

GOVERNANCE AND AUDIT COMMITTEE

**MEETING TO BE HELD AT 12.00 pm ON 6 APRIL 2017
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 1 DECEMBER 2016
(pages 3 - 7)**

Copy attached.

- 5. EXTERNAL AUDIT MATTERS
(pages 8 - 30)**

To consider the attached report

- 6. INTERNAL AUDIT PROGRESS REPORT
(pages 31 - 46)**

To consider the attached report.

- 7. INTERNAL AUDIT PLAN 2017/18
(pages 47 - 59)**

To consider the attached report.

8. INTERNAL CONTROLS & FINANCIAL MONITORING
(pages 60 - 65)

To consider the attached report.

Signed:

A handwritten signature in black ink, appearing to be 'BGM', with a long horizontal stroke extending to the right.

WYCA Managing Director

ITEM 4

MINUTES OF THE MEETING OF THE GOVERNANCE & AUDIT COMMITTEE HELD ON THURSDAY 1 DECEMBER 2016 IN WELLINGTON HOUSE, LEEDS

Present:

Roger Marsh (Chair)
 Councillor Andrew Carter
 Councillor David Sheard

In Attendance:

Angela Taylor	-	WYCA
Russell Gott	-	WYCA
Ruth Chaplin	-	WYCA
Khaled Berroum	-	WYCA
Steve Appleton	-	Mazars
David Brown	-	Leeds City Council

19. Apologies for Absence

There were no apologies for absence.

20. Declarations of Disclosable Pecuniary Interests

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

21. Minutes

Resolved: That the minutes of the meeting held on 29 September 2016 be approved.

22. Revised Committee Membership

The Committee considered a report informing members of a review of the current membership of the Governance and Audit Committee by WYCA and proposed arrangements for the appointment of an independent Chair for the Committee.

It was reported that WYCA had considered the membership of the Governance and Audit Committee and agreed that Councillor Tim Swift be appointed as an additional member.

It was anticipated that, because of a forthcoming legislative Order, the WYCA would be required to appoint an independent Chair for the Governance and Audit Committee. The WYCA had agreed that in such an event an interview panel be

convened of 3 WYCA members to make recommendations in relation to the appointment and it was proposed that members of the Governance and Audit Committee be involved in the recruitment. It was reported that the WYCA's Independent Remuneration Panel would also be asked to advise on appropriate remuneration.

Resolved:

- (i) That the revised membership of the Governance and Audit Committee be noted.
- (ii) That members of the Governance and Audit Committee be involved in the recruitment of an independent Chair for the Committee.

23. Treasury Management Presentation

The Committee considered a report and were given a presentation on the treasury management arrangements in place for the WYCA.

The meeting was attended by David Brown from Leeds City Council who provided an overview and answered questions in respect of treasury management including underlying risks, measures in place to manage the risks and the role of the Governance and Audit Committee in monitoring these arrangements. It was noted that WYCA's treasury management was undertaken jointly by WYCA and Leeds City Council officers, under the terms of a Service Level Agreement (SLA). The SLA had recently been fully updated and signed off by both organisations and a copy would be circulated to the Committee.

Members discussed the Committee's responsibility for considering treasury management arrangements including the adequacy of treasury management policies and practices and the need to ensure compliance with statutory guidance. It was requested that additional information with regard to the monitoring of treasury management practices be brought to a future meeting of the Committee.

The Committee thanked officers for their informative presentation.

Resolved:

- (i) That treasury management arrangements in place be noted.
- (ii) That a copy of the Service Level Agreement be circulated to the Committee.

24. External Audit Matters

The Committee considered a report which provided information on:

- The annual audit letter for 2015/16
- Future appointment of external auditors

- Consultation on the work programme and fees for 2017/18
- Mazars planning for the 2016/17 audit.

It was reported that the WYCA had approved the use of Public Sector Audit Appointments (PSSA) as the appointing body for future auditors and a formal acceptance to the proposal, which would run for up to 5 years, would be submitted.

