

**MEETING OF THE WEST YORKSHIRE COMBINED AUTHORITY
GOVERNANCE AND AUDIT COMMITTEE
TO BE HELD ON 3 FEBRUARY 2014 (2.00 pm)
AT WELLINGTON HOUSE, WELLINGTON STREET, LEEDS**

A G E N D A

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

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

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

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

3. EXCLUSION OF THE PRESS AND PUBLIC

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

**4. MINUTES OF THE MEETING HELD ON 21 OCTOBER 2014
(pages 7-11)**

Copy attached.

**5. EXTERNAL AUDIT UPDATE
(pages 12-18)**

To consider the attached report.

**6. INTERNAL AUDIT PROGRESS REPORT
(pages 19-23)**

To consider the attached report.

**7. INTERNAL AUDIT PLAN 2015/16
(pages 24-40)**

To consider the attached report.

**8. INTERNAL CONTROLS AND FINANCIAL MONITORING
(pages 41-44)**

To consider the attached report.

WEST YORKSHIRE COMBINED AUTHORITY

DECLARATION OF DISCLOSABLE PECUNIARY INTERESTS

NAME OF MEMBER:

COMMITTEE: **GOVERNANCE & AUDIT COMMITTEE**

DATE: **3 FEBRUARY 2015**

AGENDA ITEM NO	NATURE OF INTEREST

Signed

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

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

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

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

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

Securities

Any beneficial interest in securities of a body where -

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

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

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

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

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

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

- (a) Files containing documentation relating to items to be discussed at the meeting may be inspected by contacting the named officer as detailed below. Certain information may be confidential and not open to inspection.
- (b) The attached agenda items do not contain any exempt information as defined in Part 1 of Schedule 12A to the Local Government Act 1972.

Compilation of Agenda by:	Ruth Chaplin
Telephone No:	Leeds (0113) 251 7217
Date:	26 January 2015

ITEM 4

MINUTES OF THE MEETING OF THE GOVERNANCE & AUDIT COMMITTEE HELD ON TUESDAY 21 OCTOBER 2014 IN WELLINGTON HOUSE, LEEDS

Present: Councillor H Richards (Chair)

Councillors G Burton, G Hussain and N McIlveen

In attendance: N Rayner (Deloitte)

23. Apologies for Absence

Apologies for absence were received from Councillors R Downes (Leeds), L Smith (Bradford) and R Light (Kirklees).

24. Declarations of Disclosable Pecuniary Interests

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

25. Minutes

Resolved - That the minutes of the meeting held on 29 July 2014 be approved.

26. External Audit Update

The Committee considered a report which provided an update on:

- Current position with the appointment and remuneration of External Auditors
- Annual Audit letters sent by Deloitte

Members noted the Annual Audit letters which summarised the key matters arising from the work that had been carried out in respect of the Audit and Financial Statements of West Yorkshire Integrated Transport Authority and West Yorkshire Passenger Transport Executive for the year ended 31 March 2014. Members noted the Annual Audit letters which had been circulated prior to the meeting.

Appointment and Remuneration of External Auditors

With regard to the remuneration of External Auditors, it was reported that the Authority had been consulted on the fee of £45,000 for the first year of audit, which was £22,000 less than the current combined WYITA and WYPTE audit fees. Following consultation with the Chair, a positive response was sent by the 1 September 2014 deadline date and the formal confirmation of the fee was awaited.

It was reported that a formal letter confirming the appointment of Mazars from 2015 as the Authority's External Auditors was still awaited. Members were also advised that a formal consultation on audit fees for 2015/16 had just been announced and proposed a reduction of 25% to the scale fees. This would bring the Authority's fee down to £33,000. It was noted however that the actual fee would be subject to the views of the incoming auditors and could be adjusted depending on their view of the work involved. It was agreed to accept the proposal of £33,000 for the 2015/16 audit.

Resolved -

- (a) That the current position regarding the appointment and remuneration of external auditors be noted.
- (b) That the Annual Audit letter be noted.
- (c) That the reduction of 25% to the 2015/16 scale fee be welcomed.

27. Internal Audit Progress Report

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

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

<u>Review</u>	<u>Opinion</u>
Tendered Subsidised Bus Services	Controlled
Procurement	Controlled
Travel Centre Procedures	Controlled

Realtime Information System – Source Code Escrow

It was reported that a joint review had been undertaken by the South Yorkshire Passenger Transport Executive and WYCA on the adequacy of arrangements to securely hold realtime information system source code data within the escrow management system. Members were advised that the review had recognised that there was real value in having arrangements in place which held information in a secure environment and allowed the system to be rebuilt when necessary.

In noting the introduction of the updated realtime information system which was planned for 2015, it was recommended that the full system verification of source code be performed by third party specialists and that this be supplemented with annual integrity testing performed in conjunction with officers from WYCA and South Yorkshire PTE.

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

It was reported that certification of expenditure incurred in 2013/14 by the WYITA and the five District Councils in respect of LTP3 grant allocation had been completed. A declaration providing assurance that, in all significant respects, the conditions attached to the Local Transport Capital Block Funding had been met had been forwarded to the Department for Transport.

Resolved - That the report be noted

28. Revision of Internal Audit Plan

The Committee considered a report on proposed revisions to the schedule of Internal Audit reviews for 2014/15.

Members considered a number of revisions to the Annual Audit Plan 2014/15 which had been identified following the mid-year review. The content and progress of the work undertaken would continue to be regularly monitored and reported back to the Committee.

It was noted that at its next meeting the Committee would have the opportunity to input to the 2015/16 audit plan.

Resolved - That the revisions to the Annual Audit Plan 2014/15 as detailed in the submitted report be recommended for approval by the WYCA.

29. Internal Controls and Financial Monitoring

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

Internal Controls

It was reported that since the last meeting there had been no significant changes to the arrangements for internal control within the Authority.

Revenue Budgets

The Committee was given an update on the position with regard to the revenue budgets.

