

**MEETING OF THE WEST YORKSHIRE COMBINED AUTHORITY
GOVERNANCE AND AUDIT COMMITTEE
TO BE HELD ON 22 APRIL 2015 (2.00 pm)
AT WELLINGTON HOUSE, WELLINGTON STREET, LEEDS**

A G E N D A

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

3. EXCLUSION OF THE PRESS AND PUBLIC

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

**4. MINUTES OF THE MEETING HELD ON 3 FEBRUARY 2015
(pages 7-11)**

Copy attached.

**5. EXTERNAL AUDIT UPDATE AND PLAN
(pages 12-54)**

To consider the attached report.

**6. INTERNAL AUDIT PROGRESS REPORT
(pages 55-62)**

To consider the attached report.

**7. INTERNAL CONTROLS AND FINANCIAL MONITORING
(pages 63-73)**

To consider the attached report.

**8. REVIEW OF GOVERNANCE ARRANGEMENTS
(pages 74-77)**

To consider the attached report.

**9. APPOINTMENT OF INDEPENDENT PERSONS
(pages 78-85)**

To consider the attached report.

<p>WEST YORKSHIRE COMBINED AUTHORITY</p> <p>DECLARATION OF DISCLOSABLE PECUNIARY INTERESTS</p>	
<p>NAME OF MEMBER:</p>	
<p>COMMITTEE: GOVERNANCE & AUDIT COMMITTEE</p>	
<p>DATE: 22 APRIL 2015</p>	
<p>AGENDA ITEM NO</p>	<p>NATURE OF INTEREST</p>

Signed

In accordance with Part 4 (paragraph 19) of the WYCA Members’ Code of Conduct, you should complete this form 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 Monitoring Officer **before** leaving the meeting.

Declarations of Disclosable Pecuniary Interests

If you are present at a meeting of the Authority, and you are aware that you have a disclosable pecuniary interest in a matter to be considered, or being considered, at the meeting:

- (a) Unless you have a relevant dispensation you may not:-
 - participate, or participate further, in any discussion of the matter at the meeting; or
 - participate in any vote, or further vote, taken on the matter at the meeting.

- (b) If the interest is not entered in the Authority’s register, you must disclose the interest to the meeting (unless the interest is a sensitive interest). If the interest is not the subject of a pending notification, you must notify the Monitoring Officer of the interest before the end of 28 days beginning with the date of the disclosure.

Disclosing Significant Interests

In accordance with Part 4 (paragraph 20) of the WYCA Members' Code of Conduct, if you are present at a meeting of the Authority and you are aware that you have any significant interest (other than a disclosable pecuniary interest) in a matter to be considered, or being considered, at the meeting, you:

- may disclose the interest to the meeting; and
- must consider whether to continue participating in the matter.

If you are unsure of the correct course of action to take, you should seek advice from the Monitoring Officer prior to the meeting.

Subject	Description of Pecuniary Interests
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 Authority) made or provided within the relevant period¹ in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses.</p> <p>This includes any payment or financial benefit from a trade union.²</p>
Contracts	<p>Any contract which is made between you or a relevant person³ (or a body in which you or a relevant person has a beneficial interest⁴) 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 ⁵ 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 your knowledge)—</p> <p>(a) the landlord is the Authority; and</p> <p>(b) the tenant is a body in which you or the relevant person⁶ have a beneficial interest⁷.</p>
Securities	<p>Any beneficial interest in securities⁸ of a body where—</p> <p>(a) that body (to your knowledge) has a place of business or land in the area of the Authority; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(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.</p>

¹ The relevant period means the period of 12 months ending with the day on which you notify the Monitoring Officer under paragraph 16a) and paragraph 19b) of the Code.

² Within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

³ As defined in paragraph 15b) of the Code.

⁴ "body in which the relevant person has a beneficial interest" means:

- a firm in which you or a relevant person is a partner or
- a body corporate of which you or a relevant person is a director, or in the securities of which you or a relevant person has a beneficial interest. "Director" includes a member of the committee of management of an industrial and provident society; "securities" means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

⁵ Land excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income.

⁶ See footnote 18.

⁷ See footnote 19.

⁸ "Securities" as defined in footnote 19.

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:	14 April 2015

ITEM 4

MINUTES OF THE MEETING OF THE GOVERNANCE & AUDIT COMMITTEE HELD ON TUESDAY 3 FEBRUARY 2015 IN WELLINGTON HOUSE, LEEDS

Present: Councillor H Richards (Chair)

Councillors S Baines, G Hussain, R Light and A Waller

In attendance: N Rayner (Deloitte)

31. Apologies for Absence

Apologies for absence were received from Councillors G Burton (Wakefield) L Smith (Bradford) and N McIlveen (York).

32. Declarations of Disclosable Pecuniary Interests

Councillor Light declared an interest in Agenda Item 5, External Audit Update, as he was a member of the Audit Commission.

33. Minutes

Resolved - That the minutes of the meeting held on 21 October 2014 be approved.

34. External Audit Update

The Committee considered a report which provided an update on the situation regarding the external auditors and their remuneration.

It was reported that a formal notice of the appointment of Mazars LLP as the External Auditor for the WYCA from 2015/16 had been received.

With regard to the remuneration of External Auditors, as previously reported, the fee had now been confirmed as £45,000 for the first audit of the West Yorkshire Combined Authority, which was £22,000 less than the current combined WYITA and WYPTE audit fees. The saving on the audit fee had been reflected in the budgets approved by the WYCA at the meeting held on 29 January 2015.

Resolved - That the current position regarding the appointment and remuneration of external auditors be noted.

35. **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.

<u>Review</u>	<u>Opinion</u>
Health & Safety	Controlled
New Pudsey Rail Station Car Park Extension Project Benefits Realisation	Requires Improvement
Payroll & HR Records	Controlled
Debtors	Well Controlled

Health & Safety

It was reported that the main objective of the review, which had been given a Controlled assurance, concentrated on the existence and operation of a framework of measures to enable health and safety functions to be provided to the WYCA. Members were advised that arrangements concerning the control of contractors would be the subject of a separate review and that its outcome would be brought to a future meeting.

In this respect, whilst recognising the internal controls and monitoring adopted by the WYCA, including the work overseen internally by officers through their own Health and Safety and Audit Committee, Members stressed the need for this Committee to be kept advised of health and safety matters. It was suggested that a regular report that included key indicators, including those relating to accidents or incidents, be presented to the Committee in future.

New Pudsey Rail Station Car Park Extension Project Benefits Realisation

It was reported that the review had identified a number of specific issues relating to the scheme but that were pertinent to the management of rail projects more generally. It was noted that rail infrastructure projects were provided at 'arm's length' from the WYCA and that the appointment of contractors and the day to day management of risk was not under the direct control of WYCA. It was recommended that it would be more effective for the Authority to reposition the application of its project management activities to provide a strategic overview role for rail infrastructure projects allowing the rail operators to project manage those schemes through the application of the GRIP framework and Gateways Reviews.

It was therefore agreed that the Combined Authority Management Team (CAMT) and Portfolio Board consider an approach to rail infrastructure projects which would ensure that resources were applied effectively whilst maintaining strategic control. It was noted that the Authority still needed to ensure that it had sufficient overview of such projects and that appropriate governance arrangements were in place, particularly given the extent of current and future investment in rail projects.

ITRACT Periodic Grant Certification

It was reported that an audit of expenditure incurred in respect of Improving Transport and Accessibility through new Communities Technologies (ITRACT) activities was performed for the period 8 April 2014 to 30 September 2014. Members noted that the Internal Audit Manager was able to certify that Euro 45,016 was eligible to be claimed in that period.

Resolved:

- (a) That the report be noted.
- (b) That a report be prepared for future meetings setting out key indicators to assist in the Committee's management of risk.

36. Internal Audit Plan 2015/16 - Audit Universe

The Committee considered a report on the Internal Audit Plan 2015/16.

It was reported that the International Auditing Standards required the Head of Internal Audit to establish a risk based plan to determine the priorities of the internal audit activity which was consistent with the Authority's objectives. In this respect members were advised that the views of this Committee and the WYCA's senior management should be considered as part of that process.

It was explained that the Audit Plan which was attached at Appendix 1, detailed the elements of the audit universe, showing provisional assessments and audit assignments to be included in the plan.

The Committee considered the importance of having robust Audit Review procedures. It was suggested that they should be fully documented and include a clear set of expectations on the way in which the reviews are implemented, monitored and controlled and how quickly any recommendations imposed are acted upon. This information could then be used to enhance the regular internal audit progress report.

Members were advised that a final version of the Internal Audit Plan would be circulated in order to give Members the opportunity to comment prior to the document being considered by the Combined Authority at its meeting on 12 March 2015.

Resolved:

- (a) That the final version of the Plan be circulated to members prior to it being considered by WYCA on 12 March 2015.
- (b) That the format of the regular internal audit progress report be amended as discussed.

37. 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 there had been no significant changes to the arrangements for internal control within the Authority. Members noted that the Treasury Management arrangements and review of the prudential funding statement were considered as part of the Budget report by the Combined Authority at its meeting on 29 January 2015.

Governance and control arrangements were being reviewed now that the WYCA had been in place for nearly a year and as a result of the WYCA formally taking the responsibility as the accountable body for the Leeds City Region Enterprise Partnership. Members were advised that any proposed changes would be presented to the next meeting of the Committee on 22 April 2015 prior to being considered by the Combined Authority at its AGM in June 2015.

Financial Monitoring – Revenue Budgets

It was reported that the revised revenue budget 2014/15 and the proposed budget for 2015/16 was considered by the Combined Authority on 29 January 2015. Approval was given to the revenue budget for the WYCA transport activities and to the indicative capital programme for 2015/16.

The Committee was informed that the proposed budget for the economic activities currently carried out by the Leeds City Region would be agreed by the Leaders Board and subsequently transferred to the WYCA on 1 April 2015 when the LEP was being transferred from Leeds City Council.

In this respect it was reported that members of the WYCA had endorsed the continuation of the Budget Working Group who would focus on wider financial integration and carry out work to achieve budget savings, through a combination of cuts, efficiencies and collaborative working. They would also undertake a review of the reserves and treasury management policies in order to ensure a robust medium term financial strategy was in place for 2016/17 that supported the full aspirations of the WYCA.

Risk Management

Further to minute 30 of the meeting held on 21 October 2014, members were advised that enhancements to the risk management arrangements had been progressed and incorporated in the risk manual.

Comment was also made that the risk relating to the delivery of the West Yorkshire plus Transport Fund had been considered by the WYCA's Investment Committee and was now reflected in the finance handbook and included in the risk manual.

Resolved:

- (a)** That the report and future work arising be noted.
- (b)** That a copy of the Business Plan and Budget 2015/16 be forwarded to members of the Committee.

Originator: Angela Taylor,
Director, Resources



ITEM 5

Report to: Governance and Audit Committee

Date: 22 April 2015

Subject: External Audit update

1. Purpose

1.1 To provide the Committee with an update on the situation regarding the work of the external auditors and future audit fees and arrangements.

2. Information

2.1 Deloitte have now undertaken their interim audit in relation to the 2014/15 year end. The outcome of this work has helped to inform the audit plan for the audit of the 2014/15 year end accounts, the first set of accounts for the West Yorkshire Combined Authority. The audit plan is attached as Appendix A and sets out the scope of the work that will be undertaken, Deloitte's approach to this work and the significant audit risks that have been identified. Nick Rayner, the Audit Manager, will present the plan and take any questions.

2.2 Following consultation, the Audit Commission has published the work programme and scales of fees for the audit of the 2015/16 accounts of principal audited bodies. There are no changes to the work programme for 2015/16 and the scale audit fees are confirmed at a 25 per cent reduction to the current fees. This saving has been possible as a result of the lower prices achieved in the audit procurement completed by the Commission in 2014, and is in addition to the significant reductions of up to 40 per cent made to fees in 2012. The Commission was asked to set the fees for 2015/16 before it closes on 31 March 2015. Their contracts with audit firms run until 2017, with a possibility of extension for up to three years. The Department for Communities and Local Government will make a decision about whether to extend the contracts in due course. For the WYCA this means the scale fee for 2015/16 will be £33k, a 25% reduction on the £45k for the current year.

2.3 An initial introductory meeting has been held with Mazars who take on audit responsibility for the 2015/16 financial year. They are positive about working with the WYCA and will attend a future meeting of this Committee as part of the

handover of responsibilities. A planning letter from Mazars confirming the audit fee is provided as Appendix B. It provides a brief overview of the outline work programme and sets out that an Audit Strategy Memorandum will be provided by them later in the year when they have undertaken the planning work for the audit.

- 2.4 The Audit Commission closed on 31 March 2015. The regulatory environment it supported continues with different elements passed to a number of different agencies. The current external audit contracts managed by the Audit Commission are passed to Public Sector Audit Appointments Ltd (PSAA), an independent company set up by the Local Government Association. The Audit Commission powers to conduct the National Fraud Initiative are passed to Cabinet Office and the data matching work will continue under its powers.

3. Financial Implications

- 3.1 As set out in paragraph 2.2 above. £45k for the external audit fee has been included in current budgets and this will be amended to £33k for future years.

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 2014/15 audit plan and the position regarding future audit arrangements.

