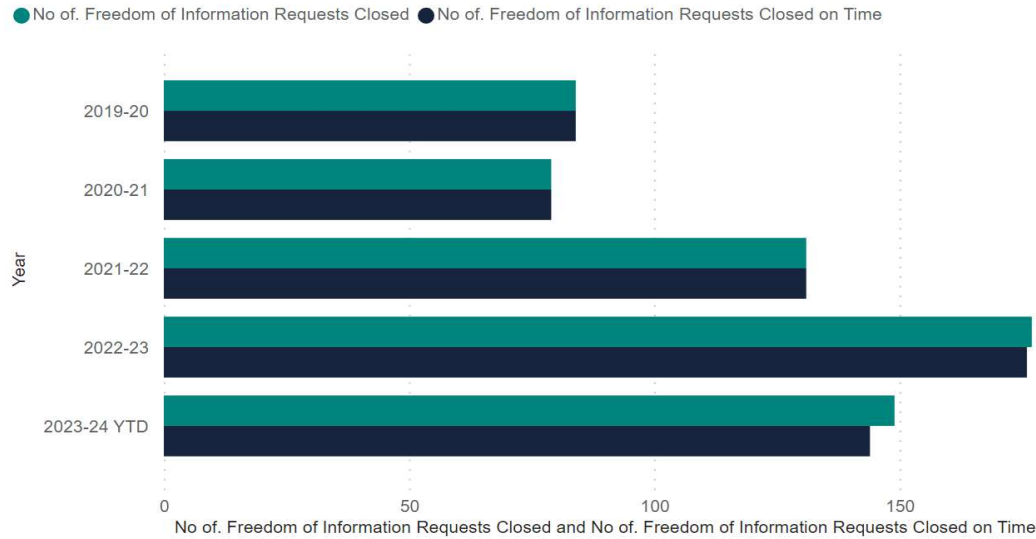
Stage 1: Acknowledgement of complaint within 3 working days and a full response within 15 working days.

Stage 2: If an individual is dissatisfied after receiving the response, a complaint can be escalated to Stage 2, where it will be reviewed by a more senior officer within 28 days from the date the CA responded to the initial complaint.