It was reported that overall expenditure was broadly in line with the budget apart from a number of minor increases in concessionary travel reimbursement which had been offset by savings in tendered services.

The Committee was advised that the WYCA had discussed at its last meeting the 3 year medium financial strategy and had agreed to establish a working group to consider the proposed budget in detail prior to it being considered by the WYCA for approval on 29 January 2015.

Resolved - That the report be noted

30. Risk Management Arrangements

The Committee considered a report on the Combined Authority's risk management arrangements. Members' views were sought on any aspects of risk management which they would like to see progressed.

It was reported that the risk management manual, which was attached at appendix 1, had been reviewed and updated to reflect the current working arrangements of the WYCA. Members were advised that the document set out the detail of how risks were identified, assessed, recorded, monitored and reviewed. Further work to develop arrangements would be required as the economic activities of LEP were transferred to the WYCA. It was suggested that the WYCA's reserves policy and the major incident/emergency procedure be incorporated within the manual.

The Committee also noted the query referred from the Investment Committee regarding the financial risk attached to schemes in the West Yorkshire plus Transport Fund and that this was addressed in the finance handbook that supported the Fund.

Comment was made that the corporate risk register consisted of a small number of high level strategic risks that affected the organisation as a whole. It was proposed that the register would be further developed and reviewed on a six monthly basis by the Committee. The current draft corporate risk register for the WYCA was set out in paragraph 2.8 of the submitted report.

In noting that the WYCA operated an electronic performance management system (Covalent) to record key actions and measure performance, members requested a presentation and further information in respect of the of the Covalent system to a future meeting.

Resolved -

- (a)** That the WYCA's risk management arrangements be noted.
- (b)** That the outline corporate risk register be noted.
- (c)** That the WYCA's reserves policy and the major incident/emergency procedure be incorporated within the risk management manual.

- (d) That a presentation and further information in respect of the Covalent system be provided at a future meeting.

ITEM 5

Report to: Governance and Audit Committee

Date: 3 February 2015

Subject: External Audit update

1 Purpose

- 1.1 To provide the Committee with an update on the situation regarding the external auditors and their remuneration.

2 Information

- 2.1 At its previous meetings the Committee has been informed of developments regarding the appointment of external auditors and has been made aware of the appointment of Deloitte to undertake the 2014/15 year end audit. As part of a wider Audit Commission re-procurement of services Mazars LLP have been awarded the audit for 2015/16 and 2016/17, subject to consultation and confirmation.
- 2.2 Since the last meeting a formal notice of the appointment of Mazars has been received and is attached as Appendix A. No further action is required by this Committee at this stage; it is likely that introductions will be established with the new team towards the end of the completion of the 2014/15 audit.
- 2.3 The Committee has also been advised of the proposal on audit fees for the first audit of the West Yorkshire Combined Authority. A positive response to the proposal that this fee be set at £45k, some £22k less than the current combined WYITA and WYPTE audit fees of £67k, was submitted. Since the last meeting a formal confirmation of this audit fee has been received. The audit fee letter is attached as Appendix B and sets out the audit fee and outlines the work that will be undertaken by Deloitte for that fee. Their detailed audit plan for the 2014/15 year end audit will be brought to the next meeting of this Committee in April.

3 Financial Implications

- 3.1 As set out in paragraph 2.3 above. The saving on the audit fee of £22k for the 2014/15 audit has been reflected in the budgets being presented to the WYCA for approval at its meeting on 29 January.

4 Legal Implications

- 4.1 None arising directly from this report.

5 Staffing Implications

- 5.1 None arising directly from this report.

6. Recommendations

- 6.1 That the Committee note the current position regarding appointment and remuneration of external auditors.

15 December 2014

Mr Adrian Lythgo
Chief Executive
West Yorkshire Combined Authority
Kirklees Metropolitan Council
Civic Centre Phase 3
Market Street
Huddersfield
HD1 1WG

Direct line
Email

0303 444 8273
auditor-
appointments@audit-
commission.gsi.gov.uk

Dear Adrian

West Yorkshire Combined Authority – confirmation of auditor appointment from 2015/16

I wrote in June to consult you on the proposed appointment of Mazars LLP as the external auditor for West Yorkshire Combined Authority from 2015/16.

Auditor appointment

This letter confirms the appointment of Mazars LLP to audit the accounts of West Yorkshire Combined Authority for two years from 2015/16. The appointment is made under section 3 of the Audit Commission Act 1998 and was approved by the Audit Commission Board at its meeting on 4 December 2014.

The Commission's contracts with audit firms are extendable by three years. The Department for Communities and Local Government (DCLG) has indicated it will make a decision in summer 2015 about whether to extend the contracts from 2017 to 2020.

The auditor currently appointed by the Commission to West Yorkshire Combined Authority, Deloitte LLP, will complete the audit of the accounts for 2014/15.

Audit quality and regulation

Under the provisions of the Local Audit and Accountability Act 2014, the Commission will close at the end of March 2015. From 1 April 2015, a transitional body, Public Sector Audit Appointments Limited (PSAA), set up by the Local Government Association as an independent company, will oversee the Commission's audit contracts until they end in 2017, or 2020 if

extended by DCLG. Arrangements for audited bodies to appoint their own auditor will be announced by DCLG and will apply once the audit contracts have ended.

PSAA will exercise the Commission's statutory functions relating to auditor appointments and fees. It will continue to monitor the performance of the firms providing audit services, ensuring that local public bodies receive high quality and effective audit services which provide value for money to the local taxpayer.

Next steps

Mazars LLP will contact you in due course about the arrangements for the audit from 2015/16.

If you have any questions, please contact us by email at auditor-appointments@audit-commission.gsi.gov.uk.