Planning Report to the Governance &
Audit Committee for year ending 31
March 2015

April 2015

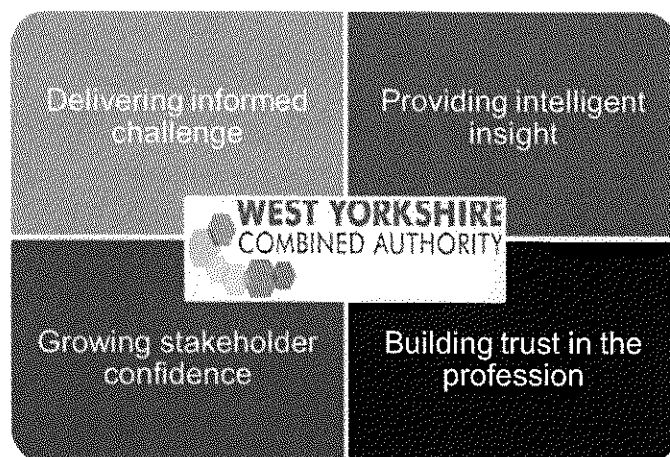
the
Distinctive
audit

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I am delighted to present this planning report for the 2014/15 audit of the West Yorkshire Combined Authority. This report sets out our audit approach and the more significant areas where we will focus our attention this year.

Chris Powell, Audit Partner



The big picture

The big picture

We have set out below an overview of the key developments at the West Yorkshire Combined Authority “the Authority” and the more significant matters we have considered in developing this Audit Plan. We consider these matters as part of our audit risk assessment and this determines where we will focus our work. Details of the impact of these matters on our approach are set out in this Audit Plan.

Relevant developments

- The West Yorkshire Combined Authority was officially formed on 1 April 2014, with a mandate to meet the strategic transport needs of its constituent authorities and to drive economic growth across its regions.
- It replaced the previous Integrated Transport Authority, the West Yorkshire Integrated Transport Authority (WYITA), and the Passenger Transport Executive, West Yorkshire Passenger Transport Executive (WYPTE) and inherited their responsibilities and liabilities.
- The 5 constituent local authorities for the WYCA are Bradford Metropolitan District Council, Calderdale Council, Kirklees Council, Leeds City Council and Wakefield Council, City of York Council and the Leeds City Region Enterprise Partnership are non constituent members
- From 1 April 2015 WYCA will become the responsible body for the Leeds City Region Enterprise Partnership (LEP) after it transferred from Leeds City Council.
- The activities the WYCA inherited from the WYITA and WYPTE included the implementation of policies which reflect the requirement of the Local Transport Act, setting the overall framework for the Authority's role in overseeing the Local Transport Plan and ensuring that transport supports the wider policy objectives of the West Yorkshire authorities, as well as managing the passenger transport services in the region.
- In addition the Combined Authority has taken on responsibility for economic functions and is facilitating delivery of economic growth through working with the LEP and in seeking a devolution deal for the region.

Significant audit risks

- Revenue Recognition
- Management Override of Controls
- Valuation of Non Current Assets
- Capital Developments

Our audit quality promise

Our audit quality promise

Our new quality standard



The quality of our audit delivery is of great importance to us. In order to ensure we deliver an excellent service to you, we have developed our audit quality promise. Key aspects of this delivery are:

- how we communicate with you throughout the year;
- what insight we bring around the quality of your control environment, systems and audit risk areas; and
- how we ensure that our team is delivering the best quality audit at every level.

This section sets out our commitments to management, officers and members in these areas and we will actively seek feedback on how we have performed against them.

From discussions with you and our experience with other local authority bodies, we know that you value an integrated audit approach which encompasses the main financial statements audit, value for money conclusion and certification of relevant grants and returns. Our Audit Quality promise takes this into account. The key individuals that form part of our audit team for 2014/15 are consistent with the team in previous years. We have supplemented them as necessary with skilled, experienced and knowledgeable individuals to ensure timely and effective delivery of our audit.

Our commitment to you



Communication

We believe that regular face to face communication is essential to delivering quality and insight through our audit. We have set out below our planned communications schedule for both the audit period and throughout the year.

Year round communication

We will be in regular contact with Tom Edwards, Assistant Director of Finance, to ensure we remain up to date with the developing issues at the WYCA through the year, and will discuss in advance, any papers we wish to present to a meeting of the Governance & Audit Committee.

Senior members of the audit team will attend meetings of the Governance & Audit Committee as scheduled and meet privately with the Chair of the Governance & Audit Committee. In these meetings we will discuss key developments and report in-year findings from our work. We will also provide any relevant regulatory / technical updates.

We will attend regular meetings with the Director of Resources. We will also make ourselves available through the year for ongoing discussions as necessary.

During the main audit period

During the audit period we will work closely with Tom Edwards and his team. We will ensure we summarise our findings and discuss any emerging issues on the financial statement audit.

We will also work with Tom as our key point of contact for the Value for Money conclusion.

We will hold weekly meetings with Tom to discuss progress on the audit and will hold a close meeting with management to discuss the contents of our report to the Governance & Audit Committee.

Open feedback process

We will carry out debrief meetings with the Governance & Audit Committee Chair and with Angela Taylor and Tom Edwards to discuss how we have delivered against the commitments on both sides, as set out in this document, and any other aspects of our delivery.

We will respond to this feedback with agreed actions and timescales.

We will also seek direct feedback through regular meetings during the year.

Responding to queries and requests

We will always endeavour to respond to queries promptly and to give definitive timescales for delivery or their resolution.

We will proactively set up meetings to discuss any technical accounting or regulatory developments, which could have a significant impact on the Authority, as soon as we become aware.

We will make ourselves available to discuss issues as they arise, in advance of the year end to smooth the closedown and accounts production processes.

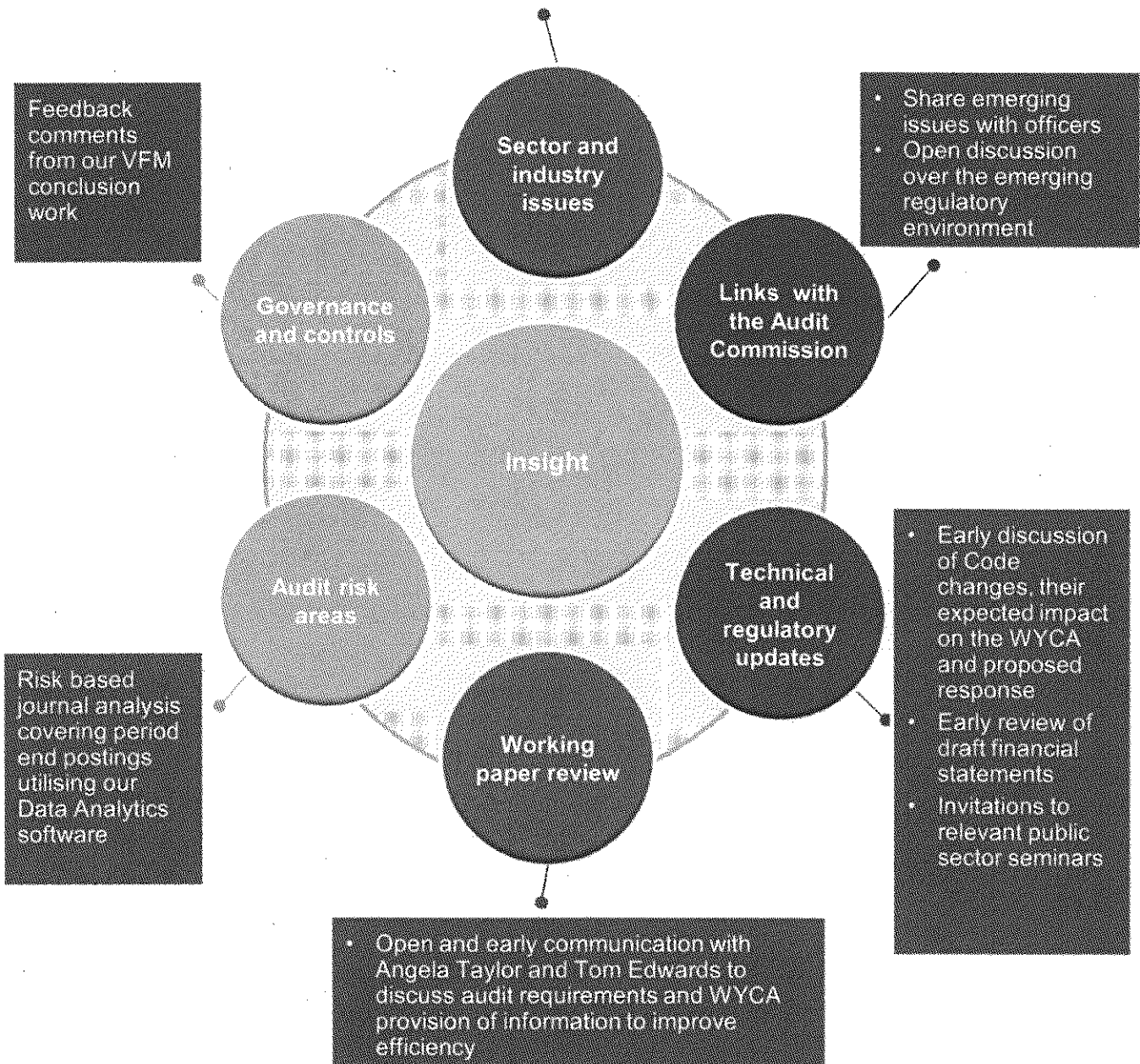
Bringing you insight

We have summarised below some of the ways we will provide WYCA with insight during 2015



Sharing knowledge of sector developments, for example:

- We have attached at Appendix 5 a summary of our research into the state of local public services
- We will discuss relevant Deloitte publications with officers to raise awareness of sector issues



Changes in your Statement of Accounts

Changes in your Statement of Accounts



New reporting requirements

We welcome this opportunity to set out for the Governance and Audit Committee a summary of the latest developments in financial reporting which will impact this year end.

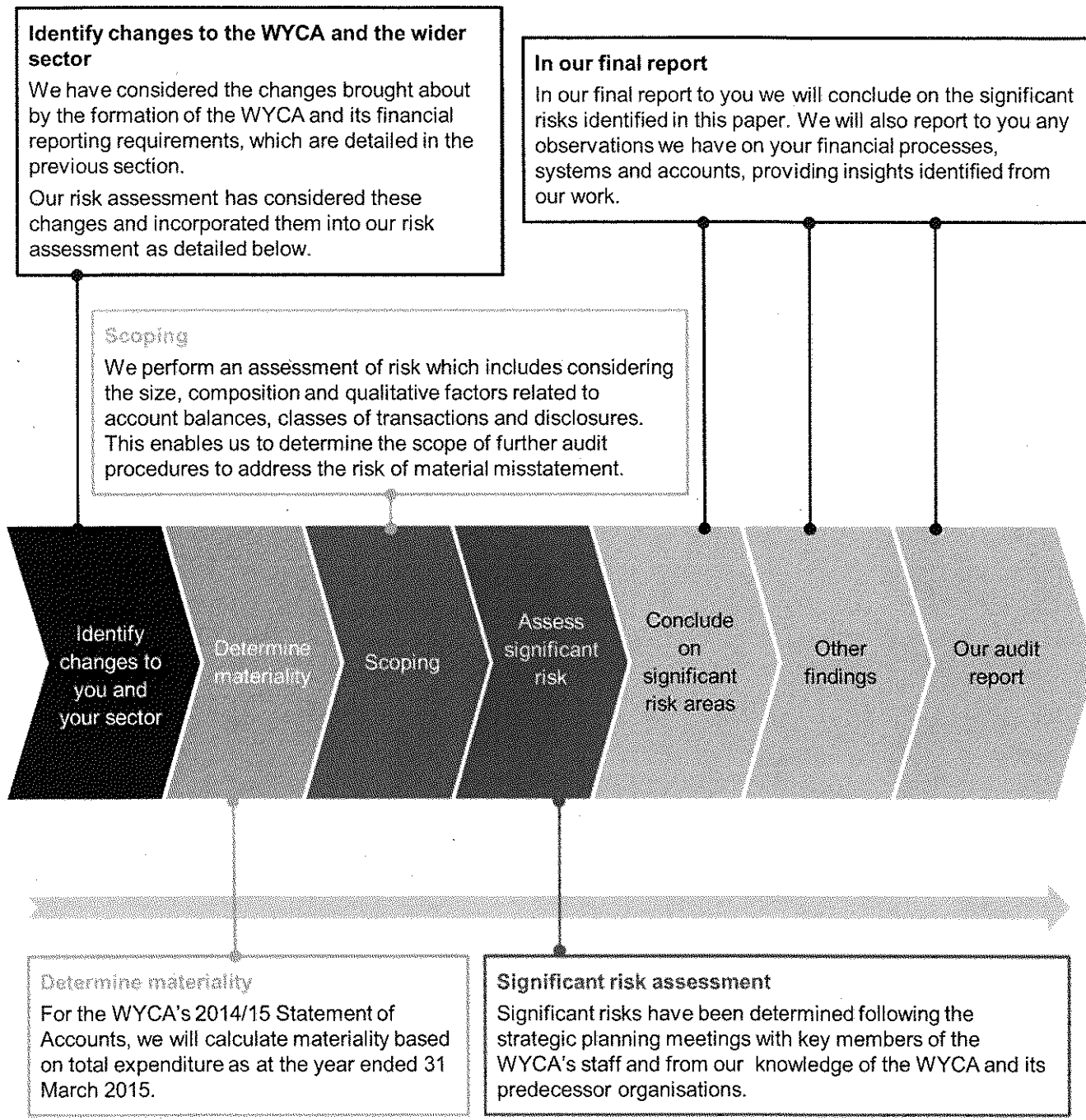
Change in Code of Practice on Local Authority Accounting requirements	Impact on the West Yorkshire Combined Authority
<ul style="list-style-type: none"> The revised Code includes extensive revisions for Group Accounts to reflect the introduction of the requirements of the five new or amended standards introduced by the IASB in May 2011. 	<ul style="list-style-type: none"> IFRS 10 <i>Consolidated Financial Statements</i> is potentially relevant to the West Yorkshire Combined Authority in respect of Yorcard and should be reviewed as part of the consideration of preparation of Group accounts.
<ul style="list-style-type: none"> The Code incorporates amendments to IAS 1 in respect of the new requirements for specific comparative information and clarification regarding the complete list of financial statements. 	<ul style="list-style-type: none"> The WYCA should consider the changes in the Code when preparing the statement of accounts.
<ul style="list-style-type: none"> The Code now incorporates CIPFA's updated How to Tell the Story, which is intended to help CFOs and other senior staff present the financial statements to members and other key stakeholders, by explaining how the formats can be used to convey key information in these areas, and covers the main financial statements. 	<ul style="list-style-type: none"> The WYCA should consider the guidance within the Code when preparing the Statement of Accounts to be ensure financial information is best presented to the users of the accounts.
<ul style="list-style-type: none"> The Code adopts amendments made to IAS 32 <i>Financial Instruments: Presentation (Offsetting Financial Assets and Liabilities)</i>, December 2011. This includes amended disclosures for certain types of specific financial instruments. 	<ul style="list-style-type: none"> The WYCA has a number of financial instruments and the amended disclosures should be considered when preparing the statement of accounts.
<ul style="list-style-type: none"> The 2014/15 Code Guidance Notes have been updated to reflect the provisions of section 2.5 of the Code, which have been clarified and augmented, including a new definition of a function, clarification of the requirements for a transfer by absorption or a transfer by merger and relevant disclosure requirements. 	<ul style="list-style-type: none"> Given the absorption of the functions of the WYITA and WYPTE these requirements will be important when preparing the statement of accounts.