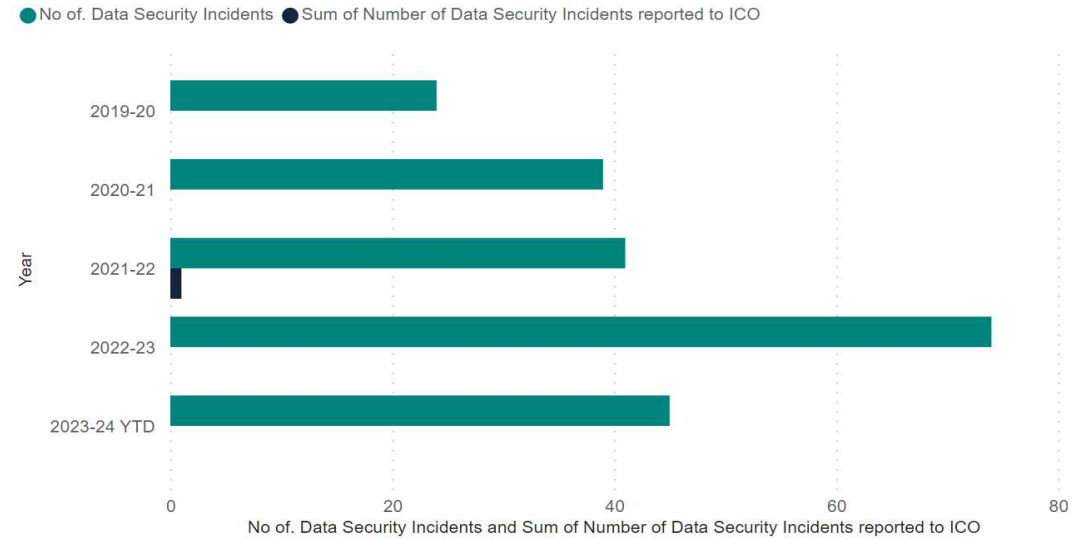
# West Yorkshire Combined Authority

## Governance & Audit Compliance Dashboard - Summary of Legal & Governance | Information Governance

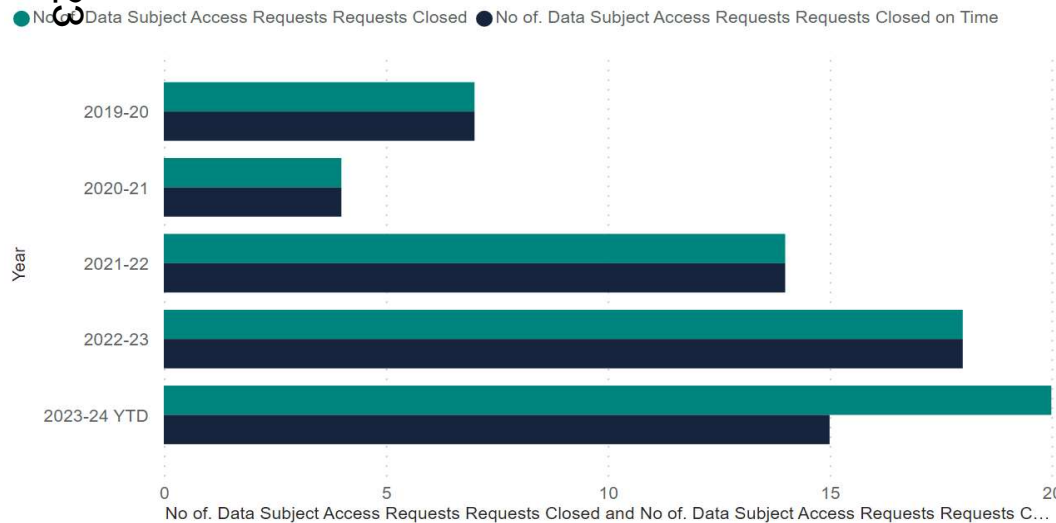
No of. Freedom of Information Requests Closed and No of. Freedom of Information Requests Closed on Time by Year



No of. Data Security Incidents and Sum of Number of Data Security Incidents reported to ICO by Year



No of. Data Subject Access Requests Requests Closed and No of. Data Subject Access Requests Requests Closed on Time by Year



At 179, 2022-23 had the highest No of. Freedom of Information Requests Closed and was 124.05% higher than 2020-21, which had the lowest No of. Freedom of Information Requests Closed at 79. Predictions show at current rates 2023-24 is set to see 179 Freedom of Information Requests.

No of. Freedom of Information Requests Closed and total No of. Freedom of Information Requests Closed on Time are positively correlated with each other. 2022-23 accounted for 28.55% of No of. Freedom of Information Requests Closed.

No of. Freedom of Information Requests Closed and No of. Freedom of Information Requests Closed on Time diverged the most when the Year was 2023-24 YTD, when No of. Freedom of Information Requests Closed were 5 higher than No of. Freedom of Information Requests Closed on Time.

Across all 5 Year, No of. Data Security Incidents ranged from 24 to 74 and Sum of Number of Data Security Incidents reported to ICO ranged from 0 to 1.

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<b>Report to:</b>	Governance and Audit Committee
<b>Date:</b>	7 March 2024
<b>Subject:</b>	<b>Risk Management</b>
<b>Director:</b>	Alan Reiss, Chief Operating Officer
<b>Author:</b>	James Bingham, Corporate Planning and Performance Officer

Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1: paragraph 3	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

## 1. Purpose of this Report

- 1.1 To provide the Committee with a copy of the Combined Authority's corporate risk register.

## 2. Information

### Corporate Risk Register

#### Live Risks and Issues

- 2.1 Since the last committee meeting the corporate risk register has been reviewed by risk owners and risk sponsors to ensure that all ratings and mitigations are accurate and up to date. Internal Leadership Board have endorsed the risk register content, and a copy is attached at **Appendix 1** and **exempt Appendix 2**.
- 2.2 One new risk has been added in relation to security (CRR-014), with further details contained in exempt Appendix 2.
- 2.3 The Corporate Risk Register currently shows that there are a total of 12 risks that the Combined Authority must mitigate against. A breakdown of the rating of these risks can be seen in the table below.

Medium	High	Very High
2	9	1

2.4 The very high risk that the Combined Authority currently faces is related to cyber security (CRR-001), and has remained a very high risk since identification:

- **Due to** a malicious external incident, **there is a risk that** the Combined Authority falls victim to a cyber security attack. There is a risk that **this may result in:** human harm; damage to assets; financial penalties and enforcement action from the Information Commissioner's office; a loss of personal or sensitive data; disruption to affected services; reputational damage.