Yours sincerely



Jon Hayes
Associate Controller of Audit (Compliance)

cc Ms Angela Taylor, Director, Resources, West Yorkshire Combined Authority
Mazars LLP

Adrian Lythgo
Head of Paid Service
West Yorkshire Combined Authority
Wellington House
40-50 Wellington Street
Leeds
LS1 2DE

7 January 2015

Dear Adrian,

Annual audit fee 2014/15

We are writing to confirm the audit work that we propose to undertake for the 2014/15 financial year at West Yorkshire Combined Authority. The fee has been set by the Audit Commission to reflect the work programme auditors are required to deliver and our assessment of audit risk.

The planned fee for the audit for 2014/15, as set by the Audit Commission, is £44,960.

The audit planning process for 2014/15, including our risk assessment will commence in early 2015 and any potential impact on fees will be reviewed and discussed with you as necessary. Any revision to the fee must also be approved by the Audit Commission prior to being finalised.

The fee is summarised below:

Audit area	Planned fee 2014/15
	£
Financial statements (including Whole of Government Accounts and VFM)	44,960
Total audit fee [Note 1]	44,960

Note 1: The scale fee for 2014/15 agrees to the scale fee set by the Audit Commission.

The scale of fees set by the Audit Commission for the Authority can be found at:

<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201415-work-programme-and-scales-of-fees/individual-fees-for-local-government-bodies/>

The fee excludes:

- any additional work required to address questions and objections raised by local government electors which, due to uncertainty of timing and resource required, will be agreed separately;
- any work in relation to providing any specific accounting opinions. Given the uncertainty of timing and input required, we will agree the scope of work and associated fee with you when you request the opinion;
- the cost of the National Fraud Initiative which is determined and billed by the Audit Commission;
- value added tax; and
- any work requested by you that we may agree to undertake. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

Work programme and risk assessment

The work programme has been published and copies sent directly to you by the Audit Commission. The programme includes:

- audit of the Authority's financial statements;
- work to support the value for money conclusion, which will be based primarily on a review of the Annual Governance Statement; and
- work specified by the Commission on Whole of Government Accounts.

Our audit is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission. The fee reflects our current assessment of audit risk but as we have not yet completed our detailed audit planning process for 2014/15, this assessment could change. This process will continue as the year progresses and fees will be reviewed as necessary. Any significant variation in the assessment of risk may impact on the fee.

In the event that any matters arise that require additional work outside the normal course of the audit, we may need to make amendments to the planned fee. If any significant amendments are required to the audit fee during the course of the audit, we will first discuss this with Angela Taylor. We will prepare a report outlining the reasons why the fee needs to change for discussion with the Authority. Any variation in fee would then need to be approved by the Audit Commission as they are responsible for setting audit fees.

We have also assumed that:

- Internal Audit undertakes appropriate work on all systems, and
- good quality working papers and records will be provided to support the financial statements by 30 June 2015.

A separate plan detailing our assessment of audit risk and proposed response to those risks will be issued following completion of our detailed audit planning in March 2015. Within this, we will set out a timetable of deliverables required from you which will ensure a timely and efficient audit process, and therefore minimise the fees charged to you. As part of our detailed planning discussions we will seek to identify with you any further areas where efficiency can be achieved in the year end reporting and audit process.

We will issue a number of reports relating to our work over the course of the audit:

Planned output	Indicative date
Audit plan	June 2015
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2015
Annual audit letter	October 2015

Audit Team

The key members of the audit team for the 2014/15 are:

Team member	Role	Telephone number
Chris Powell	Engagement Partner	0113 292 1544
Nick Rayner	Audit Manager	0191 202 5604

In March 2014 the Audit Commission announced the results of their procurement of audit services for 2015/16 onwards. Deloitte was not successful in being awarded a contract, but we are your auditors for the 2014/15 audit, and we will therefore continue to work with you and provide a high quality service. The Audit Commission will shortly be making the new appointments for the 2015/16 audits onwards.

Yours sincerely



Deloitte LLP

cc Angela Taylor (Director of Resources)
cc Chair of Audit Committee

ITEM 6

Report to: Governance and Audit Committee

Date: 3 February 2015

Subject: Internal Audit Progress Report

1. Purpose

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

2. Information

- 2.1. This report provides details of activities undertaken by the Internal Audit Section in the period from 1 October 2014 to 31 December 2014 and summarises the objectives of reviews undertaken, audit opinion and the key issues resulting from this work.
- 2.2. The Internal Audit Section has undertaken work contained within the West Yorkshire Combined Authority's (WYCA's) Audit Plan 2014/15 through the performance of the following audit reviews:
- Health & Safety.
 - New Pudsey Rail Station Car Park Extension Project Benefits Realisation.
 - Payroll & H.R. Records.
 - Debtors.

3. How Control is Reviewed

- 3.1 There are three elements to each internal audit review. Firstly, the objectives and key risks associated with the audit entity are identified. Secondly, controls which internal audit would expect to be present to mitigate risk are determined and finally an audit programme is developed to review the existence and operation of those controls through a combination of substantive and compliance testing.
- 3.2 An evaluation of the effectiveness of controls tested is provided within each audit report along with an indication of any residual risk. This is then used as the basis for forming an audit opinion of the entity. Details of audit opinion assurance categories

are provided below:

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

4. Audit Summary

- 4.1. Overall the performance of individual audit assignments is in line with the phased Audit Plan. The reviews undertaken in the latest period were assessed as controlled, with the exception of one review, assessed as requiring improvement. A summary of the internal audit reviews performed along with details of any significant issues identified and respective audit opinions are provided below.
- 4.2 Progress in implementing all audit recommendations is monitored through Internal Audit's outstanding recommendations tracking system. There are no significant control weaknesses requiring management intervention at this time.

4.2.1 Health & Safety

“Controlled”

The objective of the review of Health & Safety was confined to the existence and operation of a framework of measures to enable Health & Safety functions to be provided to WYCA.

Arrangements concerning the control of contractors were deliberately not included within the scope of this review. These processes will be the subject of a discrete audit to be performed later in 2015.