Scope of work and approach

This section sets out our planned scoping for the audit of WYCA's financial statements. We discuss our determined materiality and confirm the level of unadjusted misstatements which we will report to you. We confirm the extent to which reliance will be placed on internal controls and how this decision has been reached.

Our audit explained

We tailor our audit to the WYCA and your strategy



Scope of work and approach

We have four key areas of responsibility under the Audit Commission's Code of Audit Practice in relation to the WYCA.

Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA (UK and Ireland)") as adopted by the UK Auditing Practices Board ("APB") and the Audit Commission's Code of Audit Practice. The WYCA will prepare its accounts under the Code of Local Authority Accounting 2014/15. There are no significant changes in respect of the scope of our work in relation to this area of responsibility.

Assurance report on the Whole of Government Accounts return

Whole of Government Accounts (WGA) are commercial-style accounts covering the whole of the public sector and include some 1,700 separate bodies. We expect to perform similar procedures on the WYCA's consolidation pack as we have in prior years for WYITA, to confirm the pack is consistent with the accounts and that intra-government balances have been accurately identified.

Grants & Returns

Under Section 28 of the Audit Commission Act 1998, the Commission is responsible for making arrangements for certifying claims and returns in respect of grants or subsidies made or paid by any Minister of the Crown or a Public Authority to a Local Authority.

The appointed auditor carries out work on individual claims and returns as an agent of the Commission under certification arrangements made by the Commission which comprise certification instructions which the auditor must follow.

Value for Money conclusion

We are required to satisfy ourselves that the WYCA has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We meet our VFM duty by:

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

Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

We will also review reports from regulatory bodies and any related action plans developed by the WYCA.

Scope of work and approach (continued)

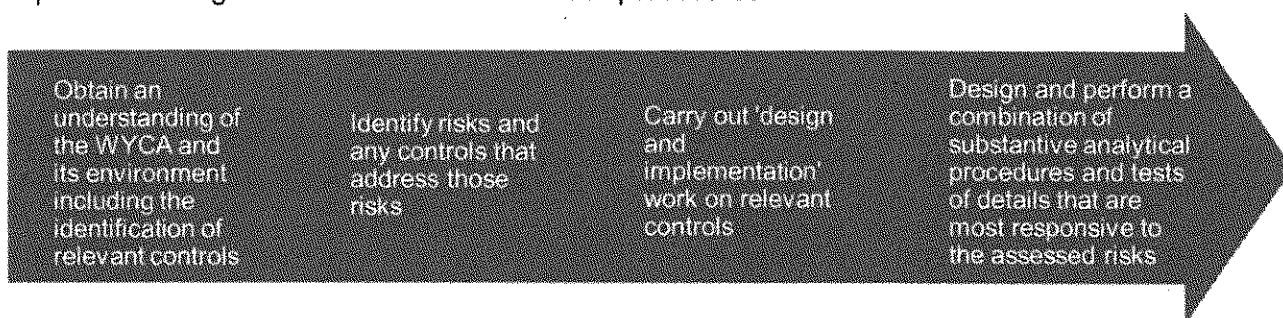
Independence

We confirm we are independent of the WYCA. We will reconfirm our independence and objectivity to the Governance & Audit Committee for the year ending 31 March 2015 in our final report to the Committee. Appendix 1 sets out proposed fees for the year.

Approach to controls testing

As set out in "Briefing on audit matters" included as Appendix 6, our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

We will consider the results of our procedures in respect of the WYCA's controls and the extent of any impact our findings have on our substantive audit procedures.



Scoping of material account balances, classes of transactions and disclosures

We perform an assessment of risk which includes considering the size, composition and qualitative factors related to account balances, classes of transactions and disclosure. This enables us to determine the scope of further audit procedures to address the risk of material misstatement. We will report to you any significant findings from our scoping work.

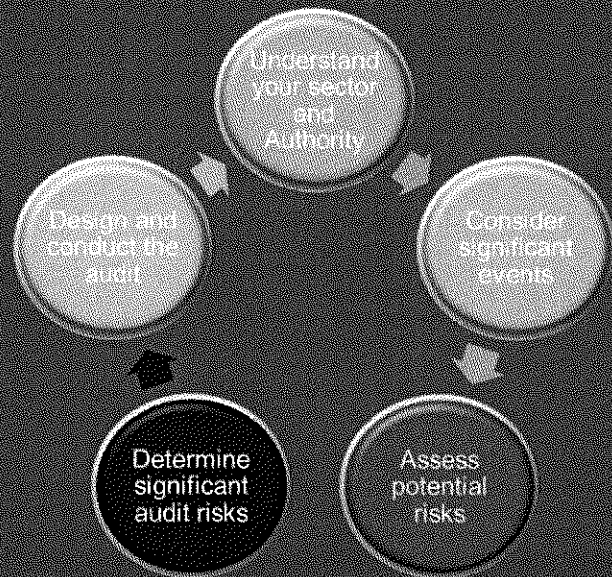
Liaison with internal audit

We continue to rely on the work of the Internal Audit function to inform our risk assessment. The Auditing Standards Board has issued a revised version of ISA (UK and Ireland) 610 "Using the work of internal auditors". This prohibits use of internal audit to provide direct assistance to the audit. Our current approach to the use of the work of Internal Audit has been designed to be compatible with the new requirements, and will not change the existing scope of Internal or External Audit's work. However, this will prevent us from further increasing the extent of our use of Internal Audit's work in future.

We plan to hold discussions with Internal Audit to understand the work they have performed in the year and any weaknesses identified in the control environment so we can assess their impact and plan our audit response. We will arrange further meetings and review relevant internal audit reports prior to, and during, the main audit period.

Whole of Government Accounts

Auditors appointed by the Audit Commission have a statutory duty under the Code of Audit Practice to review and report on the WYCA's Whole of Government Accounts (WGA) return. We will consider the requirement to review the WGA return and undertake appropriate procedures accordingly.



Significant audit risks

This section sets out our comments regarding the significant audit risks identified. We explain the nature of the risk itself, how these risks will be addressed by our audit work and any related presentational and/or disclosure matters within the financial statements.

Risk assessment is at the heart of our integrated audit approach as it is only with proper identification of the most significant audit risks, that we are able to provide the highest quality assurance in the most efficient and effective manner.

We perform an assessment of risk which includes considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address the risk of material misstatement. We will report to you any significant findings from our scoping work.

1. Revenue recognition

Evaluating whether recognition is consistent with the Code can involve significant judgement

ISA240 requirements

International Standards of Auditing (UK and Ireland) 240 – *The auditor's responsibility to consider fraud in an audit of financial statements* requires us to presume that there is a risk of fraud with respect to the recognition of revenue.

We have identified the following as the key areas of focus for our significant risk:

- **Prepaid Tickets:** The timing at which revenue is recognised required judgement, there is also a risk that the robustness of such information from various sources including Post Offices, railway stations, corporate sales and travel centres may not lead to accurate recognition of revenue;
- **Concessions:** This is considered to be a more complex area of revenue recognition, guided by rules set by the Department for Transport; and
- **Grant Income:** There is significant management judgement around determining if there are any conditions attached to a grant, and if so whether the conditions have been met. The potentially complex accounting requirements for grant income as the basis for revenue recognition in the accounts will depend on the scheme rules for each grant.

Our approach

- We will test the design and implementation of controls management has put in place to ensure income is recognised in the correct period.
- For prepaid tickets we will review returns from various sales outlets to determine whether revenue is recognised in the correct period and in accordance with accounting standards.
- For concessions we will understand and assess the Authority's interpretation and application of DfT rules.
- We will carry out detailed testing of grant income to check that recognition of income properly reflects the grant scheme rules, that entitlement is in agreement with the interim or final grant claim and that the grant control account balance has been properly reconciled.
- We will review correspondence attached to specific grants and compare to the Authority's accounting treatment.

2. Management override of controls

In accordance with International Standards on Auditing (ISA 240), we presume that there is a risk of fraud as a result of management override of controls.

Management occupy a unique position within the WYCA in that their financial success, standing among their peers, and future careers prospects can be heavily influenced by the financial results achieved by the WYCA. They are able, through the exercise of management judgement, bias and posting of journals, to override the normal operational controls within the WYCA and fraudulently manipulate the financial results.

Our Approach

- We will gain an understanding of the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements.
- We will use our 'Audit Analytics' software to test a sample of journals to assess the appropriateness of the entries and adjustments made.
- We will review accounting estimates for bias that could result in material misstatement due to fraud.
- We will be vigilant for related party transactions whilst performing our audit testing.

Data Analytics can be used for financial and analytical review. Through identifying trends and profiling data, we will highlight and review high risk journals.

Following discussion with management to understand the journal entry process, we will use Data Analytics to identify trends such as the number of journals posted, the dates on which the journals are posted and the individuals posting the journals. This analysis will allow us to identify any unusual characteristics and provide insight to management.

Data Analytics will help us to deliver audits in a faster, better way.

3. Valuation of non current assets

We consider a significant risk exists in relation to the valuation of non current assets given it is a key accounting estimate which can result in large movements within the accounts:

We have identified a related audit risk because:

- Changes in the economic environment and volatility in the property markets can result in material changes in values. There is a risk that these changes are not properly recorded in the financial statements; and
- Valuations are by nature significant estimates which are based on assumptions made by management and specialists engaged by management.

Our approach

- We will test the design and implementation of controls put in place to ensure that the valuation impacts are accurately reflected in the financial statements.
- We will review the valuations work performed and assess the assumptions used in the valuations in order to establish the reasonableness of the balances.

4. Capital Development

The level of planned fixed asset movements over 2014/15 is expected to involve considerable accounting estimates and management judgement.

WYCA is committed to undertaking a significant level of capital investment over the period of the West Yorkshire Local Transportation Plan 2011-2026 ("the LTP").

The key audit risk is considered to arise in relation to:

- The identification and measurement of capital expenditure; and
- The release of capital grants in line with grant terms.

Our approach

- We will perform design and implementation work on the controls that management have in place identify and measure capital expenditure.
- We will perform testing to gain assurance over the appropriateness of the capitalisation of costs and the release of grant income.

Value for money conclusion

Value for money conclusion

Our work will focus on the extent to which the WYCA has proper arrangements in place to secure value for money

Scope

Under the Code of Audit Practice 2010 we are required to include in our audit report a conclusion on whether the WYCA has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources - this conclusion is known as "the VFM conclusion".

As set out in the 2014/15 Work Programme, the approach to local VFM audit work at bodies such as the WYCA is not based on criteria specified by the Commission. For 2014/15, auditors of these bodies will continue to meet their VFM duty by:

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

Approach to our work

We will:

- Review the Annual Government Statement for any indicators of concern around the implementation of proper arrangements. Where matters come to our attention, we will consider whether we require any additional evidence or explanation from the WYCA to address our concerns;
- Review any work undertaken by other regulatory bodies, as notified through the Audit Commission Weekly Auditor Communications, and consider its impact on our responsibilities in respect of VFM at WYCA;
- Consider the need for any local risk-based work. No work has been mandated by the Audit Commission as of the date of this report.