2.5 The cyber security mitigations are contained in exempt Appendix 2 alongside further mitigations by way of an action plan.

#### Fluctuations In Ongoing Risk

2.6 There have been no changes in the overall risk rating of the existing 12 risks and issues.

2.7 With the use of the new section of the risk register that provides a projection of the overall rating following all of the mitigation measures being put in place, it is predicted that 5 risks will reduce in rating from high to medium. These risks are shown below.

Ref	Risk	Mitigations
CRR-004	<p>Due to external pressures there is a risk that fixed budgets are affected by cost increases which will impact on the ability of the organisation to deliver objectives and outcomes for the region over the next three years.</p> <p>The same pressures may result in partner authorities being unable to deliver services or co-fund activities with the Combined Authority.</p>	<ul style="list-style-type: none"> <li>• Robust multi-year budget setting and monitoring processes enabling Members to prioritise where funding goes</li> <li>• Engagement with Government on future funding models</li> <li>• Horizon scanning for new opportunities to generate income and/or lever in private sector funding. Completion of inflation review.</li> <li>• Consider further actions as part of business planning and budgeting for 2024/25, including exploring other sources of funding as part of the workplan for 2024/25 and progressing multi-year planning.</li> <li>• Close working with partner authorities to understand their financial and funding positions and how that could impact on achieving the Combined Authority's priorities</li> </ul>





CRR-005	<p>Due to uncertainty in the funding landscape and the variable political climate, there is a risk that strategic objectives are not met or that key areas of expertise are lost.</p>	<ul style="list-style-type: none"><li>• Making representations to Government about current and future funding requirements</li><li>• Utilising flexible funding to fill gaps and underwrite where future funding is expected but not confirmed.</li><li>• Regular advice to Members about choices and trade-offs in budgeting and business planning.</li><li>• Business planning and budgeting for 2024/25 has considered how to make most effective use of resources including the use of capital to meet the direct and indirect costs of capital delivery. Further work in 2024/25, as set out in the business plan includes developing the strategic finance function and a sustainable funding model.</li></ul>
CRR-010	<p>Due to wide variety of external and internal competing pressures there is a risk that the delivery milestones for the mass transit programme are not met which could result in delay or non-delivery of the programme, reputational damage and limitations placed upon the availability of funding for future programmes.</p>	<ul style="list-style-type: none"><li>• Development and baselining of resilient Integrated Master Schedule and risk profile ongoing, alongside review of governance and assurance processes supported by operating model and organisational development, to manage development and delivery of the Mass Transit Programme.</li><li>• Collaborative engagement with key strategic partners and supply chain partners to optimise delivery and manage/mitigate risks and issues.</li><li>• Development of appropriate gateway review and assurance processes to provide positive challenge and resilience to delivery processes and timescales.</li><li>• Corporate teams resourcing proposals to come forward.</li><li>• Planned engagement with Government Partners to discuss Emerging Way Forward.</li></ul>



<b>CRR-013</b>	Due to capacity within partner councils and availability of supply chain, there is a risk that capital programme delivery will be delayed, particularly in light of further funding coming through Network North and limited resources working across more programmes.	<ul style="list-style-type: none"> <li>• Continue to work closely with Chief Highway Officers to understand current delivery performance and resource pressures.</li> <li>• Collaborate with partner councils and develop a forward look of programmes/projects, identifying current and future resource pressures and anticipated routes to development and delivery</li> </ul>
<b>CRR-014</b>	Due to the ongoing national threat level of “Substantial”, and the profile and visibility of the Mayor, there is an ongoing risk to the security of the Combined Authority’s premises, staff and members (including the Mayor and DMPC)	Redacted – see exempt Appendix 2.

### 3. Tackling the Climate Emergency Implications

3.1 As referenced in the corporate risk register at Appendix 1, an existing corporate risk is the failure to meet the objectives set out in the Climate and Environment Plan (CRR012). The register sets out the current and proposed mitigations to address this risk.

### 4. Inclusive Growth Implications

4.1 There are no inclusive growth implications directly arising from this report, however a number of the risks identified in the corporate risk register could have indirect implications if they materialised such as the potential bus operator failure (CRR- 006) and delays in the capital programme delivery (CRR-013). The risk management strategy and tools will support the Combined Authority to identify and mitigate risks associated with Inclusive Growth.