The principal observations concerned:

- *The development of systems to ensure that all information recorded at various locations throughout WYCA concerning H&S and maintenance can be accessed and reviewed by all stakeholders.
- * The application of measures which enable new posts and significant changes to existing posts to be identified and, as a result, the provision of risk assessments for each post identified.
- *The development of a procedure to be implemented to meet the Provision and Use of Work Equipment Regulations (PUWER) requirements.

This report was considered at the December 2014 meeting of the Health & Safety Committee. No further comments were provided and all audit recommendations were accepted for implementation.

4.2.2 New Pudsey Rail Station Car Park Extension Project Benefits Realisation

“Requires Improvement”

The audit predominantly focuses on the presence, content and utilisation of the following PRINCE2 project management principles:

- * Identification of the project benefits by the Senior User.
- * Objective measurements that reliably prove the benefits.
- * Collection of baseline measures so that they can be compared to the improvements.
- * Clear plan as to how, when and by whom the benefits measures will be collected.
- * Expected dis-benefits have been identified and documented.
- * Timescales have been included for the life of the project and post-project.

- * Detailed cost information provided on on-going operations and maintenance.
- * Investment appraisal over a period of time to the full cost of the project and on-going maintenance.
- * Any major risks which could impact on the benefits obtained from the project.
- * Lessons learned or areas of good practice captured for other projects.

Although this review identified a number of specific issues relating to the New Pudsey Car Park Scheme, it is important to understand that these are indicative of the wider organisational approach to rail development schemes.

It is recognised that rail infrastructure projects are provided at “arms- length” from WYCA and that the appointment of contractors and the day-to-day management of risk, for example, are not under the direct control of WYCA.

It was identified that it may be more effective for WYCA to reposition the application of its project management activities to provide a strategic overview role for rail infrastructure projects, allowing Northern Rail to project manage these schemes through the application of their GRIP framework and Gateway Reviews.

It was agreed that the Corporate Management Team/Portfolio Board should consider an approach to rail infrastructure projects which will ensure that resources are applied effectively whilst maintaining strategic control. This is now progressing through a review of the grant conditions agreed when a funding contribution is made to such a scheme.

4.2.3 Payroll & H.R. Records

“Controlled”

The review focused on the reliability of systems operating for the calculation, production and maintenance of WYCA’s payroll. The audit examined arrangements for the separation of duties between members of staff responsible for the preparation of payroll and the processing of payments to employees, authorisation of prime documentation and system validation and review.

It was recognised that, due to the relative size of the organisation, there is an inherent level of risk in terms of the lack of separation of duties. However, it is acknowledged that there are compensating controls operating to help detect anomalies in the payroll. These controls were present and found to be operating satisfactorily.

4.2.4 Debtors

“Well Controlled”

This audit considered arrangements in place for ensuring that debtors are adequately processed. The audit included a review of procedures for the creation and authorisation of debtor invoices, receipting and allocation of income received and debt management.

There were no significant recommendations identified for the attention of management.

4.2.5 ITRACT Periodic Grant Certification

An audit of expenditure incurred in respect of Improving Transport and Accessibility through new Communication Technologies (ITRACT) activities was performed for the period from 8 April 2014 to 30 September 2014.

The Internal Audit Manager was able to certify that Euro 45,016 was eligible to be claimed in the period.

5. Other Activity

- 5.1. In addition to the completion of scheduled audit reviews provided in section 4 of this report, work is currently in progress relating to Creditors Payments Systems, Prepaid Tickets & Concessionary Travel, Main Accounting System, Treasury Management, Legislative Compliance (Freedom of Information), Contract Monitoring and Payzone Computer Systems. A summary of the results from these reviews will be provided to this Committee once the final audit reports are released.

6. Financial Implications

- 6.1 None relating directly to the Internal Audit function.

7. Legal Implications

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

8. Staffing Implications

- 8.1 None relating directly to the Internal Audit function.

9 Recommendations

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

ITEM 7

Report to: West Yorkshire Combined Authority

Date: 3 February 2015

Subject: Internal Audit Plan 2015/16

1. Purpose

1.1 To consider the content of the Internal Audit Plan 2015/16.

2. Information

2.1. The Audit Universe identifies all potential areas of internal audit activity and is used as the basis for compiling annual audit plans.

2.2 International Auditing Standards require the Head of Internal Audit to establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's objectives. The input of senior management and the Board should be considered as part of this process. Public Sector Internal Audit Standards, as applied to WYCA in the Internal Audit Charter, define the Board as the Governance and Audit Committee.

2.3 The risk of each auditable entity has been assessed and scored to produce a high, medium or low risk rating. Some work will be required to comply with legislative requirements, the production of statements in published annual accounts and to provide assurance to external auditors. These areas are identified as mandatory and audit assurance in these areas should be prioritised.

2.4 A provisional assessment performed by internal audit has identified audit assignments which should be included within the Audit Plan in 2015/16. These are highlighted in the audit universe document attached to this report. At this stage, resource has been allotted to each assurance block based on previous audit performance as well as being mindful of the available resource in the team. This will be refined through the allocation of audit days against each audit entity, once the plan has been fully determined.

2.5 The final Audit Plan is to be presented to the April 2015 meeting of the Combined Authority.

3. Financial Implications

- 3.1. If a programme of audit work and level of assurance is identified which is greater than the output possible from the existing Internal Audit structure, then other means of providing assurance, including co-sourcing and the buying-in of specific audit services, will need to be considered.

4. Legal Implications

- 4.1. The Accounts and Audit Regulations 2011, Regulation 6, requires relevant bodies to maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. The regulations recognise proper internal audit practices as those contained in the Code of Practice for Internal Audit in Local Government, issued by the Institute of Internal Auditors.

5. Staffing Implications

- 5.1. The Internal Audit Section consists of 3 full time posts. This is considered to be the minimum requirement to provide the required level of assurance to WYCA.

6. Recommendations

- 6.1. Members of the Governance & Audit Committee are asked to review the audit universe, as provided in the appendix to this report, and identify any further specific engagement priorities to be considered for inclusion in the 2015/16 Audit Plan.