Responsibility statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statement audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. We enhance this reporting with observations arising from our audit work and our Insight Plan performed to date which are designed to help the Governance & Audit Committee discharge its governance duties. Our report includes:

- Our audit plan, including key audit judgements and the planned scope and timing of our audit
- Key regulatory and corporate governance updates, relevant to you

What we don't report

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

Other relevant communications

- This report should be read alongside the supplementary "Briefing on audit matters" included at Appendix 6.
- We will update you if there are any significant changes to the audit plan.

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



Deloitte LLP
Chartered Accountants

Leeds
13 April 2015

This report has been prepared for the Governance & Audit Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Appendices

Appendix 1: Independence and fees

We confirm we are independent of the West Yorkshire Combined Authority.

As part of our obligations under International Standards on Auditing (UK & Ireland) we are required to report to you on the matters listed below:

Independence confirmation	We confirm we are independent of the West Yorkshire Combined Authority and will reconfirm our independence and objectivity to the Governance & Audit Committee for the year ending 31 March 2015 in our final report to the Committee.
Fees	Our audit fees are set by the Audit Commission in line with national scale fees. Details of the non-audit services fees proposed for the period have been presented separately on the following page.
Non-audit services	In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Appendix 1: Independence and fees (continued)

We have set out below our audit fees for 2014/15

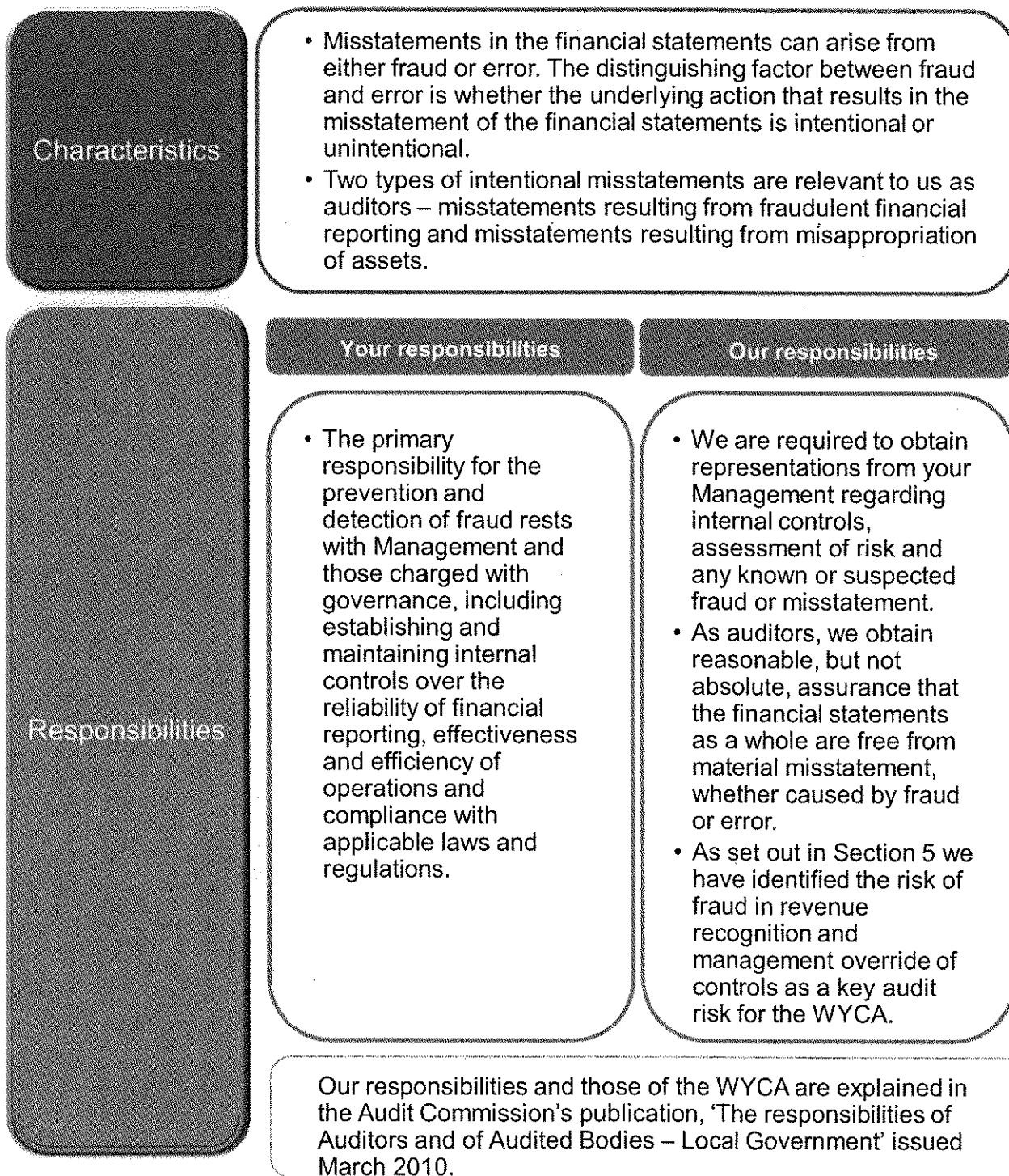
The table below details our proposed audit fees and non-audit fees for the year ending 31 March 2015 for those services for which we have been engaged or proposed for as at the date of this report.

	2014-2015 £'000
Fees payable in respect of our work under the Code of Audit Practice in respect of the West Yorkshire Combined Authority's annual accounts, assurance report on the Whole of Government Accounts and the Value for Money conclusion	45
Total fees payable in respect of our role as Appointed Auditor	45

Management have informed us that they would like us to certify a small number of grants. However for 2014/15 the certification of the grants that the WYCA receive are no longer included within the Audit Commission contract under which we perform our statutory audit. We are therefore currently awaiting guidance from the relevant funding bodies as to what work they require to be performed for the claims. Once we have received the relevant instructions we will review the level of work required and propose a fee which we will bring for confirmation at a subsequent meeting.

Appendix 2: Fraud: responsibilities and representations

As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



Appendix 2: Fraud: responsibilities and representations (continued)

We make enquiries of Management, Internal Audit and the Governance & Audit Committee regarding fraud.

We will make the following inquiries regarding fraud:

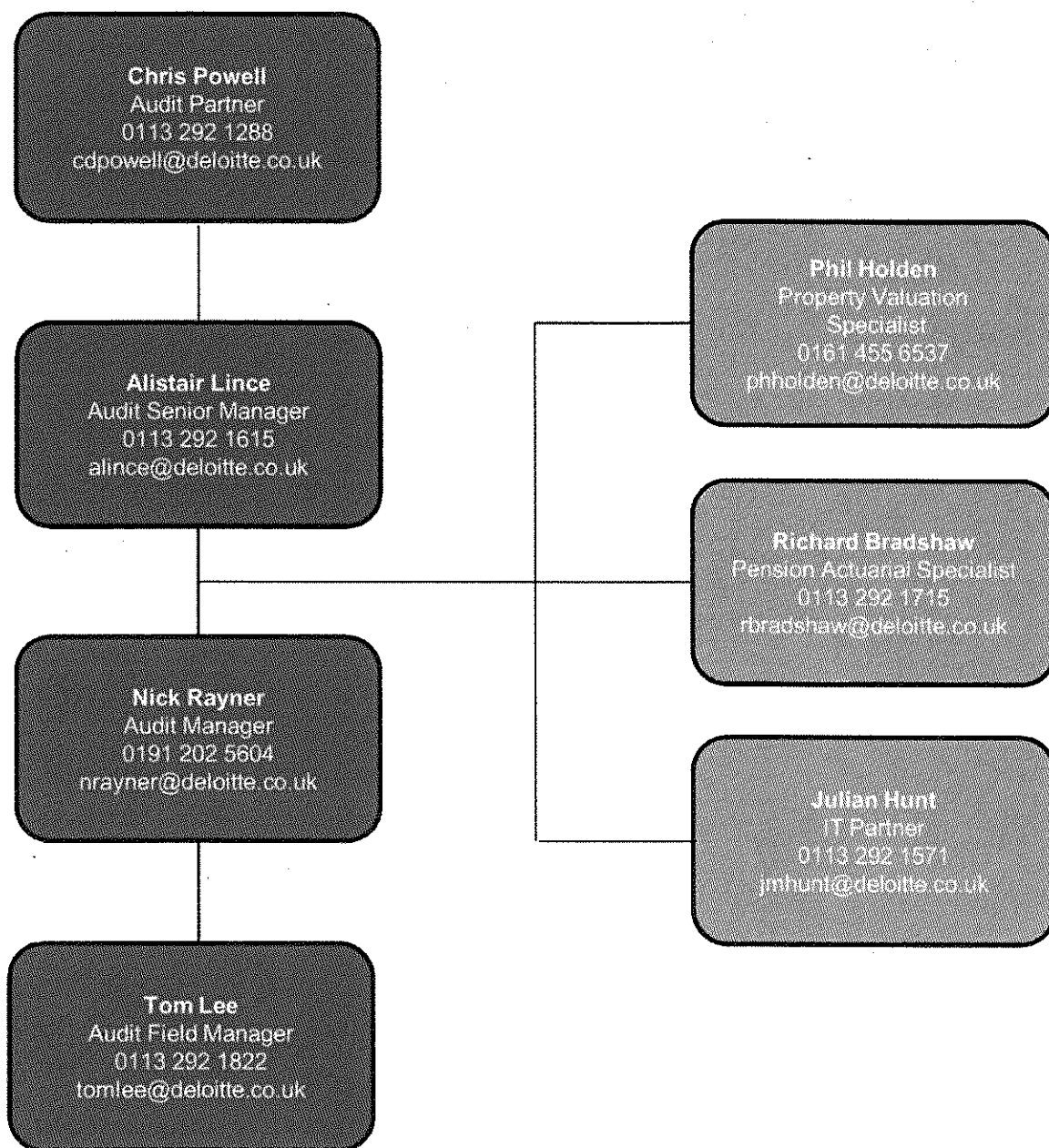
Management	Internal Audit	The Governance & Audit Committee
<p>Management's assessment of the risk that the financial statements may be materially misstated due to fraud including the nature, extent and frequency of such assessments.</p> <p>Management's process for identifying and responding to the risks of fraud in the entity.</p> <p>Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.</p> <p>Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.</p> <p>Whether Management has knowledge of any actual, suspected or alleged fraud affecting the entity.</p>	<p>Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, to obtain their views about the risks of fraud, and to obtain status reports on fraud cases during 2014/15.</p>	<p>How the Governance and Audit Committee exercises oversight of Management's processes for identifying and responding to the risks of fraud in the entity and the internal control that Management has established to mitigate these risks.</p> <p>Whether the Governance and Audit Committee has knowledge of any actual, suspected or alleged fraud affecting the entity.</p>

We will request the following to be stated in the representation letter signed on behalf of the Governance and Audit Committee:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- [We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and] that affects the entity or group and involves:
 - (i) Management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

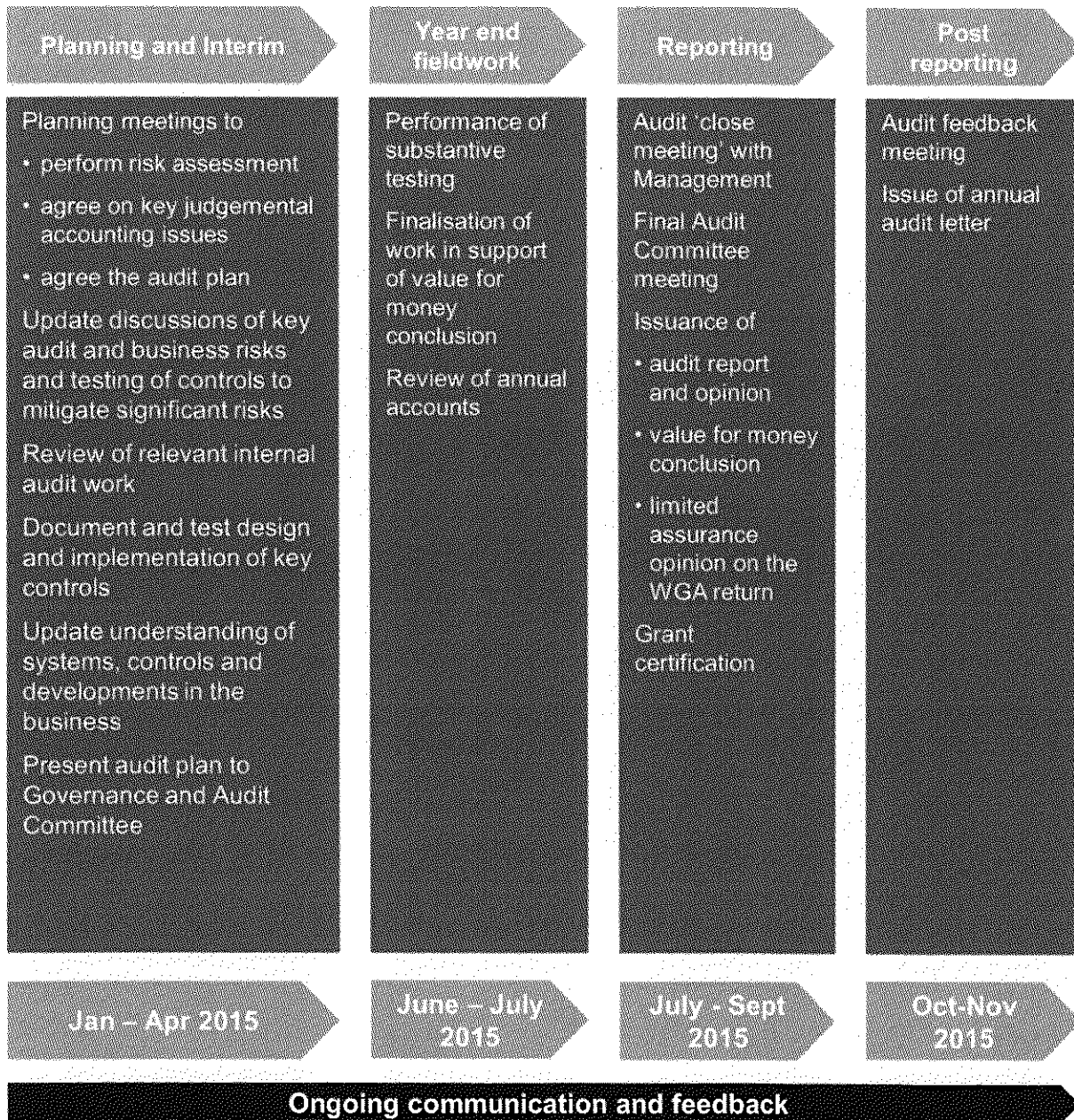
Appendix 3: Your audit team

A core team, with continuity from last year, that incorporates specialists to perform audit work over IT and valuations and also provide insight and add value to the WYCA.