Members noted the consultation document in respect of the proposed work programme and scales of fees for 2017/18 which was attached at Appendix C to the submitted report. It was considered that as there were no changes to the work or fee for the WYCA no response to the consultation was necessary.

Members considered Mazar's Audit Progress Report which was attached at Appendix D and set out their planning for the 2016/17 year end audit. The report highlighted a request for information in respect of the arrangements in place for preventing fraud and ensuring legal compliance and it was agreed that the Committee would provide a response for consideration at the next meeting. It was requested that copies of previous responses also be provided at the meeting.

Resolved:

- (i) That the annual audit letter and the audit progress report be noted.
- (ii) That the arrangements with Public Sector Audit Appointments be noted and that no response to the consultation on fees and work programme be sent.
- (iii) That the Committee provide a response to Mazars at the next meeting in respect of the arrangements in place for preventing fraud and ensuring legal compliance.

25. Internal Audit Progress Report

The Committee considered a report on work undertaken by the Internal Audit Section from 1 September 2016 to 30 November 2016.

Details of progress made to date in completing the Audit Plan for 2016/17 were provided in Appendix A of the submitted report. It was reported that additional resources have been secured to address the imbalance between the audit resource which could be provided by the in-house service and the level of assurance required through the performance of audit reviews identified in the Plan.

The report provided members with an overview of the audit reviews undertaken in the latest period and the key issues which had been identified were outlined in paragraphs 4.3.1 to 4.3.6 of the submitted report.

Review

Payroll & HR Records

Opinion

Controlled

Apprenticeship Grants for Employers	Requires Improvement
Tendered Subsidised Bus Services	Controlled
Skills Capital Funding	Requires Improvement
Green Deal Communities Fund	Certification of expenditure
L-CREATE	Certification of expenditure

In addition to completion of the above, audit reviews had also been undertaken in relation to West Yorkshire & York Broadband Programme, Growing Places fund and Treasury Management. A summary of the results from those reviews would be provided at the next meeting.

It was reported that work on the development of the Internal Audit Plan 2017/18 was due to commence and, as part of the process, members of the Committee would need to be consulted regarding the scope and level of assurance required. It was proposed that the Internal Audit Manager would consult with members individually prior to formal approval being sought for the Audit Plan at the April meeting.

Resolved:

- (i) That the report be noted.
- (ii) That the Internal Audit Manager consult with members of the Governance & Audit Committee, on an individual basis, on the development of the 2017/18 Internal Audit Plan.

26. Internal Controls and Financial Monitoring

The Committee considered a report on any changes to internal control arrangements since the last meeting and the current financial position of WYCA.

Internal Controls

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

Key Indicators

It was noted that the key indicators showed no matters of concern. With regard to accidents reportable to the Health and Safety Executive, members were advised that there had been one reportable accident in the period 1 April – 31 October 2016 relating to a fall at a bus station but there was no indication of any defect having contributed to the incident.

Financial Monitoring – Revenue Budgets

Members noted the revised forecast for 2016/17 and the proposed draft budget for 2017/18. It was noted that the WYCA had considered a report on the budget position. This had set out the likely closing position for 2016/17 and also the challenges in setting a

balanced budget for 2017/18 in view of the difficult local government funding position and the increasing demands on the WYCA.

The WYCA budget report outlined the uncertainties regarding the timing of the business rates income from the Enterprise Zone, the challenges in respect of the English National Concessionary Travel Scheme, bus tendered services and the desire from the District Councils to see a reduction in the transport levy. The full capital and revenue budgets would be considered by the WYCA on 2 February 2017.

Resolved: That the report be noted.

ITEM 5

Report to: Governance & Audit Committee

Date: 6 April 2016

Subject: External audit matters

1. Purpose

1.1. This report sets out information on the following matters:

- The proposed response to Mazars with regard to fraud and legal compliance with reference to the 2016/17 audit.
- Mazars audit planning for the 2016/17 audit
- Progress in appointing auditors for future years following approval to progress this with Public Sector Audit Appointments Ltd (PSAA).