### 5. Equality and Diversity Implications

5.1 There are no equality and diversity implications directly arising from this report, although the risk relating to potential bus operator failure could have implications which would need to be considered should the risk materialise. The risk management strategy and risk management tools will support the Combined Authority to identify and mitigate risks associated with Equality and Diversity.

## **6. Financial Implications**

- 6.1 The corporate risk register includes both a risk (CRR-004) and an issue (CRR-005) relating to external pressures and uncertainty relating to the funding landscape, together with identified mitigations.

## **7. Legal Implications**

- 7.1 The information contained in Appendix 2 is exempt under paragraph 3 of Part 1 to Schedule 12A of the Local Government Act 1972 as it contains information relating to the financial or business affairs of any particular person including the Combined Authority. It is considered that the public interest in maintaining the content of Appendix 2 as exempt outweighs the public interest in disclosing the information, as publication could prejudice the financial or business affairs of the Authority.

## **8. Staffing Implications**

- 8.1 There are no staffing implications directly arising from this report.

## **9. External Consultees**

- 9.1 No external consultations have been undertaken.

## **10. Recommendations**

- 10.1 That the Committee notes and endorses the revised corporate risk register and action plan.

## **11. Background Documents**

There are no background documents referenced in this report.

## **12. Appendices**

Appendix 1 – Corporate Risk Register

Appendix 2 – Very High-Risk Action Plan and Excluded Risks (Private)

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The Ratings in columns O & P should be expected rating following all the mitigations being in place. NOT the expected rating following next review.