Appendix 4: Timetable

Set out below is the approximate expected timing of our reporting and communication with Management and those charged with governance.





Appendix 5: State of local public services

We summarise the outcome of our research which provides further context for our audit

During the spring and summer of 2014, Deloitte conducted detailed research to answer a simple question: what is the state of the UK state? As part of the research, we commissioned IPSOS MORI to capture the attitudes of people that run local public services. The results provide a snapshot of local services during a period of profound change. We have summarised the key messages in relation to local public services below.

Pride and pragmatism

Faced with unprecedented budget reductions, public sector organisations have adapted significantly since 2010. Many Executives confirmed they had managed to maintain standards in service delivery and in some cases make improvements.

Interviewees told us the most common changes in recent years included cutting headcount numbers, reducing lower priority services and collaborating more effectively with other sectors.

A significant number spoke about pushing accountability down, which they felt improved efficiency but made management roles more challenging.

Risk, uncertainty and crises

A number of executives expressed concerns over the ability of public sector services to cope with future austerity measures.

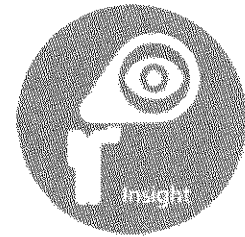
Most recognised that the cuts to come would be more challenging than those already achieved and that the changes they expect to make will have increasingly profound implications for their organisations.

Many interviewees also spoke about increased demand for services due to cuts in other areas of public sector including welfare reform. A significant number also commented that local politics or economics presented additional barriers to initiatives for dealing with budget cuts.

Constructive political narrative

Our research suggests that those running our public services believe that national politicians could do more to lead a national debate on what citizens should expect from public services and local politicians could do more to engage citizens in that they should expect locally. There is a current perception that politicians often criticise public services but rarely help citizens appreciate that spending reductions may lead to reduced levels of service. As a result, citizens have unrealistic expectations about state provision. In addition, public sector employees feel exposed and unsupported by political leadership, exacerbating recruitment and retention challenges.

Appendix 5: State of local public services (continued)



Talent management

Our interviews found that people issues have begun to preoccupy many public sector Chief Executives. They told us about difficulties in attracting, recruiting and retaining people for a range of key jobs.

Some interviewees described specific recruitment difficulties for nurses, teachers, social workers and public health analysts. The most-often cited causes were that the area struggles to attract people, that some professionals are in limited supply and the public sector cannot compete with the private sector on pay and conditions.

Many Chief Executives told us that workforce reductions had lowered staff churn and they were beginning to feel the effects of not having new staff to bring new perspectives and ideas. Others commented that morale had been affected by cuts and continued criticism of the public sector. A further specific issue raised by many interviewees was the need for more training in change-management for middle managers.

The three most commonly-cited factors influencing retention were stress, weak career progression opportunities and pay and conditions.

Technology, estates and ways of working

Our interviews suggest that attitudes to technology, ways of working and estate management differ across local public services.

Most executives felt their organisations had started to make progress with technology and that technology which enabled front line delivery, such as mobile working for social workers tends to have been prioritised. Budgets, inflexible IT contracts and concerns over data security were cited as barriers to effective use of technology.

Some said they were reticent to introduce flexible working patterns while others recognised they could have a role to play in attracting and retaining talented staff.

A number of chief executives felt they had reduced their organisation's estate as far as they could, but others felt there was more they could do. Typical activities undertaken in recent years include the closure of unviable schools, consolidation of office space and sale of unused buildings. Some told us that the potential for cost reductions were more limited in their areas, where land and property is less expensive. Political issues were also cited as barriers to change, noting that closing police stations and hospitals is invariably unpopular.

The full report, *The State of the State 2014-15* is available on our website at www.deloitte.co.uk. We would be happy to discuss the report in more detail, including how the major themes identified affect the WYCA.

Appendix 6: Briefing on Audit matters

Published for Those Charged With Governance



This document is intended to assist those charged with governance to understand the major aspects of our audit approach, including explaining the key concepts behind the Deloitte Audit methodology including audit objectives and materiality.

Further, it describes the safeguards developed by Deloitte to counter threats to our independence and objectivity.

This document will only be reissued if significant changes to any of those matters highlighted above occur.

We will usually communicate our audit planning information and the findings from the audit separately. Where we issue separate reports these should be read in conjunction with this "Briefing on audit matters".

Approach and scope of the audit

<p>Primary audit objectives</p>	<p>We conduct our audit in accordance with International Standards on Auditing (UK & Ireland) as adopted by the UK Financial Reporting Council ("FRC") and the Code of Audit Practice as established by the Audit Commission. Our statutory audit objectives are:</p> <ul style="list-style-type: none"> • to express an opinion in true and fair view terms to the members on the financial statements; • to express an opinion as to whether the accounts have been properly prepared in accordance with the Code of Practice on Local Authority Accounting; • To express an opinion as to whether the entity has put in place appropriate systems and processes to secure value for money in its use of resources; and • to express an opinion as to whether the Annual Governance Statement, is consistent with the financial statements and our knowledge of the WYCA.
<p>Other reporting objectives</p>	<p>Our reporting objectives are to:</p> <ul style="list-style-type: none"> • present significant reporting findings to those charged with governance. This will highlight key judgements, important accounting policies and estimates and the application of new reporting requirements, as well as significant control observations; and • provide timely and constructive letters of recommendation to management. This will include key business process improvements and significant controls weaknesses identified during our audit.

Appendix 6: Briefing on Audit matters (continued)

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

"Materiality" is defined in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements" in the following terms:

"Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful."

We determine materiality based on professional judgment in the context of our knowledge of the audited entity, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality to:

- determine the nature, timing and extent of audit procedures; and
- evaluate the effect of misstatements.

The extent of our procedures is not based on materiality alone but also the quality of systems and controls in preventing material misstatement in the financial statements, and the level at which known and likely misstatements are tolerated by you in the preparation of the financial statements.

Appendix 6: Briefing on Audit matters (continued)

Uncorrected misstatements

In accordance with International Standards on Auditing (UK and Ireland) (“ISAs (UK and Ireland)”) we will communicate to you all uncorrected misstatements (including disclosure deficiencies) identified during our audit, other than those which we believe are clearly trivial.

ISAs (UK and Ireland) do not place numeric limits on the meaning of ‘clearly trivial’. The Audit Engagement Partner, management and those charged with governance will agree an appropriate limit for ‘clearly trivial’. In our report we will report all individual identified uncorrected misstatements in excess of this limit and other identified errors in aggregate.

We will consider identified misstatements in qualitative as well as quantitative terms.

Audit methodology

Our audit methodology takes into account the changing requirements of auditing standards and adopts a risk based approach. We utilise technology in an efficient way to provide maximum value to members and create value for management and the Board whilst minimising a “box ticking” approach.

Our audit methodology is designed to give members the confidence that they deserve.

For controls considered to be ‘relevant to the audit’ we evaluate the design of the controls and determine whether they have been implemented (“D & I”). The controls that are determined to be relevant to the audit will include those:

- where we plan to obtain assurance through the testing of operating effectiveness;
- relating to identified risks (including the risk of fraud in revenue recognition, unless rebutted and the risk of management override of controls);
- where we consider we are unable to obtain sufficient audit assurance through substantive procedures alone; and
- to enable us to identify and assess the risks of material misstatement of the financial statements and design and perform further audit procedures

Appendix 6: Briefing on Audit matters (continued)

Other requirements of International Standards on Auditing (UK and Ireland)

ISAs (UK and Ireland) require we communicate the following additional matters:

ISA (UK & Ireland)	Matter
ISQC 1	Quality control for firms that perform audits and review of financial statements, and other assurance and related services engagements
240	The auditor's responsibilities to consider fraud in an audit of financial statements
250	Consideration of laws and regulations in an audit of financial statements
265	Communicating deficiencies in internal control to those charged with governance and management
450	Evaluation of misstatements identified during the audit
505	External confirmations
510	Initial audit engagements – opening balances
550	Related parties
560	Subsequent events
570	Going concern
600	Special considerations – audits of group financial statements (including the work of component auditors)
705	Modifications to the opinion in the independent auditor's report
706	Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report
710	Comparative information – corresponding figures and comparative financial statements
720	Section A: The auditor's responsibilities related to other information in documents containing audited financial statements

Appendix 6: Briefing on Audit matters (continued)

Independence policies and procedures

Important safeguards and procedures have been developed by Deloitte to counter threats or perceived threats to our objectivity, which include the items set out below.

Safeguards and procedures

- Every opinion (not just statutory audit opinions) issued by Deloitte is subject to technical review by a member of our independent Professional Standards Review unit.
- Where appropriate, review and challenge takes place of key decisions by the Second Partner and by the Independent Review Partner, which goes beyond ISAs (UK and Ireland), and ensures the objectivity of our judgement is maintained.
- We report annually to those charged with governance our assessment of objectivity and independence. This report includes a summary of non-audit services provided together with fees receivable.
- There is formal consideration and review of the appropriateness of continuing the audit engagement before accepting reappointment.
- Periodic rotation takes place of the audit engagement partner, the independent review partner and key partners involved in the audit in accordance with our policies and professional and regulatory requirements.
- In accordance with the Ethical Standards issued by the Auditing Practices Board (“APB”), there is an assessment of the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement. This would include particular focus on threats arising from self-interest, self-review, management, advocacy, over-familiarity and intimidation.

In the UK, statutory oversight and regulation of auditors is carried out by the FRC. The Firm’s policies and procedures are subject to external monitoring by both the Audit Quality Review Team (AQRT, formerly known as the Audit Inspection Unit), which is part of the FRC’s Conduct Division, and the ICAEW’s Quality Assurance Department (QAD). The AQRT is charged with monitoring the quality of audits of economically significant entities and the QAD with monitoring statutory compliance of audits for all other entities. Both report to the ICAEW’s Audit Registration Committee.

Appendix 6: Briefing on Audit matters (continued)

Independence policies

Our detailed ethical policies' standards and independence policies are issued to all partners and employees who are required to confirm their compliance annually. We are also required to comply with the policies of other relevant professional and regulatory bodies.

Amongst other things, these policies:

- state that no Deloitte partner (or any closely-related person) is allowed to hold a financial interest in any of our UK audited entities;
- require that professional staff may not work on assignments if they (or any closely-related person) have a financial interest in the audited entity or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the audited entity;
- state that no person in a position to influence the conduct and outcome of the audit (or any closely related persons) should enter into business relationships with UK audited entities or their affiliates;
- prohibit any professional employee from obtaining gifts from audited entities unless the value is clearly insignificant; and
- provide safeguards against potential conflicts of interest.

Remuneration and evaluation policies

Partners are evaluated on roles and responsibilities they take within the firm including their technical ability and their ability to manage risk.

APB Ethical Standards

The APB issued five ethical standards for auditors that apply a 'threats' and 'safeguards' approach.

The five standards cover:

- maintaining integrity, objectivity and independence;
- financial, business, employment and personal relationships between auditors and their audited entities;
- long association of audit partners and other audit team members with audit engagements;
- audit fees, remuneration and evaluation of the audit team, litigation between auditors and their audited entities, and gifts and hospitality received from audited entities; and
- non-audit services provided to audited entities.

Our policies and procedures comply with these standards.

Deloitte.

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Member of Deloitte Touche Tohmatsu Limited

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

Direct line +44 (0) 113 387 8850
 Email mark.kirkham@mazars.co.uk

8 April 2015

Dear Adrian

West Yorkshire Combined Authority 2015/16 external audit fee planning

The Audit Commission has recently concluded consultation on its 2015/16 proposed work programme and scales of fees. The Department for Communities and Local Government (DCLG) asked the Audit Commission to set fees for 2015/16 before the Commission's closure on 31 March 2015. The Commission has reduced scale fees by a further 25 per cent from 2015/16, based on the scale fees applicable for 2014/15 with no changes to the overall work programme. The fee reduction will apply to all principal bodies, with the exception of 15 local government bodies whose scale audit fees are already below £20,000, and of the fees for pension fund audits at local authorities.

The Commission published the final work programme and scales of fees for 2015/16 on 23 March 2015.