2. Information

- 2.1. At its last meeting the Committee considered the Audit Progress Report from Mazars regarding their interim planning for the 2016/17 audit. In this they identified a requirement for this Committee to provide a response to a set of questions regarding the arrangements in place for the prevention of fraud and compliance with the law. A draft response is attached at **Appendix A** for consideration.
- 2.2. Since the last meeting Mazars have undertaken their interim audit work and progressed their planning for the year end audit. Their Audit Strategy Memorandum is attached as **Appendix B** and sets out key risks and the approach Mazars will take to the audit work.
- 2.3. Mazars will be present at the meeting to answer any questions in relation to the Memorandum and the year end process.
- 2.4. Members will recall that they recommended, and WYCA approved, the use of Public Sector Audit Appointments Ltd (PSAA) to appoint auditors in future years. PSAA has now confirmed that 98% of eligible local authorities have elected to appoint through PSAA. The next step is for them to complete the major procurement process to

identify the firms which will carry out audits under contract to PSAA, the results of which are expected in June. There will then be a consultation process with individual authorities to appoint auditors before the statutory deadline of 31 December 2017. A further consultation process, commencing in October 2017, will lead to the approval of fee scales for audits of the 2018/19 accounts, the first year of the national scheme's operation.

2.5. Further updates will continue to be provided to this Committee.

3. Financial Implications

3.1. None arising directly from this report. Audit fees are included in the annual revenue budgets.

4. Legal Implications

4.1. None arising directly from this report.

5. Staffing Implications

5.1. None arising directly from this report.

6. Consultees

6.1. None.

7. Recommendations

7.1. That the Governance and Audit Committee approve the draft response to fraud and legal compliance attached as Appendix A.

7.2. That the Governance and Audit Committee note the Audit Strategy Memorandum from Mazars.

7.3. That the Governance and Audit Committee note the next steps in the appointment of auditors for 2018/19.

8. Background Documents

8.1. None.

Request for Information

1. How do you exercise oversight of management's processes in relation to:

- Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error?

The Committee relies on the technical expertise of those in the finance function, including the Chief Financial Officer, to prepare the financial statements such that they are free from material error. Robust internal controls are in place (and regularly audited) to aid the prevention of fraudulent transactions in the financial systems and hence in the financial statements.

- Identifying and responding to risks of fraud in the Authority, please detail any specific risks of fraud which management have identified and classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist?

The Internal Audit Plan focuses on those areas of higher risk; the assessment of risk includes fraud and as such there is an annual audit of areas where cash and/or electronic payment is involved. The results of those audits are reported back to the Governance and Audit Committee. The audit plan itself contains a section on both pro-active and reactive responses to fraud.

- Communicating to employees its view on business practice and ethical behaviour?

All employees are required to read the code of conduct as part of their induction process on joining WYCA. This sets out the standards of behaviour expected, providing an ethical framework within which to work and covers a number of topics including the requirement to declare prejudicial or personal interests and guidance on gifts and hospitality. Additionally Contract Standing Orders and Financial Regulations set out further instructions on how resources are utilised in a legally compliant way.

- Communicating to you the processes for identifying and responding to fraud or error?

Internal Audit provide a regular report to the Governance and Audit Committee and this includes any reported or alleged frauds. The process of investigation frauds is set out in the Fraud Response Plan, owned by Internal Audit and covered by the Quality Assurance Improvement Plan (QAIP) which is signed off periodically by this Committee. Any material errors that occur will be reported to the Committee in the regular paper on internal controls and financial monitoring.

2. How do you oversee management processes for identifying and responding to possible breaches of internal control? Are you aware of any significant breaches of internal control during 2016/17?