Ref	Type	Description	Corporate Objective / Organisational Risk	Risk Owner (Operational Level, Head of Service)	Risk Sponsor (Accountable Director)	Consequences	Existing Mitigations (What arrangements are in place now?)	Likelihood	Impact	Risk Rating at Previous Review	Current Risk Rating	Direction of Travel	Further Mitigations (What do we need to do? Include dates of actions)	Likelihood following mitigation	Impact following mitigation	Expected Rating Following all Mitigations Being in Place	Date Risk Opened	Weeks Risk has been open	Last Review Date	Review Overdue
CRR-002	Risk	Due to the high volume of people and inherent operational risks present in a bus station, transport interchange or Combined Authority facility, there is a risk that a major accident or injury occurs at a Combined Authority facility	Organisational risk	Director of Passenger Experience and Asset Management	Executive Director for Transport	Could result in death or injury, and leave the organisation open to significant potential civil and criminal liabilities  Wider reputational issues	The organisation has in place a framework of policies, procedures and arrangements to ensure compliance with Health and Safety legislation.  Training is provided to staff including front line staff eg. Bus station Manager vigilance  New/enhanced Bus station design takes on board current best practice and allows for continued improvement  Appropriate escalation processes to convene Gold command as required in order to make urgent operational decisions	3 Possible	4 Serious	High	High	↔	A review of implementation of policies and processes at an operational level  Identify and fill gaps in training provision at an operational level  Capacity review through the business planning process  Ongoing risk assessments around revised operation of Bradford Interchange	3 Possible	4 Serious	High	12/09/2023	23	21/02/2024	No
CRR-004	Risk	Due to external pressures there is a risk that fixed budgets are affected by cost increases which will impact on the ability of the organisation to deliver objectives and outcomes for the region over the next three years.  The same pressures may result in partner authorities being unable to deliver services or co-fund activities with the Combined Authority.	Empowering our communities, towns and cities to thrive	Director of Finance and Commercial Services	Chief Operating Officer	Failure to deliver priorities for the region.  Failure to achieve corporate plan objectives	Robust multi-year budget setting and monitoring processes enabling Members to prioritise where funding goes  Engagement with Government on future funding models  Horizon scanning for new opportunities to generate income and/or lever in private sector funding. Completion of inflation review.	3 Possible	4 Serious	High	High	↔	Consider further actions as part of business planning and budgeting for 24/25, including exploring other sources of funding as part of the workplan for 2024/25 and progressing multi-year planning.  Close working with partner authorities to understand their financial and funding positions and how that could impact on achieving the Combined Authority's priorities.	3 Possible	3 Moderate	Medium	12/09/2023	23	21/02/2024	No
CRR-005	Issue	Due to uncertainty in the funding landscape and the variable political climate, there is a risk that strategic objectives are not met or that key areas of expertise are lost.	Organisational risk	Director of Finance and Commercial Services	Chief Operating Officer	Due to stop/start funding, short term funding, reduction in some funding and/or lack of sufficient funding the following are at risk: - Violence reduction where we only have 18 months left of a funding agreement with the Home Office - WY Police funding with real term cuts - Realizing the Climate Emergency with stop/start funding from Government and a limited long term plan for decarbonisation - Affordable and sustainable homes – with funding pots such as BFH being constrained by Government criteria and timeframes. - Wider economic services and infrastructure are also constrained by this risk.	Making representations to Government about current and future funding requirements  Utilising flexible funding to fill gaps and underwrite where future funding is expected but not confirmed  Regular advice to Members about choices and trade offs in budgeting and business planning.	3 Possible	4 Serious	High	High	↔	Business planning and budgeting for 2024/25 has considered how to make most effective use of resources including the use of capital to meet the direct and indirect costs of capital delivery. Further work in 2024/25, as set out in the business plan includes developing the strategic finance function and a sustainable funding model.	3 Possible	3 Moderate	Medium	12/09/2023	23	21/02/2024	No
CRR-006	Risk	Due to operator business failure, there is a risk of significant change to bus services.	Creating an accessible, clean and customer focused transport system	Director of Transport Operations and Service Transformation	Executive Director for Transport	Communities left without bus services at short notice.  Reputational risk to Combined Authority.  Expectation that Combined Authority will resolve the issue and reinstate services	Combined Authority has a plan which involves liaison with other bus operators to seek to step in to plug the gaps. Relationship with operators is a critical part of this.  Through the WY Bus Alliance, communication with all operators remains strong and there is no information to suggest that this risk will materialise at scale at the current time.  There is a responsive procurement mechanism in place that will allow for speedy resolution for impacted TS and direct links between the Combined Authority's Network Planning Team and operators to ensure service risks are mitigated quickly.  Regular communications with the Chair and Deputy Chairs of the Transport Committee is mitigating associated political risks.	3 Possible	3 Moderate	Medium	Medium	↔	Early market engagement in all procurement activity.  The integration of SME operators into strategic transport plans.  Close collaboration with all operators, including SME's through bus reform period, to ensure a smooth passage into the new decided delivery model.	3 Possible	3 Moderate	Medium	12/09/2023	23	21/02/2024	No
CRR-007	Issue	Due to a highly volatile market, where operating costs continue to increase, contracts come to an end and where post pandemic patronage remains low, combined with a static tendered services budget there is a risk that there could be fewer bus services in West Yorkshire.	Creating an accessible, clean and customer focused transport system	Director of Transport Operations and Service Transformation	Executive Director for Transport	May result in a decrease in customer confidence and reduced patronage resulting in a risk to the broader strategic outcomes around integrated transport in bus reform and the mass transit roll out.	Work closely with bus operators to understand future service changes/cuts proposed. Process exists to negotiate with bus operators on potential cuts - BSIP+ currently used to support the network and other BSIP funding being rolled out to enhance services.  Work planned on looking at the operational bus network more strategically and to ensure that the criteria for network plans are aligned to business plans and the corporate priorities.  Patronage continues to steadily rise though is not yet back to pre-COVID levels.	3 Possible	4 Serious	High	High	↔	As per previous mitigation, and ongoing strategic roll out of all BSIP network enhancements, continued market engagements to assist in giving forward look to potential pressures and issues.  New and emerging issues around school transport income resulting in very high likelihood of reduced school services.  Full service review is being undertaken, to develop a working list of mitigations, however it is highly unlikely this will be sufficient to prevent some service loss.	5 Very Likely	3 Moderate	High	12/09/2023	23	21/02/2024	No
CRR-008	Risk	Due to the scale and pace of change required in the organisation to deliver our major projects, there is a risk that the organisation's culture, processes, systems and structures are inadequate to support the organisation in achieving its objectives.	Organisational risk	Chief Operating Officer	Chief Operating Officer	Failure to achieve key objectives, resulting in reputational damage and sub-optimal or delayed real world outcomes	Internal Governance Review underway by statutory post holders  Implementation of CI Anywhere ongoing, launched to organisation in November 2023, with continued development in 2024;  Organisational structure being changed to focus on outcomes with a move to embedded support services and process reform around key service areas.	3 Possible	3 Moderate	Medium	Medium	↔	Implementation of governance review including delegations.  Successful implementation of CI Anywhere.  Development of internal transformation resource.  Further measures would be taken to ensure support services (and wider teams in outcome directorates) aligned to business need to deliver the pace and enablement required.	3 Possible	3 Moderate	Medium	12/09/2023	23	21/02/2024	No
CRR-010	Risk	Due to wide variety of external and internal competing pressures there is a risk that the delivery milestones for the mass transit programme are not met which could result in delay or non delivery of the programme, reputational damage and limitations placed upon the availability of funding for future programmes	Creating an accessible, clean and customer focused transport system	Director of Mass Transit	Executive Director for Transport	Failure to achieve organisational objectives and Mayoral commitment on delivering Mass Transit for West Yorkshire, resulting in reputational damage and loss of confidence with key stakeholders and Government, potentially impacting availability of funding for future programmes and success of fully integrated public transport system across the region.	Development and baselining of resilient Integrated Master Schedule and risk profile ongoing, alongside review of governance and assurance processes supported by operating model and organisational development, to manage development and delivery of the Mass Transit Programme.	3 Possible	4 Serious	High	High	↔	Collaborative engagement with key strategic partners and supply chain partners to optimise delivery and manage/mitigate risks and issues.  Development of appropriate gateway review and assurance processes to provide positive challenge and resilience to delivery processes and timescales.  Corporate teams resourcing proposals to come forward.  Planned engagement with Government Partners to discuss Emerging Way Forward.	3 Possible	3 Moderate	Medium	12/09/2023	23	21/02/2024	No
CRR-011	Risk	Due to lack of capacity, expertise and funding, there is a risk that there is an inability to make the case for, and implement, bus reform	Creating an accessible, clean and customer focused transport system	Director of Transport Policy and Delivery	Executive Director for Transport	We may not have all implications of bus reform clearly set out to enable the Mayor to take an informed decision	We have appointed external experts to work alongside the team providing legal, economic, financial and commercial support in relation to Bus Reform and the statutory process.  We have approved additional resource to move the assessment forward and we are recruiting to those roles.  We have outlined a transition plan to take us to the operation of either an Enhanced Partnership Plus, or	3 Possible	4 Serious	High	High	↔	Complete the consultation process and prepare and publish a report setting out the Combined Authority's response to the consultation in line with legislation.  Utilise external experts to process and support the review consultation responses.	3 Possible	4 Serious	High	12/09/2023	23	21/02/2024	No