Audit Universe/Draft Audit Plan 2015/16

Risk Assessment

	FACTOR
MR = Materiality/value risks	2
CR = Control weakness or none existence/operation – (CAKE)	3
PR = Political risk of failure or none performance and adverse publicity	1
LR = Legislative risks, illegal operations	3
OR = Opportunity risks, missed opportunities for improvements.	1

Risk Score Key

>5 = High
4 - 5 = Moderate
1 - 3 = Low

ACTIVITY	PRIORITY	DESCRIPTION	RESOURCE	COMMENTS
Core Business Activities			80 days	
Prepaid Tickets & Concessionary Travel	MR, PR, LR 6 HIGH	Arrangements for accounting for stocks, cash, Haven system controls and reporting, calculations of prepaid ticket pool and distribution, concessionary fares reimbursements, on account payments and quarterly adjustments. Consider controls for smartcard transactions. Payzone sales system.		Audit Plan 2015/16
Metro Travel Centre Operations	MR, PR, LR 6 HIGH	To review the adequacy of Ticket sales, stock, cash handling security, reconciliations & reviews performed. Cash collected is administered and properly controlled to reduce the risk of loss or fraud. Associated back-office operations.		Audit Plan 2015/16
Tendered Subsidised Contracts	MR, PR, LR 6 HIGH	Tendering arrangements, batches, de minimis contracts, insurance, operator's licences, lost mileage, payment calculations and processes. Arrangements support and provide contract compliance. Public and education services		Audit Plan 2015/16
Passenger Facilities/Contract Monitoring	LR, PR, CR, MR 9 HIGH	Bus station repairs, maintenance, cleaning, repairs and security. Shelter cleaning & repairs.		Audit Plan 2015/16
Service Monitoring	MR, CR, PR, OR 7 HIGH	Changes to monitoring arrangements and move to smart. Robustness of systems to identify changes in bus network in a timely manner.		Audit Plan 2015/16
English National Concessions Travel Scheme (ENCTS)	MR, PR, PR 6 HIGH	Data handling and protection requirements, access rights to ENCTS database, agreements with the third parties concerning the handling and maintenance of ENCTS data. Validation rules for applicants to provide evidence of identity, residency and a photo.		Audit Plan 2015/16

ACTIVITY	PRIORITY	DESCRIPTION	RESOURCE	COMMENTS
		NFI checks have been performed with other datasets. System is secure and backed up at frequent intervals with limited access rights, satisfactory contingency plan is in place, Assurance from the third party that data will be obtained and held securely and in compliance with the Data Protection Act. Awareness and communication of requirements of Concessionary Bus Travel Act		
Transport Fund – Business Case	Mandatory	Review of assurance framework.		Audit Plan 2015/16
Economic Development	MR, CR, PR, LR 9 HIGH	<p>Review of processes and controls for the provision of economic development functions for West Yorkshire.</p> <p>Leeds City Region</p> <ul style="list-style-type: none"> *Green Deal * West Yorkshire Broadband * Super Connected Cities * Revolving Investment fund <p>Joint Committee</p> <ul style="list-style-type: none"> *Business Growth Programme & Regional Growth Fund. * Growing Places Fund – Loans *Other – City Deal, Head Start, City Skills Fund, Strategic Heat Programme 		Audit Plan 2015/16
Data Sharing	LR, PR, CR, MR 9	Arrangements for data sharing with other organisations and stakeholders including contracts/agreements methods of physical data transfer and information sharing protocols.		Last reviewed in 2014/15

ACTIVITY	PRIORITY	DESCRIPTION	RESOURCE	COMMENTS
	HIGH			
Accessbus	PR,CR, OR 5 MODERATE	Contract compliance, CRB checks, monitoring of taxi costs, processing of operator payments, refunds and penalty points are adequately applied. Accessbus booking system, Vehicle run sheets, customer details are effectively processed and active customers are accurately captured. Cancellations are adequately processed; each passenger has a unique registration number. Effective management of vehicle assets.		Moderate risk assessment
Education Services	PR, LR 4 MODERATE	Route risk assessment/management, CRB checks, commercial; hire systems, data protection, and vehicle operating requirements.		Moderate risk assessment
Rail Services/ Franchise	PR, LR 4 MODERATE	System for recording service quality audits of stations and trains, arrangements for penalties or incentive payments to the franchisee. Administration charge agreed with Department for Transport and Certification of grant claim. Operating requirements for WYCA owned rolling stock, monitoring of the operation of these assets and obtains assurance that these units are inspected and maintained to the required standards. Calculation for the recovery of income relating to rolling stock. Assurances provided by an independent party that Rail		New franchise arrangements being established in 2015/16

ACTIVITY	PRIORITY	DESCRIPTION	RESOURCE	COMMENTS
		Settlement Plan income is free from material error.		
Realtime/Service Information	MR, PR, OR 4 MODERATE	Operational reports produced from the system in terms of checking timetable information and asset verification, Arrangements for reporting issues and faults in relation to SMS, website and display units. Maintenance arrangement for checking displays units at bus stations and shelters. Arrangements to allow operational issues to be identified and managed effectively. Contingency arrangements operate in relation to data management and resilience of equipment and network connections		Moderate risk assessment
Yorcard Ltd	MR, CR, PR, LR 9 HIGH	Procurement procedures. Smart transaction development including processing through payzone. Governance arrangements.		Governance arrangements reviewed in 2013/14. Systems development reviewed in separate audits.
Income Generation	OR 1 LOW	Maximisation of existing and identification of new income streams. (excludes grant income funding)		Low risk assessment