The Audit and Governance Committee receives regular reports on the management and monitoring of internal controls. It reviews the annual accounts and receives regular reports on the budgetary position and on treasury management. The Internal Audit strategic audit plan is considered and approved by the Committee and may include any areas where there is deemed to be a higher risk of control failure. The Code of Corporate Governance sets out the framework of internal control and the other management processes in place and these are reviewed by the Committee annually through the Annual Governance Statement which forms part of the annual accounts.

We are not aware of any significant breaches of internal control during 2016/17.

3. How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of significant non-compliance during 2016/17?

WYCA employs a full legal team headed by a qualified solicitor who attends all full meetings of the Authority and provides input to papers. Other officers are specifically tasked with considering changes in legislation relating to their particular areas, such as health and safety and employment law. Officers meet regularly to consider risks, including those of non-compliance and any such matters of significance would be reported to this Committee.

To our knowledge there have been no instances of significant non-compliance during 2016/17.

4. Are you aware of any actual or potential litigation or claims that would affect the financial statements?

We are unaware of any actual or potential litigation or claims that would affect the financial statements.

5. Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Authority's ability to continue as a going concern?

Officers will undertake a formal assessment of going concern as part of the year end process and report back to this Committee with the draft financial statements. We are unaware of any events that could cast doubt on the Authority's ability to continue as a going concern.

Audit Strategy Memorandum

West Yorkshire Combined Authority

For the year ended 31 March 2017



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Our reports are prepared in the context of Public Sector Audit Appointment’s ‘Statement of responsibilities of auditors and audited bodies’. Reports and letters prepared by appointed auditors and addressed to members, directors or managers are prepared for the sole use of the audited body and we take no responsibility to any member, director or manager in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy organisation, and is a limited liability partnership registered in England with registered number OC308299. A list of partners’ names is available for inspection at the firm’s registered office, Tower Bridge House, St Katharine’s Way, London E1W 1DD.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.

Executive summary

Purpose of this report

The Audit Strategy Memorandum sets out our audit plan in respect of the audit of West Yorkshire Combined Authority ('the Combined Authority') for the year ending 31 March 2017, and forms the basis for discussion at the Governance and Audit Committee meeting on 6 April 2017.

The plan sets out our proposed audit approach and is prepared to assist you in fulfilling your governance responsibilities. The responsibilities of those charged with governance are defined as overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the financial reporting process. We have determined that the Audit and Governance Committee are those charged with governance for the purpose of our audit as the full Authority has formally delegated responsibility to them to consider all audit reports.

Timing of our work	Our audit will be delivered in four main phases as outlined in page 8 of this report. The statutory deadline for the completion of our audit work is 29 September 2017.
Financial Statements audit	<p>Significant risks</p> <p>We have identified the following areas on which we will carry out specific audit procedures to mitigate the risks of material misstatements in the Combined Authority's financial statements.</p> <ul style="list-style-type: none">• management override of controls;• revenue recognition; and• valuation of the defined benefit pension scheme. <p>Materiality</p> <p>At the planning stage of the audit we have set materiality for the financial statements as a whole at £4,897,000. In reporting the results of our work we do not report identified misstatements below a clearly trivial level. We have set this level at £147,000.</p>
Value for Money conclusion	The work we carry out to form a conclusion on whether the Combined Authority has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources is summarised on page 10. This details our initial risk assessment and areas our additional work will focus on. We have not identified any significant risk in respect of our VFM work.
Independence	We have considered any actual, potential or perceived threats to our independence on page 17. We have not identified any such threats at this stage of the audit.

Audit scope and approach

The scope of our work

The detailed scope of our work as your appointed auditor for 2016/17 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ('the 2014 Act') and are summarised below.

Opinion on the financial statements

We are responsible for forming and expressing an opinion on the financial statements. Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Combined Authority for the year.

Our audit does not relieve management, or the Governance and Audit Committee, as those charged with governance, of their responsibilities.

Value for Money conclusion

We are required to conclude whether the Combined Authority has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our Value for Money work in greater detail later in this report.