CRR-012	Risk	Due to a variety of challenges including level of funding available, changes in Government policy, and the scale of government investment and legislation, <b>there is a risk that</b> the Combined Authority fails to meet its objectives as set out in its Climate and Environment Plan.	Building a sustainable, nature rich and carbon neutral region	Director Policing, Environment and Place	Chief Executive	Which may mean that the Authority doesn't fully achieve its wider goals in supporting the regional commitment to becoming net zero by 2038 with significant progress by 2030.	The Combined Authority has a Climate and Environment plan it is currently delivering against.  In partnership with others, including Districts, the private sector, housing providers and others, schemes are being developed and delivered across transport (both decarbonisation through EV charging and solar panels on bus stations and through greater use of public transport and walking and cycling), homes (through the better homes hub), energy decarbonisation, skills (including recommendations from a green jobs taskforce and a £6m package of interventions on green and digital), business support (including £10m for business sustainability grants) and to support the community (through a £2m better neighbourhood programme).  The Combined Authority is also making representations to Government about national change required, and working on adaption and resilience measures such as improvements to our flood defences.	5 Very Likely	3 Moderate	High	High	↔	Next climate and environment plan to be written this year (2024) with updated interventions and actions, work to update our carbon pathway and a new local nature recovery strategy.  Continued development and delivery of programmes to decarbonise the region and encourage behaviour change.  Further work on adaptation and resilience.	4 Likely	3 Moderate	High	12/09/2023	23	21/02/2024	No
CRR-013	Risk	Due to capacity within partner councils and availability of supply chain, <b>there is a risk that</b> capital programme delivery will be delayed, particularly in light of further funding coming through Network North and limited resources working across more programmes	Creating an accessible, clean and customer focused transport system	Director of Transport Policy and Delivery	Executive Director for Transport	We may not deliver improved transport infrastructure, safe reliable and well maintained assets, and potentially impact reputation and availability of future funding.	Continue to work closely with Chief Highway Officers to understand current delivery performance and resource pressures.	3 Possible	4 Serious	High	High	↔	Collaborate with partner councils and develop a forward look of programmes/projects, identifying current and future resource pressures and anticipated routes to development and delivery.	3 Possible	3 Moderate	Medium	21/11/2023	13	21/02/2024	No

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