Financial Systems			58 days	
Main Accounting – General Ledger	Mandatory	Review of the operation of key controls including System user rights, review, control, adequacy and timeliness, budgetary control, systems interface – education, bleep, and payroll. VAT.		Audit Plan 2015/16
Creditors	Mandatory	Review of the operation of key controls including segregation, authorisation, reconciliation of statements, BACS controls, and sub-contractors records		Audit Plan 2015/16
Debtors	Mandatory	Test arrangements for write offs, requisitioning, reporting, review of accounts, debt age monitoring and reporting		Audit Plan 2015/16
Payroll	Mandatory	Review of the operation of key controls including arrangements for starters, leavers, pay points, member's allowances, expenses & deductions		Audit Plan 2015/16
Procurement	LR, MR, OR 6 HIGH	Review of the operation of key controls including tendering, ordering, commitments, compliance with Standing Orders and Financial Regulations, e-procurement, purchasing cards. Review of consultancy framework arrangements		Audit Plan 2015/16
Treasury Management	Mandatory	Review of the operation of key controls including treasury management, segregation, review, authorisation, third part services and assurances		Audit Plan 2015/16
On-line Payments	LR, MR, OR 6	Review of controls for the processing of on-line payments		Audit Plan 2015/16

	HIGH	and credit/debit card payments received over the phone.		
Management & Business Support Functions			50 days	
I.C.T. Administration & Governance	MR, CR, PR, LR, 9 HIGH	Systems security - Back-ups, recovery plans, data integrity, email, internet controls, monitoring, access, ICT strategy, control of ICT equipment. Service desk. Network penetration testing Information Technology Infrastructure Library (ITIL.)		Audit Plan 2015/16
Data Security/ Protection	MR, CR, PR, LR, 9 HIGH	Arrangements for the protection of data from loss in light of changes to working initiated by the introduction of mobile and flexible working arrangements		Audit Plan 2015/16
Human Resources	LR, OR 4 MODERATE	Induction, training, development, disciplinary, capability, strategy, exit interviews, employment law compliance. Human Rights, Equal Opportunities, Living Wage		Moderate risk assessment
Corporate Planning	OR, PR 2 LOW	WYCA business planning cycle, identification of key objectives.		Corporate plan under review/development in 2015
Complaints Procedure	PR, LR 4 MODERATE	Compliance, policy, awareness, responsibility.		Moderate risk assessment
Escrow	PR, LR 4 MODERATE	Independent review of Escrow arrangements. Evidence of funds held in Escrow accounts.		Moderate risk assessment

Corporate Governance			50 days	
Risk Management	Mandatory	Effectiveness of risk management processes, risk management guidance and support, Identification of risk, risk evaluation, risk mitigation and control, monitoring risks, reporting the status of key risks and controls, recording the management of risks, including the effectiveness of the controls and other responses to them, risk awareness and training		Audit Plan 2015/16
Health & Safety	LR, PR, MR 6 HIGH	Health & Safety Policy meets legal requirements as provided in the Health & Safety at Work Act and other relevant Acts. Workplaces and welfare requirements, recording accidents, illness and first aid, use and maintenance of work equipment, control of exposure to hazardous substances, electrical equipment, noise and radiation. Provision of protective clothing or equipment, Reporting of injuries, diseases and dangerous occurrences to the enforcing authority (RIDDOR). The control and management of asbestos, management of contractors, smoke free legislation, alcohol and substance abuse.		Audit Plan 2015/16
Annual Governance Statement	Mandatory	Financial reporting including compliance with relevant standards and codes of corporate governance. The establishment, monitoring and reporting on the systems of internal control.		Audit Plan 2015/16

Corporate Ethics	PR. LR, OR 5 MODERATE	Steps to ensure that senior officers exercise leadership through high standards of behaviour. The establishment of mechanisms to ensure that officers are not influenced by prejudice, bias or conflicts of interests. Officer delegations.		Moderate risk assessment
Code of Corporate Governance	PR. LR, OR 5 MODERATE	Arrangements to ensure compliance with applicable statutes and relevant statements good practice, appropriate arrangements for the safeguarding and accountability of public funds, clear and effective communication with the WYCA's stakeholders, clearly defined roles and responsibilities at the head of the organisation. The framework of strategic control including matters reserved for the collective decision of the Authority and arrangements for delegated decision making. The appointment and roles of Authority members. Operation of the audit committee for the independent review of internal control and external audit process. Arrangements to ensure objective and professional relationship are maintained with external auditors. Disclosure of Personal and Pecuniary Interests		Moderate risk assessment
Scrutiny	PR. LR, OR 5 MODERATE	Scrutiny Committees have agreed and regularly review their terms of reference, that members of the Scrutiny Committees are appropriately experienced and that opportunities are provided to develop skills required for members to effectively discharge their roles. That the Scrutiny Committees are provided with the		Moderate risk assessment

		opportunity to consider and, if necessary, review decisions before they are implemented, that corporate governance processes allow members of the public to make requests for scrutiny, that reviews of WYCA functions and policies are subject to scrutiny, arrangements for implementing and monitoring recommendations of the Scrutiny Committees which have been agreed with the WYCA.		
Legislative Compliance	MR, CR, PR 6 HIGH	Freedom of Information, copywrite, employment legislation, statutory functions of WYCA. Publication scheme, Transparency code.		Reviewed in 2014/15
Business Continuity	PR, LR, OR 5 MODERATE	Review of plan to be implemented in the event of incident(s) which impact on Metro being able to operate.		Reviewed in 2014/15
Counter Fraud, Bribery & Corruption			19 days	
Fraud Investigations	Mandatory	Contingency for fraud investigation		Audit Plan 2015/16
Pro –Active Anti- Fraud Exercise	PR, LR, OR, CR 8 HIGH	Statistical analysis for duplicate payments, data matching for creditor payments into staff inappropriate bank accounts. Sample review of changes to bank payment master records.		Audit Plan 2015/16
Fraud Awareness	PR,LR 4 MODERATE	Maintaining employees awareness of WYCA’S counter fraud arrangements		Audit Plan 2015/16