Whole of Government Accounts (WGA)

We report to the NAO on the consistency of the Combined Authority's financial statements with its WGA submission.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Combined Authority and consider any objection made to the accounts by an elector. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our response to the risk of fraud

International Standards on Auditing (ISAs) require us to obtain reasonable assurance that the financial statements are free from material fraud and/or error. There are a range of ways in which fraud may arise in the context of your financial statements and we formally consider the risk of fraud as part of our planning work and design appropriate procedures to mitigate risks identified. We maintain an appropriate level of professional scepticism throughout the audit and are mindful that a material misstatement due to fraud is possible, however our audit should not be relied upon to identify all such misstatements.

Management and the Governance and Audit Committee, as those charged with governance also have responsibilities in respect of fraud. They are responsible for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with laws and regulations.

Our enquiries will focus on:

- what role the Governance and Audit Committee has in relation to fraud and how it is kept informed of fraud related matters by management;
- what anti-fraud measures you have in place and how your policies and procedures are monitored; and
- whether you are aware of any actual, alleged or suspected fraud.

Our approach to obtaining assurance over service organisations

There are material entries in your financial statements where the Combined Authority is dependent on an external organisation (Leeds City Council). We call such entities service organisations. In Appendix A, we outline our approach to understanding the services received from the Council and the approach we intend to take to obtain sufficient appropriate evidence over items of account that derive from them.

Our use of experts and other auditors

Management and auditor experts

There are material entries in your financial statements which are provided by management experts. For some of these entries, we will use our own expert to provide us with the assurance we require in relation to the work of your expert.

In addition to setting out information in respect of service organisations, Appendix A also summarises management's experts and our planned audit approach to obtaining assurance over their work.

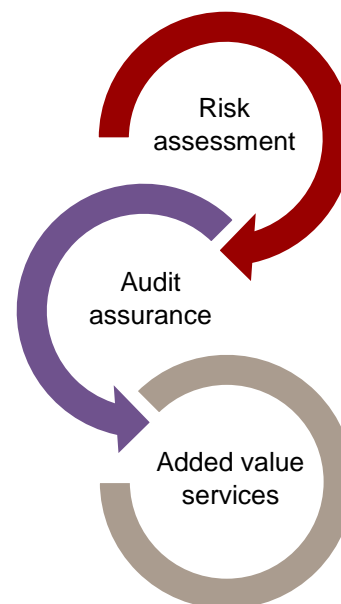
Internal audit

We have met with internal audit to discuss their work programme and findings, and have factored this in when determining the most efficient testing strategy. Where appropriate we will seek to utilise the work performed by internal audit to obtain assurance.

We do not plan to rely directly on internal audit's work as we intend to adopt a wholly substantive approach to obtaining our audit assurance. However, we indirectly use the work of internal audit in assessing the control environment, which informs our review of the Annual Governance Statement and the sample sizes for our substantive testing.

Audit efficiency and our use of IT

Innovative and integrated use of IT drives the efficiency and effectiveness of our audit. Your audit team uses the latest IT-based audit solutions and is supported by a team of IT auditors each of who have extensive knowledge of the local government sector and providing assurance and advisory services across the public sector.



We know that all organisations are different and face different risks. Our audit platform is modern and flexible and allows us to tailor our audit approach to the specific risks relevant to the Combined Authority, while ensuring compliance with underlying auditing standards.

We focus on the risks to your business continuity and those that give rise to a risk of material misstatement in the financial statements. Your audit team has access to a full suite of data analytics tools which allow them to determine the most effective and efficient testing strategy using IT-audit techniques where appropriate.

Significant risks and key judgements

Identified significant risks

As part of our planning procedures we have considered whether there are risks of material misstatement in the Combined Authority's financial statements that require special audit consideration. Although we report identified significant risks at the planning stage of the audit, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to mitigate these risks. Where we identify any significant risks in addition to those set out below, we will report these to the Governance and Audit Committee as part of our Audit Completion Report.