We can confirm that both fees are in line with the scale fee set by the Audit Commission. The table below outlines our proposed fees for completion of our Code audit work.

Area of work	Proposed fee for 2015/16	Provisional fee for 2014/15*
Code audit	£33,720 plus VAT	£44,960 plus VAT

*subject to completion of the 2014/15 audit by Deloitte LLP

At this stage we are not proposing to carry out any additional services for the Combined Authority.

The Audit Commission's scale fee assumes that you are able to provide us with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.

Outline of work programme

For 2015/16 we are required to meet the requirements of the National Audit Office's Code of Audit Practice and the Local Audit and Accountability Act 2014. The programme of work we are required to carry out in respect of the new Code remains largely unchanged. Our proposed fee for Code audit work includes:

- the audit of your financial statements;
- our work to conclude on your arrangements to secure value for money in your use of resources; and
- a programme of work specified by the National Audit Office in respect of your Whole of Government Accounts submission.

At this stage we have not yet undertaken our planning work for the 2015/16 financial year. We will issue our Audit Strategy Memorandum later in 2015/16 which will set out the risks we have identified and the programme of work we plan to carry out in response to those risks.

We will write to you later in the year to set out our proposed approach to billing for our work on your 2015/16 audit.

If you have any queries in relation to this fee planning letter or any other issue, please don't hesitate to contact me or your Senior Manager, Steve Appleton.

Yours sincerely



Mark Kirkham
Director

cc Angela Taylor, Director of Resources

ITEM 6

Report to: Governance and Audit Committee

Date: 22 April 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 January 2015 to 31 March 2015 and summarises the objectives of reviews undertaken, audit opinion and the key issues resulting from this work.

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

- Creditors Payments Systems.
- Treasury Management.
- Prepaid Tickets & Concessionary Travel.
- Main Accounting System.

3. How Control is Reviewed

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

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

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

4. Audit Summary

- 4.1. Overall the performance of individual audit assignments is substantially in line with only a slight overrun of 14 days forecast. Details of progress made in completing the overall Audit Plan 2014/15 are provided in appendix A.
- 4.2. The reviews undertaken in the latest period were assessed as well controlled or 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 in sections 4.3.1 to 4.3.4 of this report.
- 4.3. Progress in implementing all audit recommendations is monitored through Internal Audit's outstanding recommendations tracking system. Information relating to the number of recommendations issued by internal audit and the status of management responses is provided below:

	Priority High	Priority Medium	Priority Low
Number of Audit Recommendations Issued 2014/15	15	28	4
Number of Audit Recommendations Fully Implemented.	11	18	3
Outstanding Audit Recommendations	4	10	1
Overdue Audit Recommendations.	*4	8	1

The majority of the medium and low priority recommendations have an implementation date of 31st March 2015 with a number being partially implemented at the date of writing this report. WYCA's directorate management teams will continue to overview and report progress to internal audit on these matters.

*Two of the overdue high priority recommendations relate to the review of prepaid tickets & concessionary travel with implementation dates agreed at 31 March 2015. An update on the status of these actions will be provided at the meeting.

A further recommendation in this category concerns the development of "Hot List" functionality. This was identified as a key benefit of the smartcard project and prevents the fraudulent use of cards on the transport network. However, technical difficulties relating to the provision of this facility have been encountered. The project team are currently working on a solution to this issue and proof of concept checks with different bus ticket machines are on-going.

The final recommendation considered arrangements for NGT Project Risk Management. It was recommended that the Project team define early warning indicators within the Project Risk Management Strategy, monitor and report to the Project Board.

A risk workshop was completed in January 2015 and the outputs from this will be used in a quantitative cost risk assessment which is scheduled for April 2015. This method will be reviewed when the project enters the Procurement stage (following the Secretary of State decision on TWAO powers)

4.3.1 Creditors

"Well Controlled"

The review focused on systems and procedures operating to enable WYCA to record, authorise and make payments to suppliers of goods and services

It was established that there is a robust control framework in place and key controls were found to be operating effectively.

4.3.2 Main Accounting System

“Well Controlled”

This review considered the operation of procedures and controls including the reconciliation of transactions to movements on WYCA’s bank accounts, consistency with published financial accounts, interfaces with supporting systems, budgetary control and examination of the approval of journals transactions.

There were no significant issues to report as a result of the audit tests performed.

4.3.3 Prepaid Tickets & Concessionary Travel

“Requires Improvement”

The objectives of this review were to assess the arrangements in place for the calculation of the prepaid ticket pool, concessionary fares reimbursements and the management of agents’ ticket stocks. Arrangements relating to the calculation and administration of prepaid ticket payments and concessionary fares reimbursements were found to be operating satisfactorily. In addition, third-party assurance was obtained in relation to Metro ticket stock and cash handling systems operated by Northern Rail.

However a number of issues were identified to further improve the control environment and realise efficiencies. These include;

That system user access rights be further developed and enforced within the Haven system.

That responsibility for ordering, receiving and reconciling ticket stocks be segregated between staff.

That issues relating to the delay in providing the automated link between ticket sales systems provided by Yorcard Ltd and WYCA’s financial management system, Dream be resolved.

The realisation of SCIP Programme business benefits through the automation of revenue collection and systems interface be clearly identified and progress monitored by the Programme Board.

4.3.4 Treasury

“Controlled”

This review assessed the systems which enable WYCA to manage funds, borrowing and investments. Particular attention was given to the suitability and reliability of financial information and controls operating which substantiate these transactions.

This review included an examination of assurances provided by LCC including the certification of financial information provided to WYCA and the opinion issued by

LCC's internal audit section. Other controls established independently by WYCA to validate these transactions were found to be operating effectively.

An observation was made in relation to journals created to allow transactions to be recorded on WYCA's financial system. It was noted that changes to these transactions could potentially be made after the initial review and approval has been undertaken. It was agreed that a further control be introduced to review and identify any changes to these documents.

5. Other Activity

5.1. In addition to the completion of scheduled audit reviews provided in section 4 of this report, audit testing work has been concluded in relation to Risk Management, CHASE CRM Project Assurance, Payzone Systems, Public Information, Contract Monitoring, Transport Fund Business Case Appraisal, Data Sharing, Tendered Services – Gross Contracts and ICT Governance & Security and Legislative Compliance (Freedom of Information). Final release of these audit reports is now subject to quality reviews of the audit files and the agreement of recommendation implementation actions. A summary of the results from these reviews will be provided to this Committee at the next meeting.

5.2 Internal Audit Plan 2015/16

The Audit Plan 2015/16 was approved by the Combined Authority at the meeting held on 15th March 2015. Work has now commenced on this plan through the review of the administration of the English National Concessions Travel Scheme.

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.

Appendix A



Internal Audit Plan 2014/15-Progress Report

Report Type: Actions Report

Report Author: Russell Gott

Generated on: March 2015

Directorate	Milestone Description	Estimated Days	Actual Days	Required Days	Milestone Completed	Milestone Note
Cross Cutting	Interreg ITRACT- Review, Verification & Grant Certification	10	10	0	Completed	
Resources	AGS - Support & Input	5	5	0	Completed	
Passenger Services	Yorcard – Payzone System	20	20	0	Drafted	
Development	New Pudsey Station Car Park – Benefits Realisation	5	5	0	Completed	
Cross Cutting	Source Code Escrow	10	8	0	Completed	
Cross Cutting	Petty Cash	5	5	0	Completed	
Passenger Services	Tendered Services	15	17	0	Completed	
Development	LTP Capital Program Management	20	20	0	Completed	
Cross Cutting	Anti-Fraud, Bribery & Corruption – Fraud Return	2	2	0	Completed	
Passenger Services	Travel Centre Procedures	15	17	0	Completed	
Development	LTP Block Settlement – Audit & Certification	10	8	0	Completed	
Resources	Procurement	12	13	0	Completed	

Cross Cutting	Pro-active Anti-Fraud Exercise	5	5	0	Completed	
Cross Cutting	Health & Safety	15	16	0	Completed	
Resources	Debtors	8	8	0	Completed	
Cross Cutting	Follow-up	10	3	0	Completed	
Resources	Creditors	8	9	0	Completed	
Resources	Payroll	10	10	0	Completed	
Development	Low Moor – Healthcheck	8	4	4	In Progress	
Passenger Services	SCIPS Programme – Smart Transactions – Healthcheck	15	19	0	Drafted	
Cross Cutting	Business Continuity Arrangements	10	8	0	Completed	
Cross Cutting	Counter Fraud	2	2	0	Completed	
Resources	Treasury Management	10	10	0	Completed	
Development	Elland Road Park & Ride Benefits Realisation	8	0	0	Deferred	Project benefits review planned for Aug 2015, 12 months after opening.
Development	INTERREG CARE NORTH Plus Grant claim certification	7	7	0	Completed	
Passenger Services	Provision of Passenger Information – VFM	10	5	5	In progress	
Resources	Legislative Compliance – FOI	5	9	0	Completed	
Passenger Services	Prepaid Tickets & Concessionary Travel	20	23	0	Completed	
Resources	Sage Pay Processing System	10	6	0	Completed	
Resources	Main Accounting Systems	10	10	0	Completed	

Cross Cutting	Counter fraud Contingency	10	0	0	Not required	
Cross Cutting	Risk Management	15	15	0	Drafted	
Passenger Services	Unannounced Visits	7	3	0	Completed	
Passenger Services	Tendered Services – Gross Contracts	10	11	0	Drafted	
Cross Cutting	Data Sharing Arrangements	10	8	2	In progress	
Passenger Services	Contract Management – Maintenance & Cleaning of facilities	20	20	0	Drafted	
Development	Transport Fund Business Case Appraisal Framework	20	17	3	In progress	
Cross Cutting	ICT Governance/Data Security	20	20	0	Drafted	

Originator: Angela Taylor
Director, Resources



ITEM 7

Report to: Governance and Audit Committee

Date: 22 April 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 although some changes to treasury management are set out in paragraph 2.4 below. 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 has already adopted the Local Transport Body assurance framework that had been put in place by the then WYITA. A similar assurance framework is now required to support the decision making processes of the Leeds City Region Enterprise Partnership. The Investment Committee considered this framework and recommended it to the WYCA for approval in March. It was also agreed that the assurance framework should be kept under regular review and that this should be done by the Governance and Audit Committee. It is suggested that this is diarised to take place annually at the April meeting such that any changes required could be

approved at the Annual General Meeting. The framework is available on the WYCA and LEP websites.

- 2.4. At its meeting on 29 January the WYCA approved the treasury management arrangements and prudential funding statement as part of the budget report. Subsequent to this the WYCA was advised that the Local Growth Fund award for 2015/16 would be paid in one instalment of £68m in early April. Such a sum of money would be difficult to place effectively under the current limits for individual placements. The following proposal (which formed paragraph 2.5 of the relevant report) was therefore put to the WYCA at its meeting of 15 March:

' WYCA has recently been informed that the Local Growth Fund monies will be received on 1 April which, along with other payments expected on that date, will present the organisation with significantly higher cash balances than it usually has to manage. In order to better manage the risks associated with this it is proposed that some changes are made to the treasury management arrangements. These have been discussed with the WYCA's advisors at Leeds City Council and the changes are all within the policies applied by the council for its own monies. The proposed changes are to increase the limits for lending to individual counterparties from £7.5m up to £15m, that lending to local authorities be for a period of up to two years rather than one and that the use of AAA rated money market accounts be approved. These measures would provide greater flexibility in placing the funds available whilst not comprising the security of those funds. A limit of £30m per banking group would also be introduced to support the management of counterparty risk.'

- 2.5. The draft resolutions of that meeting include the following:
- (i) That the use of AAA rated money market accounts, as detailed in paragraph 2.5 of the submitted report, be approved.
 - (ii) That the change in the limits for individual counterparties from £7.5m to £15m and an increase in the time limit for lending to local authorities from one year to two years, as detailed in paragraph 2.5 of the submitted report, be approved.
- 2.6. The need to ensure the WYCA's treasury management strategy is best aligned with the activities of the increased size of organisation has been recognised by the Budget Working Group and endorsed by the WYCA. It is intended to provide a full update to a future meeting of this Committee of the treasury management arrangements in place and any options to amend these in order to maximise the effectiveness of them.
- 2.7. 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 a separate paper on this agenda outlines the changes currently being considered.

- 2.8. Internal controls form an integral part of good governance. It is widely recognised that best practice for all organisations to have in place a Code of Corporate Governance. This should follow the guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) and explain how the six principles of good governance are demonstrated by an authority.
- 2.9. Codes of Corporate Governance were in place and approved by the former WYITA and WYPTE but had not been updated to be suitable for the WYCA. Now that the governance arrangements are established and have been operational a Code has been prepared for consideration by this Committee to be recommended to the WYCA for approval at its AGM in June. The draft is attached as Appendix A and comments are requested.

Key indicators

- 2.10. At its last meeting the Committee requested regular information via key indicators, specifically with regard to accidents. Set out below are the figures for the first three months of 2015.

2015 Statistics chart:

2015 - Month ending	Accidents	YTD	Near Misses	YTD	Collisions	YTD	First Aid	YTD	RIDDORS	YTD
January	4	4	4	4	0	0	0	0	0	0
February	4	8	3	7	3	3	0	0	0	0
March Week ending 15.03.2015	3	11	0	8	0	3	0	0	3	3

- 2.11. Of the reported accidents the RIDDOR column at the end shows how many of these were reportable to the HSE. The three accidents in March were unconnected and were an accident involving a member of the public and a bus at one of WYCA's bus stations, a manual handling accident and an assault on a member of staff by a member of the public.
- 2.12. Other key indicators monitored include the suite of financial controls undertaken monthly in both the finance and concessions and integrated ticketing team. These are both up to date as at the time of writing this report.