Gifts, Hospitality & Interests	PR,LR 4 MODERATE	Adequacy of arrangements, review of records, procedures, controls.		Moderate risk assessment
Operator Farebox Revenue Audit Checks	MR, PR 3 LOW	To ensure the farebox revenue statements provided by operators can be verified and substantiated to the financial records maintained by the operator.		Low risk assessment plus annual independent certification of revenue required.
Anti- Fraud, Bribery & Corruption Policy	PR,LR 4 MODERATE	Assess adequacy of anti-fraud & corruption policy and Whistleblowing policy. Completion of annual fraud return		Moderate risk assessment. Annual fraud return completed by Head of Internal Audit.
Projects			40 days	
Local Transport Plan Capital Programme Management	Mandatory	Review of arrangements to identify, monitor, control and report on the Capital Programme		Audit Plan 2015/16
Smart Card & Information Programme (SCIP) Smart transactions Web Customer Hubs and Service Experience (CHASE)	MR, CR, PR, OR 8 HIGH	Review to provide independent assurance. Business change – benefits realisation back office operations		Audit Plan 2015/16
Project Governance Framework	PR, LR, OR, MR 7 HIGH	Compliance with project and programme principles provided in PRINCE2 Operation of portfolio board		Provided on selected individual projects

Quality Contracts	CR,PR 4 MODERATE	Review to provide independent assurance		On hold, subject to project progression/status
NGT	PR, LR, OR, MR 7 HIGH	Review to provide independent assurance		On hold, subject to project progression/status
Leeds Station Southern Entrance (LSSE)	PR, LR, OR, MR 7 HIGH	Review to provide independent assurance		Reviewed in 2014/15
Castleford Bus Station	PR, LR, OR, MR 7 HIGH	Review to provide independent assurance		Reviewed in 2014/15, nearing completion.
Rail Growth Package, (Kirkstall Forge & Apperley Bridge)	PR, LR, OR, MR 7 HIGH	Review to provide independent assurance		Rail infrastructure scheme subject to light-touch project management by WYCA.
Low Moor	PR, LR, OR, MR 7 HIGH	Review to provide independent assurance		Reviewed in 2014/15
Mirfield Station Car Park	PR, LR, OR, MR 7 HIGH	Review to provide independent assurance		Rail infrastructure scheme subject to light-touch project management by WYCA
Wakefield Kirkgate Station	PR, LR, OR, MR 7 HIGH	Review to provide independent assurance		Rail infrastructure scheme subject to light-touch project management by WYCA
Pontefract & Monkhill	PR, LR, OR, MR 7	Review to provide independent assurance		Rail infrastructure scheme subject to light-touch project management

Station Car Park	HIGH			by WYCA
CHASE Customer Relationship Management (CRM)	PR, CR, MR, OR 7 HIGH	Review of project management arrangements. Testing of system functionality Review of Value for money aspects of project delivery		Reviewed in 2014/15
Pay & Grading/Job Evaluation	PR, LR, OR, MR 7 HIGH	Review to provide independent assurance Benefits realisation		Scheduled for completion in 2015, review to be undertaken in 2016/17
Safeguarding Assets				
Verification	CR,PR 4 MODERATE	Physical verification of selected assets, primarily, land, buildings and vehicles		External audit coverage
Unannounced Visits	CR,PR 4 MODERATE	Cash ups, stock counts throughout WYCA.		Moderate risk assessment, levels of cash reducing due to introduction of smart technologies.
Inventory	PR, OR 2 LOW	Compliance with Financial Regulations office equipment, I.T., mobile phones etc. ICT equipment – evidence of verification.		Low risk assessment
Grant Certification			65 days	
LTP	Mandatory	Head of IA assurance. Periodic report and claim review and certification. Systems and procedures to control the allocation of payments and provide evidence of eligible expenditure.		Audit Plan 2015/16

Interreg Carbon Responsible Transport Strategies (CARE NORTH)	Mandatory	Head of IA assurance. Periodic report and claim review and certification		Audit Plan 2015/16
Interreg Improving Transport & Accessibility through new Community Technology (ITRACT)	Mandatory	Head of IA assurance. Periodic report and claim review and certification		Audit Plan 2015/16
Better Bus Area Fund	Mandatory	Head of IA assurance. Periodic report and claim review and certification		Audit Plan 2015/16
Local Sustainable Transport Fund	Mandatory	Head of IA assurance.		Audit Plan 2015/16
Cycle City Grant	Mandatory	Head of IA assurance. Periodic report and claim review and certification		Audit Plan 2015/16
Transport Fund	Mandatory	Head of IA assurance.		Audit Plan 2015/16
Value for Money			10 days	
ICT Services	CR,PR 4 MODERATE	Consideration of VfM aspects of processes		Audit Plan 2015/16
Audit Follow-up			20 days	
Health & Safety Management	n/a	Follow up on implementation of key audit recommendations		Audit Plan 2015/16

Project Management Framework	n/a	Follow up on implementation of key audit recommendations		Audit Plan 2015/16
Contract Management	n/a	Follow up on implementation of key audit recommendations		Audit Plan 2015/16
Human Resources - VfM	n/a	Follow up on implementation of key audit recommendations		Audit Plan 2015/16

ITEM 8

Report to: Governance and Audit Committee

Date: 3 February 2015

Subject: Internal Controls and Financial Monitoring

1. Purpose

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

2. Information

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

Internal controls

- 2.2. There have been no significant changes to internal controls in the period. Key financial controls continue to be carried out monthly and recorded on the performance management system; these are monitored at monthly management meetings and are all up to date. In addition regular governance meetings continue to be held with Leeds City Council to consider and review the transactions relating to investments, treasury management being carried out jointly with LCC.
- 2.3. The WYCA will be reapproving the treasury management arrangements and reviewing the prudential funding statement as part of the budget report being considered at its meeting on 29 January.
- 2.4. Decision making and delegations to officers and committees form part of the governance and control arrangements of any organisation. These are currently being reviewed now that the WYCA has been in place for almost a year and it is likely some changes may be proposed at the AGM which will take place in June. Changes may also be required as a result of the WYCA formally taking on responsibility as the

accountable body for the Leeds City Region Enterprise Partnership. Information on these proposals will be brought to the April meeting of this Committee.