Significant risk	How we will mitigate the risk
<p>Management override of control</p> <p>In all entities, management at various levels within an organization are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We will address this risk by:</p> <ul style="list-style-type: none"> • using a computer audit analytical technique to identify journals with risk characteristics and testing the basis for such adjustments; • evaluating and testing the basis for material accounting estimates, which may be subject to management bias, included in the financial statements; and • reviewing unusual or significant transactions outside the normal course of business.
<p>Revenue Recognition</p> <p>In accordance with international standards on auditing (ISA 240) we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. We have identified the following as key areas of focus for the significant risk:</p> <ul style="list-style-type: none"> • grant income is recognised when all conditions attached to the grant have been met so there is significant management judgement in determining when the conditions have been met; and • prepaid ticket income is recognised based on sale information from a variety of sources including travel centres, railway stations and payzone. 	<p>We will evaluate the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we will undertake a range of substantive procedures including:</p> <ul style="list-style-type: none"> • testing receipts in March, April and May 2017 to ensure they have been recognised in the right year; • reviewing the reasonableness of the judgements made by management in determining whether grant conditions have been met; and • testing the recognition of prepaid ticket income to information and returns from sales outlets to ensure income has been recognised in the right year.

Significant risk	How we will mitigate the risk
<p>Pension estimation (IAS19)</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We will discuss with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we will:</p> <ul style="list-style-type: none"> • evaluate the management controls you have in place to assess the reasonableness of the figures provided by the actuary; and • consider the reasonableness of the actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.

Management judgement

We recognise that within your financial statements there are specific accounting transactions and disclosures where management has exercised judgement. We consider these areas require specific audit focus and the area that we consider to be the key area of judgement is set out in the following table together with our planned audit approach.

Area of Key Judgement	How we will address this area of judgement
<p>Valuation of land and buildings</p> <p>Land and buildings are carried on the Balance Sheet at current value and are material. Management engage Lambert Smith and Hampton, as an expert, to determine the value of property to be included in the financial statements.</p>	<p>We will review:</p> <ul style="list-style-type: none"> • the scope and terms of the engagement with the valuer; and • how management use the valuer's report to value land and buildings in the financial statements. <p>We will write to the valuer to obtain information on the methodology and their procedures to ensure objectivity and quality.</p> <p>We will also consider evidence of regional valuation trends.</p>