Financial monitoring – revenue budgets

- 2.13. Closedown is currently underway for the 2014/15 position and draft accounts will be prepared by the end of May. The latest forecast position is set out below.

All £000's	Forecast	Latest
	Outturn	Estimate
	2014/15	2014/15
Concessionary travel	54,341	54,041
Subsidised Services	19,343	19,343
Passenger Services	7,971	7,814
Prepaid Tickets	31,000	31,000
Rail - Franchise Costs	43,155	43,155
Pensions	1,406	1,406
Financing charges	6,983	6,983
Development & Corporate	6,209	6,232
	170,408	169,974
Prepaid Tickets	-31,000	-31,000
Special Rail Grant	-43,155	-43,155
Transport levy	-96,198	-96,198
Use of reserves	55	-379
NET EXPENDITURE		
Total	170,408	169,974
Remaining reserves at year end	6,515	6,949

- 2.14. The most significant change to note since the forecast outturn was agreed is a saving of £300k on concessionary travel. This relates to young persons' concessions and reflects changes that have arisen following changes both to the types of tickets available and the way in which schools transport has been provided. The Transport Committee noted at its last meeting that work was underway to extend the offer of concessionary transport for young people and any savings achieved on current budgets may assist in delivering these proposals.
- 2.15. The budget for 2015/16 was considered by the WYCA at its meeting on 29 January where it agreed the transport levy and transport budget and noted the budget for the Leeds City Enterprise Partnership activities which had previously been agreed through the Leaders' Board and which passed to WYCA on 1 April. In addition the WYCA agreed a position with respect to the inward investment function of Leeds and Partners transferring to the LEP/WYCA on 1 April. These budgets are being consolidated together and form another element for scrutiny by the Budget/Finance Working Group during this year to ensure all the available funding for the WYCA is being used to best effect.
- 2.16. Set out in table 1 below is the revenue budget for transport and in table 2 the budget for the Leeds City Region Enterprise Partnership that were approved by the WYCA.

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

LEP Budget	2014/15	2014/15	2015/16
	Original	Revised	Original
	£000's	£000's	£000's
Expenditure			
LCR Economic Development	1,925	2,492	2,516
Funded By:			
Brought Forward	273	645	356
Partnership Contributions	734	734	734
Government Funding:			
- Direct Support for LEP's	526	529	529
- Projects and Programmes (supporting staff)	342	657	547
- Interest on balances	50	283	350
	1,925	2,848	2,516
Carried Forward		356	

2.17. At this point in the year there are no changes to note in the budget for 2015/16. Work has commenced on identifying the opportunities and options for reducing expenditure from 2016 onwards and this work will be managed through the Budget/Finance Working Group.

2.18. The proposed budget for 2015/16 requires the use of £1m of reserves to support the budget. Again, the need to review the reserves policy has been identified as a task for the Budget/Finance Working Group and that work will be brought back to this Committee in the summer.

Financial monitoring – capital budgets

- 2.19. Capital expenditure for 2014/15 is being finalised as part of the year end closedown work. Grant funding which had to be spent by the deadline of 31 March was on course to be fully disbursed and this will be confirmed as part of the closedown work.
- 2.20. In its last meetings the WYCA approved the outline capital programme for transport of £75m for 2015/16 and noted the project funding that would transfer in with the Leeds City Region Enterprise Partnership of £42m.
- 2.21. Delivery of the Transport Fund and Local Growth Fund projects is being monitored by the Investment Committee and dashboards showing progress on these are available on the WYCA website.
- 2.22. 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.

Risk management

- 2.23. There have been no significant changes to risk since the last meeting of this Committee. The detailed risk registers and corporate risk register continue to be monitored by officers. The annual internal audit review of risk is almost complete and the outcome of that will be reported to the next meeting.
- 2.24. 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.
- 6.2. That the Committee recommend the Code of Corporate Governance to the WYCA for approval.

West Yorkshire Combined Authority

Local Code of Corporate Governance

Introduction

The definition of corporate governance is that it is about ‘how bodies ensure they do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and culture and values, by which bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.’

The West Yorkshire Combined Authority (WYCA) has approved and adopted a code of corporate governance which is consistent with the principles of the best practice guidance issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The framework is based upon the following six core principles:

1. Focussing on the purpose of the Authority and the outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officers to be effective;
6. Engaging with local people and other stakeholders to ensure robust public accountability.

The WYCA is committed to meeting these principles and this statement sets out how the supporting principles beneath each statement will be achieved, monitored and reviewed.

The Authority's core principles

- 1 Focussing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.**

Supporting principles:

Exercising leadership by clearly communicating the Authority's purpose and vision and its intended outcome for citizens and service users.

The WYCA has endorsed the Leeds City Region Enterprise Partnership's Strategic Economic Plan (SEP) for the region which sets out ambitious plans to drive economic growth. Alongside this the Local Transport Plan sets out key transport plans which are supported by bus, rail, freight, asset and network management strategies. This will be relaunched later in 2015 as the Single Transport Plan which will be updated for recent transport developments and to provide clearer links to the SEP. A manifesto and strategy for West Yorkshire are being further developed to set out the full extent of the WYCA's ambitions for the region and what this means for the people of West Yorkshire and the wider economy.

Ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning.

The Authority will produce regular reports setting out its targets and the achievement against them. This will include progress on key projects in the West Yorkshire plus Transport Fund and other priority schemes in the Local Growth Deal. The annual tracker survey will demonstrate satisfaction with the provision of local public transport.

Ensuring that the Authority makes best use of resources and that tax payers and service users receive excellent value for money.

The Authority will prepare a three year financial strategy which is scrutinised by Members to ensure it supports the ambitions of the WYCA. Detailed annual budgets are considered and approved by the WYCA and shared with the constituent Councils. Annual accounts are produced within three months of the year end and an audit opinion on these and on the value for money position is provided by external auditors.

- 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles.**

Supporting principles:

Ensuring effective leadership throughout the Authority by being clear about executive and non executive functions

Ensuring a constructive working relationship exists between elected Members and Officers

Ensuring relationships between the Authority and the public are clear.

The Authority has in place a clear constitution and a Committee structure covering all aspects of its activities. Schemes of delegation have been put in place to enable Committees, the Head of Paid Service and Directors to work effectively and make decisions in a transparent way. Statutory officers with the appropriate skills and resources have been appointed and ensure advice is given on the necessary financial and procedural matters.

The ways of working are published and reviewed annually, including Standing Orders and Financial Regulations, schemes of delegation, a Members Allowance Scheme and a protocol for Member/Officer relations. An Overview and Scrutiny Committee of co-opted members from all constituent authorities includes within its terms of reference the ability to call in any decision of the WYCA.

3 Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Supporting principles

Ensuring members and officers exercise leadership by behaving in ways that uphold high standards of conduct and exemplify effective governance

Ensuring that organisational values are put into practice and are effective.

The WYCA expects the highest standards of conduct and personal behaviour from its Members and employees. Robust arrangements are in place to ensure that these high standards are promoted and upheld. Organisational values have been adopted by the Authority and are reflected in policies and protocols. The Authority has issued, and keeps under regular review, a number of documents including a Member Code of Conduct, an Officer Code of Conduct, a complaints procedure and an anti fraud and anti corruption policy which includes the whistleblowing policy. All employees are trained in the values, standards, policies and procedures that WYCA expects them to adhere to.

4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Supporting principles

Exercising leadership by being rigorous and transparent about how decisions are made

Having good quality information, advice and support

Making sure an effective risk management system is in place

Recognising the limits of lawful action

The WYCA ensures that decision making is transparent and that appropriate advice is taken in reaching decisions. All key decisions of the WYCA and its Committees are made in public meetings with documents available to the public via the internet. Officer decisions are taken in accordance with the schemes of delegation in place and are recorded.

Appropriately skilled and qualified officers provide advice and input to the decision making process.

A risk management framework is in place and is overseen by the Governance and Audit Committee. A risk manual provides practical guidance to officers in recording, monitoring and managing risk through the performance management system.

The Authority has arrangements in place to ensure it collects, uses and stores information and data appropriately.

The Governance and Audit Committee oversees all governance arrangements and ensures these are operating effectively. It monitors and formally reviews the work of the internal audit function and considers the annual review produced by the Internal Audit Manager.

5 Developing the capacity and capability of members and officers to be effective

Supporting principles

Making sure Members and Officers have the skills, knowledge, experience and resources they need to perform well

Developing the capability of people with governance responsibilities

Encouraging new talent for membership of the Authority.

The WYCA seeks to ensure all Members and Officers have the necessary skills and training to fulfil their roles. Members receive an induction programme when they are appointed to a Committee of the WYCA and this is supplemented by specialised training courses where appropriate. Officers are appointed using competency based job descriptions and their performance against these competencies is regularly monitored and reviewed. A detailed learning and development plan ensures that training needs are met at both an individual and an organisational level. The commitment to staff development is demonstrated in the continued re-accreditation of both the Investor in People and Customer Service Excellence standards.

6 Engaging with local people and other stakeholders to ensure robust public accountability.

Supporting principle

Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders.

The WYCA engages with stakeholders and local people in a variety of ways. Its actions are readily available to the public via the publication of all meeting papers and decisions on the internet and the public nature of all its meetings. The WYCA fosters close links with the local District Councils, facilitated by the appointment of senior politicians from these Districts to the WYCA. The Chair of the Leeds City Region Enterprise Partnership sits on the WYCA to assist in ensuring close working with local businesses.

The District Engagement Sub-Committees provide the forum for local people to engage on public transport matters that are relevant to them. For all significant projects public consultation will be undertaken both electronically and in the form of public meetings.

Monitoring and review

It is the responsibility of the Governance and Audit Committee to keep corporate governance matters under review. As part of this process it undertakes regular reviews throughout the year with a formal review at the year end of the processes and systems in place during the year. This includes the results of the work carried out by the internal audit section. The Committee reviews the Annual Governance Statement which forms part of the statutory annual accounts which are subject to external audit. The Committee review and recommend this statement to the WYCA for consideration and approval.

ITEM 8

Report to: Governance & Audit Committee

Date: 22 April 2015

Subject: Review of Governance

1. Purpose

- 1.1. To advise the Committee of proposals to review the governance of the WYCA in advance of the Annual Meeting on 25 June, at which the WYCA would approve any changes.

2. Information

- 2.1. At the inaugural meeting of the WYCA, the WYCA requested that there should be a review of governance and in particular, the scheme of Officer Delegation and the members' allowances scheme.
- 2.2. During the first year of the WYCA there has been some significant new legislation which required changes to governance arrangements. In addition, the Leaders Board Joint Committee has been dissolved and the WYCA has created the new LCR Partnership Committee.
- 2.3. The interplay between the Transport Committee, the Investment Committee and the development of the Local Growth Fund, Strategic Economic Plan, Single Appraisal Framework for schemes and devolution prospects suggest that the current delegations and terms of reference might be updated to assist in streamlining decision making as much as possible.
- 2.4. This report will provide a brief overview of the proposals for changes to the governance of the WYCA which will be taken to the Annual Meeting of the WYCA for approval.
- 2.5. The views of the Governance and Audit Committee on the draft proposals are welcomed.

Members' Allowances Scheme

- 2.6 The Independent Remuneration Panel has been retained to review the current scheme and report on any proposals in the light of the working of the WYCA during its first year, and also certain anomalies that have been identified which would be beneficial to address. For example, the policy for reimbursing childcare costs of Members might benefit from clarification in the case where a Member had more than one child. The report of the IRP is expected by the end of the month.

Committee terms of reference

- 2.7 The following committees were established by the WYCA at its annual meeting in 2014:
- the Transport Committee
 - the Overview and Scrutiny committee
 - the Governance and Audit committee
 - the West Yorkshire and York Investment Committee
 - the Recruitment Committee.
- 2.8 The Leeds City Region (LCR) Partnership Committee has now been established with effect from 1 April 2015, further to the dissolution of the LCR Leaders Board.
- 2.9 It is proposed to re-establish all of these committees for the new municipal year, with the exception of the Recruitment Committee, which was specifically established to appoint to the post of Executive Director of Transport. Minor amendments to committees' terms of reference will be proposed for clarification.
- 2.10 Consideration is also being given as to whether the current Budget/Finance Working Group should be formalised to a Resources Committee, with a remit that would include staffing and ICT matters as well as budget and finance ones.
- 2.11 It is also proposed that the Transport Committee's terms of reference are revised to include the exercise of wellbeing in relation to transport. The sub-committees/advisory groups that provide input on Transport Committee matters are also being considered.

Officer delegations

- 2.12 The current delegation scheme was designed to reflect the transport functions of the former PTE (and as such carried out by officers) as distinct from those previously carried out by WYITA. For continuity, the Executive Director of Transport, for example, was delegated only those transport functions which previously had been within the remit of the PTE, with WYITA transport functions being discharged by the WYCA or its Transport Committee.
- 2.13 Subsequently, with effect from 1 April 2015, the delegation of the Head of Economic Strategy was amended to provide for the postholder to implement

recommendations of the LCR Partnership Committee, without further referral to the WYCA. This therefore promotes swift and efficient decision-making.

