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Report to: Governance and Audit Committee

Date: 25 January 2018

Subject: Internal controls and financial monitoring

1 Purpose

- 1.1 To provide the Committee with information on the operation of, and changes to, internal controls since the last meeting of the Committee.
- 1.2 To provide information on the current financial position.

2 Information

- 2.1 This paper is provided to each meeting of the Governance and Audit Committee to provide information and assurance on governance issues.

Internal control environment

- 2.2 Key controls within the Finance and the Concessions and Integrated Ticketing teams are monitored monthly given the significant flow of money through these teams. Controls are confirmed to be operating correctly and monthly reconciliations are up to date.
- 2.3 Regular review of the investments and treasury management arrangements continue, with quarterly meetings held with Leeds City Council who carry out many of the day to day operations under a Service Level Agreement. Prudential indicators remain within tolerance other than the indicator relating to proportion of fixed term debt. Due to high cash balances and low short term borrowing this indicator remains out of tolerance but the reasons for this are understood and no corrective action is required. Current prudential arrangements will be reconfirmed as part of the budget report to WYCA on 1 February.
- 2.4 The Committee has requested to be kept informed of any reportable accidents to the Health and Safety Executive (RIDDORs). There have been none in the period 1 January to 31 December 2017.
- 2.5 In November HMRC undertook a review of employment and payroll tax arrangements and has found nothing untoward to report.
- 2.6 No frauds, alleged frauds or breaches of internal control have been reported since the last meeting of this Committee.

Financial monitoring

- 2.7 The budget report in preparation for the WYCA meeting of 1 February sets out the latest position for 2017/18 and proposes a budget for 2018/19 in the context of a three year strategy.
- 2.8 There are significant challenges in achieving a balanced budget position and reconciling the available funding to the business priorities and objectives. The pressures include the scale and timing of Enterprise Zone receipts, inflation on bus tendered services, ongoing use of reserves and pension changes as well as the financial pressure on the local authorities that provide the levy payments.
- 2.9 Forecast expenditure for 2017/18 is in line with the budget reported to the Combined Authority meeting on 14th December 2017 and relies, as agreed, on a use of reserves and a number of savings and efficiencies to be achieved. Though being managed within the overall total, there continues to be inflationary pressure on the bus tendered services budget (bus contracts are subject to annual RPI increases) and an increase in the base following higher than expected costs in 2016/17.
- 2.10 Progress on capital budgets is being monitored through the Investment Committee which receives regular reports on expenditure forecasts. Recent reports show expenditure to be on course to achieve spend targets for 2017/18.
- 2.11 After the budget is considered and approved on 1 February regular reporting against it, along with the key performance indicators identified in the business plan and changes to risk, will continue to be made to this Committee. It is also proposed that similar reporting will be made to WYCA.

3 Financial Implications

- 3.1 As set out in the report.

4 Legal Implications

- 4.1 None arising directly from this report.

5 Staffing Implications

- 5.1 None arising directly from this report.

6 External Consultees

- 6.1 None.

7 Recommendations

7.1 That the Committee note the report.

8 Background Documents

8.1 None