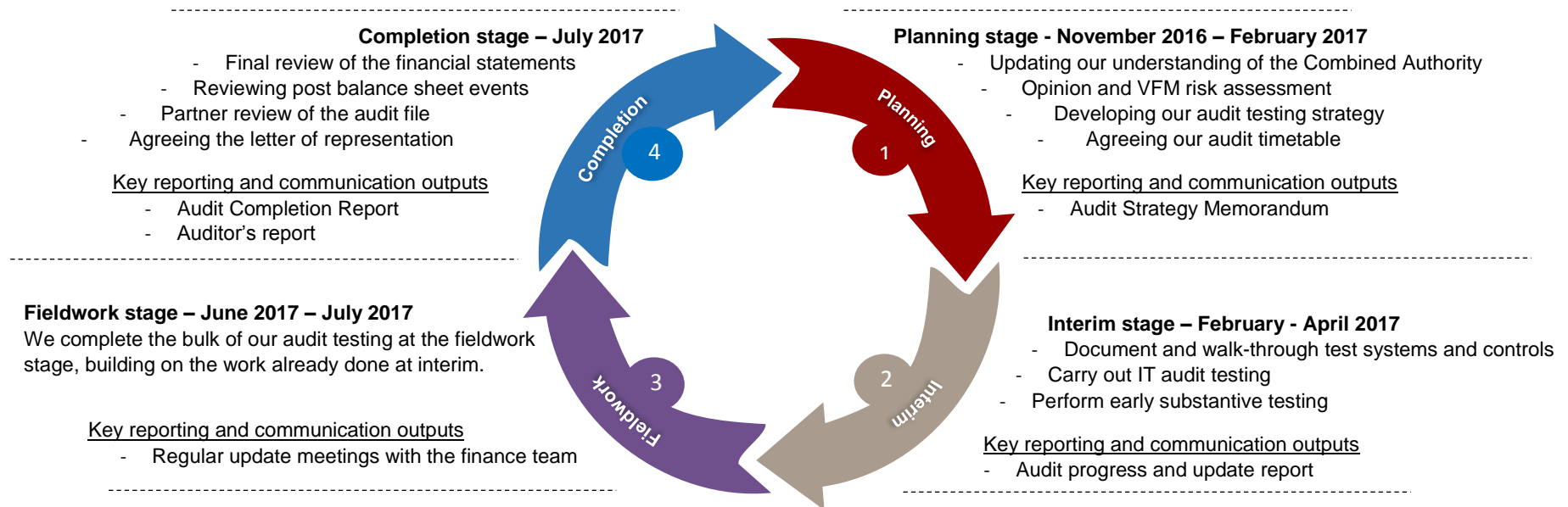
Timetable and communication

Our approach to communication

International Standards on Auditing require us to communicate a number of matters with you at various points during the audit cycle. Later in this section we outline exactly how we will communicate with the Governance and Audit Committee as those charged with governance. As well as being an integral part of our responsibilities under auditing standards, we see two-way communication with the Governance and Audit Committee and officers as being critical to building a robust knowledge of your business, the risks and challenges you face and the plans you have in place to meet those challenges.

Audit timetable

The diagram below outlines the main phases of your audit, when each will be carried out and the outputs that you will receive at each stage. This is underpinned by a 'no surprises' approach to communication that ensures management and the Governance and Audit Committee are kept aware of significant issues on a timely basis. We have issued this Audit Strategy Memorandum as scheduled in March 2017 and we intend to issue our Audit Completion Report in July 2017 and our Annual Audit Letter in August 2017.



Key communication points

ISA 260 'Communication with those charged with governance' and ISA 265 'Communicating deficiencies in internal control to those charged with governance and management', require us to communicate a number of matters to you. These matters are set out below.

Matter to be communicated	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Confirmation of our independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Conclusions on the significant audit risks and areas of management judgement		✓
Summary of unadjusted misstatements		✓
Management representation letter		✓
Our proposed audit report		✓

In addition to the matters outlined above which we are required to communicate under auditing standards, we communicate regularly with the Governance and Audit Committee through our Audit Progress Reports, presented on a quarterly basis. We also report to the Combined Authority on an annual basis to summarise our work and main conclusions through our Annual Audit Letter.