Financial monitoring – revenue budgets

- 2.5. The revised 2014/15 budget and proposed budget for 2015/16 are to be considered by the WYCA at its meeting on 29 January. The report will seek approval to a revenue budget for the transport activities of the WYCA and to an indicative capital programme for 2015/16. The budget for the economic activities, currently carried out by the Leeds City Region Enterprise Partnership, is being agreed through the Leaders' Board arrangements and is expected to transfer to the WYCA from 1 April when the associated staff transfer in from Leeds City Council.
- 2.6. Set out in table 1 below is the revenue budget for transport that is being presented to the WYCA.

Table 1					
Transport budget		2013/14	2014/15	2014/15	2015/16
		Actual	Original	Revised	Original
Expenditure		£000	£000	£000	£000
Concessionary travel scheme		52,362	53,242	54,341	55,474
Subsidised bus services		19,175	19,490	19,343	19,632
Passenger Services		7,851	8,172	7,971	7,791
Prepaid Tickets		30,610	31,000	31,000	31,000
Rail support		64,391	64,391	43,155	43,155
Pensions		1,541	1,431	1,406	1,406
Combined Authority		121	67	-	-
Financing charges		7,668	7,609	7,352	7,233
Strategic priorities - Rail/Bus		-	250	-	-
Development and Corporate		5,608	6,045	6,209	6,207
		189,327	191,697	170,777	171,898
Less Prepaid Ticket sales		30,610	31,000	31,000	31,000
Special Rail Grant		64,209	64,209	43,155	43,155
Interest Receivable		303	253	369	530
Net Expenditure		94,205	96,235	96,253	97,213
Funded by:					
Transport levy		96,198	96,198	96,198	96,198
(Transfer to)/Use of reserves		(1,993)	37	55	1,015
		94,205	96,235	96,253	97,213

- 2.7. Overall expenditure and income for 2014/15 are broadly in line with the original budget, other than for rail support. The net effect of the changes in rail support is nil as the grant from the Department for Transport is adjusted to match the expenditure.
- 2.8. The proposed budget for 2015/16 enables the WYCA to continue with its current levels of activities but only through the use of £1m of reserves to support the budget. This is possible as reserves are higher than required, largely due to the end of year position in 2013/14 which saw an increased transfer to reserves than originally proposed. The ongoing use of reserves to support revenue activities is not recommended and further work has been agreed through the Budget Working

Group and the WYCA to take place during 2015/16 to address this and ensure a robust medium term financial strategy is in place to support WYCA's aspirations. The reserves position is set out in table 2 below.

Table 2				
Reserves				
		2013/14	2014/15	2015/16
		Actual	Latest projection	Budget
		£000	£000	£000
	brought forward	4,577	6,570	6,515
	movement in year	1,993	-55	-1,015
	carried forward	6,570	6,515	5,500

- 2.9. This work will include consideration of ways to increase income or decrease costs from within the transport revenue budget, including opportunities for joint working with District Councils, the reduction of levels of service provided (eg cleaning shelters less frequently) and any synergies arising from the merger of transport and economic budgets.
- 2.10. The work will also include ensuring that both the treasury management arrangements and the reserves policy are optimised for the shape and size of the organisation. This work will require input from this Committee and further information will be brought to the April meeting.

Financial monitoring – capital budgets

- 2.11. The budget paper to the WYCA includes an update on delivery of the current year capital programme and sets out the funding available and the proposed programme to utilise this expenditure. The funding for the capital programme is provided by a combination of Local Transport Plan grants and other specific funding streams such as the Better Bus Areas grant. This is set out in table 3 below.

Table 3 - Capital block funding allocations 2014-2018					
Funding Source	IP2				
	14/15	2015/16	2016/17	2017/18	IP2 Total
	Confirmed	Confirmed	Confirmed	Confirmed	
	£000s	£000s	£000s	£000s	£000s
Integrated Transport	27,165	13,104	13,104	13,104	66,477
Integrated Transport Carried Forward from 2013/14	7,487	4,465	-	-	11,952
Funding transferred from Maintenance Block	1,000	-	-	-	1,000
TOTAL LTP IT BLOCK	35,652	17,569	13,104	13,104	79,429
Non LTP3 Funding	22,363	23,977	4,153	20	50,513
Maintenance	22,766	29,213	26,782	25,971	104,732
DfT Major Scheme - legacy	16,628	4,706	-	60,000	81,334
Total	97,409	75,465	44,039	99,095	316,008

- 2.12. In addition to the LTP and highways maintenance funding the Leeds City Region Growth Deal provides further funding for housing and regeneration projects and for significant elements of the West Yorkshire plus Transport Fund (WY+TF). Discussions are also underway to establish the size of the WY+TF in the context of the available funding and the opportunities to maximise the pipeline of projects. This may lead to more borrowing or other funding being identified and this will be considered as part of any updates to the treasury management arrangements.
- 2.13. Appropriate organisational arrangements for the delivery of a much enhanced capital programme of both transport (through the West Yorkshire + Transport Fund) and economic regeneration projects are being considered.
- 2.14. Work on developing a Single Transport Plan that reflects the aspirations and priorities of the WYCA is progressing and this will inform the way in which capital funding is utilised in future years.

Risk management

- 2.15. At its last meeting the Committee considered the risk management arrangements in place for WYCA and identified some further enhancements to the risk manual. These have been progressed. Risk relating to the delivery of the WY+TF has been discussed by the Investment Committee and is reflected in a finance handbook. Details of this will also be included in the risk manual.
- 2.16. Further work on certain elements of risk – treasury management and the reserves policy – has been identified by the Budget Working Group and WYCA and will form a paper to a future meeting of this Committee.

3. Financial implications

- 3.1. As set out in the report.

4. Legal Implications

- 4.1. None arising directly from this report.

5. Staffing Implications

- 5.1. None arising directly from this report.

6. Recommendations

- 6.1. That the Committee note the report and the future work arising.