- 2.14 For the coming municipal year, the WYCA may decide to delegate some functions which previously could not have been delegated to PTE officers, to officers of the WYCA. In this respect, some anomalies have been identified in the area of capital approval and in relation to the interplay between transport and investment decisions, where there is frequently significant overlap.
- 2.15 There will therefore be general proposals to approve a level of delegated authority for certain types of capital expenditure within an overall programme approved by the WYCA. This should reduce the incidence of reports having to be considered each of the Transport Committee, the Investment Committee and the WYCA.
- 2.16 The proposals will also include a specific delegation to the Head of Economic Strategy to approve specific types of loan, which were previously considered by the Leaders' Board. It is proposed that the Head of Economic Strategy would be required to consult across the LCR about any proposed loans, and in the event of any objections being received, refer any matter to LCR Partnership Committee for consideration.
- 2.17 In terms of spending decisions that fall outside of a capital programme, such as compensation within the proposed NGT scheme, there will be proposals reviewing the levels of delegated authority to appropriate officers.
- 2.18 It is also proposed to amend the delegation scheme to incorporate new statutory requirements relating to the recording of specific officer decisions.

Standing Orders

- 2.19 Minor amendments to the Procedural Standing Orders are proposed, for updating purposes only, including in relation to the recording of meetings of the WYCA. A new Code of Practice will be drafted to support this.
- 2.20 The Contracts Standing Orders will also need to be amended to reflect the new Procurement Directive.
- 2.21 It is proposed that since from 1 April 2015 the WYCA has become the accountable body for many LEP decisions, the Overview and Scrutiny Standing Orders should be amended to prohibit any member of the LEP Board from being on the Overview and Scrutiny Committee. This separation of responsibilities promotes accountability and removes the risks of a conflict of interest arising.

3. Financial Implications

- 3.1. Amendments to the Members' Allowances scheme or to the membership of committees may impact on the remuneration budget for the WYCA.

3.2 Servicing of any new committees would be carried out within existing budget constraints.

4. Legal Implications

4.1. Appointments to WYCA committees need to comply with any relevant requirements relating to political balance.

5. Staffing Implications

5.1. No specific staffing implications arise.

6. Recommendations

6.1. The Governance and Audit Committee is requested to consider and comment on the above proposals.

ITEM 9

Report to: Governance & Audit Committee

Date: 22 April 2015

Subject: Appointment of Independent Persons

1. Purpose

- 1.1. To seek approval to the setting up of a panel or sub-committee to oversee the recruitment of two independent persons for recommendation to the Authority for appointment.

2. Information

- 2.1. It is a requirement of the Localism Act that the Authority both advertises for and appoints an Independent Person or Persons to be available to act in relation to complaints concerning allegations that Members have breached the WYCA's Code of Conduct.
- 2.2. At its inaugural meeting on 1 April 2014 the WYCA endorsed the continuation in office of the Independent Persons appointed by the former WYITA.
- 2.3. In order to strictly comply with the Localism Act, it will be necessary for the WYCA to advertise for post holders and for the WYCA to appoint suitable candidates.
- 2.4. The Democratic Services Office has advertised for candidates.

3. Financial Implications

- 3.1. The Independent Persons are remunerated under the Members Allowance Scheme.

4. Legal Implications

- 4.1. It is within the terms of reference of the Governance and Audit Committee to advise the Authority on the appointment of suitable Independent Persons and a panel or subcommittee should be established for this purpose.

4.2 The function of the independent persons is set out within the WYCA’s “Procedure for Considering Complaints alleging a Failure to Comply with the Members’ Code of Conduct.” which is attached.

5. Staffing Implications

5.1. None – the Independent Persons are not employees of the Authority.

6. Recommendations

6.1. That a panel or sub-committee be established with not fewer than three members, being members of the Governance and Audit Committee for the purpose of:

- reviewing applications for the post of Independent Persons;
- interviewing applicants if necessary; and
- making an appropriate recommendation or recommendations, by majority decision if not unanimously, to the Authority to make appointments at the Annual General Meeting in June.

6.2 That there be two appointments recommended to the WYCA to deal with instances of absence or conflict of interest.

7. Background Documents

7.1. “Procedure for Considering Complaints alleging a Failure to Comply with the Members’ Code of Conduct.”

West Yorkshire Combined Authority

Procedure for Considering Complaints Alleging a Failure to Comply with the Members' Code of Conduct

Introduction

1. The Members' Code of Conduct applies to members and voting co-opted members when they are acting in that capacity.

Submitting a Complaint

2. A complainant alleging a failure to comply with the Code should submit their complaint in writing to the **Monitoring Officer** for initial assessment.
3. The complaint must set out:
 - a. **who** was involved;
 - b. the alleged **mis-conduct**;
 - c. **when** and **where** it occurred; and
 - d. how the complainant wants the complaint to be **resolved**.
4. A complainant should complete a **complaint form**, but this is not required if the complainant provides the details required in writing.
5. If a complainant does not complete a form and does not provide the required details in writing, the Monitoring Officer will ask them to re-submit the complaint by completing a form.

Stage 1 - Initial Assessment by the Monitoring Officer

6. The Monitoring Officer will notify a member about any complaint against them¹.
7. The Monitoring Officer will decide whether the complaint should be dealt with under Stage 2 of this procedure.

¹ This is for information only, where the Monitoring Officer decides that the complaint should not be dealt with further under this procedure.

8. Where a complaint may relate to a member in their capacity as a Member of a constituent or non-constituent council, the Monitoring Officer will consult with the Monitoring Officer of the relevant council.

Complaints which will not be dealt with under Stage 2

9. A complaint will not be dealt with under Stage 2 of this procedure if it is a complaint which:
 - a. is submitted **anonymously**^{2 3}
 - b. does **not identify the member**
 - c. relates to a member's **personal or private life**
 - d. alleges that a **criminal offence** has been committed
 - e. is about **failing to respond** to a request from a constituent or other individual
 - f. relates to alleged actions by **officers** of the Authority, or a **service related issue**
 - g. relates to a **decision** of the Authority, a committee of the Authority or an officer of the Authority.
 - h. relates to a person who is **no longer a member** of the Authority.
 - i. refers principally to an alleged incident **before the person became a member** of the Authority.
 - j. refers principally to an alleged incident which happened so long **in the past** that there would be little benefit in taking action
 - k. contains **trivial allegations**, or which appear to be simply **malicious, vexatious, politically motivated or tit-for-tat** or
 - l. concerns alleged behaviour which has **already** been **investigated** or subject to some form of action.
10. If a complaint alleges that a criminal offence has been committed,⁴ the Monitoring Officer may direct any such complaint to the West Yorkshire

² Complaints which contain a request for the complainant's identity to be withheld may be dealt with under this procedure, although the complainant's identity will only be withheld if, in the opinion of the Monitoring Officer, there are exceptional circumstances. If the Monitoring Officer does not consider that the complainant's identity should be withheld, the complainant will be given the opportunity to withdraw the complaint.

³ Anonymous complaints which reveal potential fraud or corruption will be referred to Internal Audit for consideration under the Authority's Whistle Blowing Policy.

⁴ Such as fraud, or an offence relating to failing to register or disclose a disclosable pecuniary interest under S34 Localism Act 2011.

Police. Before making this decision, the Monitoring Officer may consult with:-

- the Chair of the Authority
- the Chair of the Governance and Audit Committee
- the Head of Paid Service
- the Chief Finance Officer, or
- an Independent Person⁵.

11. The Monitoring Officer will refer any complaint about an **officer or service related issue** to the Head of Paid Service.
12. The Monitoring Officer will explain in writing to the complainant why the complaint will not be dealt with under Stage 2 of this procedure.
13. There is no appeal against any decision taken by the Monitoring Officer at this stage.

Stage 2 - Informal Resolution

14. If the Monitoring Officer decides that the complaint should be dealt with under Stage 2 of this procedure, the Monitoring Officer will refer the complaint to the member and any relevant Group Leader⁶, with a request that they seek to resolve the complaint. The Monitoring Officer will provide the member with:
 - a reasonable timescale for this (usually **20 working days**), and
 - the contact details for an Independent Person.
15. The Monitoring Officer will also write to the complainant to explain that the member has been asked to seek to resolve the complaint. The Monitoring Officer will provide the complainant with a copy of this procedure.
16. Informal resolution may include:
 - a. an **explanation** by the member of the circumstances surrounding the complaint;
 - b. an **apology** from the member;
 - c. an agreement from the member to attend relevant **training** or to take part in a **mentoring** process;
 - d. an offer of **mediation or conciliation** between the member and the complainant or

⁵ Appointed under S28 Localism Act 2011.

⁶ If the complaint is about a Group Leader, the Monitoring Officer may refer the matter to the relevant Group Whip within the appointing Council.

e. **any other action** capable of resolving the complaint.

17. The member may seek guidance from:

- a Group Leader or Group Whip, and/or
- the Monitoring Officer.

18. The member may also ask an **Independent Person** for their view of the complaint and about an appropriate form of resolution. To avoid a conflict of interests arising, an independent Person should not provide views to both a member and the Governance and Audit Committee on the same complaint.

19. The member may also ask the complainant what form of informal resolution they would find acceptable, particularly if the resolution they have requested in their complaint is not possible.

20. At the end of the 20 working day period, the Monitoring Officer in consultation with the Chair of the Governance and Audit Committee, will decide whether the complaint is resolved.

21. Where the complaint is **resolved**, the Monitoring Officer will confirm to the complainant and the member in writing that there will be **no further action** taken under this procedure.

22. Where the complaint is **not resolved**, the Monitoring Officer will refer the complaint to the **Governance and Audit Committee**. The Monitoring Officer will ask the complainant and the member to submit **written representations** about the complaint and any response to it.

23. There is no appeal against any decision of the Monitoring Officer under this stage.

Stage 3 – Governance and Audit Committee⁷

24. The Monitoring Officer will prepare a report for the Governance and Audit Committee, which will include:

- a. a **copy of the complaint** and any **response** from the member
- b. **minutes** of any relevant meetings
- c. details of **measures taken** to address the complaint
- d. any further **written representations** from the complainant or the member

⁷ Or any sub-committee appointed by the Governance and Audit Committee which has authority to determine complaints under this procedure.

- e. any **view** submitted in writing to the Committee by an Independent Person⁸.
25. Where possible the Governance and Audit Committee will consider the report within **20 working days** of it being finalised by the Monitoring Officer.
26. The Monitoring Officer will invite the Group Leader or Group Whip (if relevant) to attend the meeting of the Governance and Audit Committee.⁹
27. Before reaching a decision on the complaint, the Committee **must** seek, and take account of, the **view of an Independent Person** in relation to the complaint¹⁰. The Monitoring Officer will invite that Independent Person to attend the meeting of the Governance and Audit Committee¹¹. If the Independent Person cannot attend the meeting they must submit their view to the Governance and Audit Committee in writing.
28. The Monitoring Officer will attend the meeting to present their report.
29. The Governance and Audit Committee will consider the report of the Monitoring Officer and may also ask questions of anyone present at the meeting.
30. The Governance and Audit Committee must decide whether the member has failed to comply with the Code.
31. If the Governance and Audit Committee is unable to reach a decision on the complaint on the basis of the information before it, it may adjourn the meeting and request that the Monitoring Officer seeks any further information required. However, when doing so, the Committee should consider whether such information will be readily available to the Monitoring Officer. Any request for information must be provided to both the complainant and the member.
32. If the Governance and Audit Committee decides¹² that the member did **not** fail to comply with the Code, the complaints process will conclude.
33. If the Governance and Audit Committee decides¹³ that the member **has failed** to comply with the Code, the Committee must go on to consider:

⁸ See further below.

⁹ The Chair may invite them to speak at the meeting, but any Group Leader or Group Whip who attends in response to such an invitation cannot participate or vote as a member of the committee.

¹⁰ As required by S28 (7)(a) Localism Act 2011.

¹¹ The Chair will ask the Independent Person to give their view at the meeting, but an Independent Person cannot participate or vote as a member of the committee.

¹² On the balance of probabilities, that is, it is more likely than not.

¹³ See footnote above.

- a. Whether to take action against the member; and
- b. What **action** it should recommend to the Authority.

Recommendations to the Authority

34. Where the Governance and Audit Committee decides that the member has failed to comply with the Code, the Governance and Audit Committee may recommend:
- a. a **formal letter to the member** from the Chair of the Governance and Audit Committee which will be copied to the Group Leader and/or the Group Whip;
 - b. **removal** by the Authority of the member **from any committee or sub-committee** (if they are a member of it), either permanently or for a specified period of time;
 - c. a **formal letter** from the Chair of the Governance and Audit Committee **to the Leader of the appointing Council** copied to the relevant Monitoring Officer and Group Whip or;
 - d. **formal censure** by the Authority.
35. Whether or not there has been a failure to comply with the Code, the Governance and Audit Committee may in any event make **general recommendations** to the Authority with a view to promoting and maintaining high standards of conduct within the Authority. Such recommendations may include changes to Authority procedures and practices or training for members in general.
36. Within **5 working days** of the meeting the Chair of the Governance and Audit Committee will write to the complainant and the member explaining the decision of the Committee and setting out any recommendations made to the Authority.
37. The Monitoring Officer will report all recommendations of the Governance and Audit Committee to the next available meeting of the Authority.
38. There is no right of appeal against a decision of the Governance and Audit Committee or the Authority.