Value for Money Conclusion

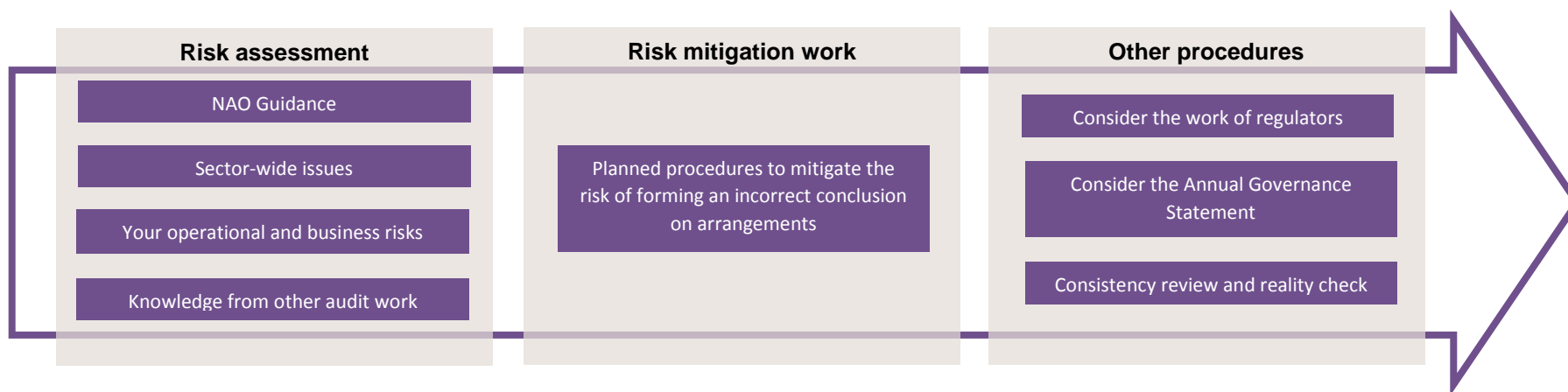
Our approach to Value for Money work

We are required to form a conclusion as to whether the Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, *'in all significant respects, the Combined Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'* To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are provided set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake to reach our conclusion is provided below.



Significant Value for Money risk

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a risk to the VFM conclusion exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Combined Authority being inadequate. As outlined above, we draw on our understanding of the Combined Authority and its partners, the local and national economy and wider knowledge of the public sector.

For 2016/17, we have not identified a significant risk for our VFM conclusion.

Initial audit risk assessment

We undertook our initial audit risk assessment, based on the sub-criteria, using ratings with the following definitions.

Low	No risks to our vfm conclusion identified to date and no further work planned.
Medium	Not considered to be an audit risk at this stage, however, risk indicators to be followed up as further information becomes available.
Significant	Significant audit risk identified. This denotes risk to us as auditors, it is not an assessment or rating of the Council's arrangements.

Our risk assessment, by sub criteria, is shown in the tables on the following pages. Based on the risk assessment we have identified a number of areas which we do not consider to represent a significant risk to our VFM conclusion, but where further work is required for us in seeking sufficient assurance to inform our conclusion. In particular additional work is required for sustainable resource deployment, this work is detailed in the following table.

Area of additional work	Work we intend to carry out
Sustainable resource deployment Last year we identified satisfactory evidence of arrangements for medium term financial planning and we are not aware of any significant changes You continue to face financial pressure including a reduction in the transport levy by £1m for 2017/18 and by £2m for 2018/19 to 2019/20. A reduction of £1m equates to a 2% saving requirement in discretionary expenditure. We need to ensure our knowledge of the Combined Authority's financial planning arrangements and its monitoring of the planned delivery of savings, remains up to date in order to ensure we give the correct VFM conclusion.	Building on our existing understanding, our work will include reviewing: <ul style="list-style-type: none">• how the Combined Authority has developed its medium term financial strategy;• the delivery of 2016/17 savings against plans;• the arrangements for 2017/18 savings, including review of robustness of identified plans; and• the arrangements for identifying savings in 2018/19 to 2019/20.

We will also continue to monitor the Combined Authority's arrangements through:

- ongoing meetings with officers; and
- ongoing review of relevant meeting agenda papers and minutes where decisions relevant to our responsibilities are taken.

Sub-criteria	Proper arrangements	Audit risk rating at planning stage	Arrangements at West Yorkshire Combined Authority
Informed decision making	Acting in the public interest, through demonstrating and applying the principles and values of sound governance	Low	<ul style="list-style-type: none"> • Governance structure in place. • Minutes and agenda papers available on website for the Combined Authority and committees. • Arrangements for internal challenge and review. • Annual Governance Statement compliant with the CIPFA / SOLACE Delivering Good Governance Framework.
	Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.	Low	<ul style="list-style-type: none"> • Budget aligned to priorities set out in Strategic Economic Plan • Relevant financial and other information available to support decision making and performance management. • We are not aware of data quality problems in respect of financial and performance information. • Consistent data in financial reports.
	Reliable and timely financial reporting that supports the delivery of strategic priorities.	Low	<ul style="list-style-type: none"> • Reporting aligned to new organisational structure implemented through the One Organisation programme. • Regular and timely financial reporting. • Outturn materially close to in-year financial reports. • Track record of delivering financial plan.
	Managing risks effectively and maintaining a sound system of internal control.	Low	<ul style="list-style-type: none"> • Risk management arrangements in place. • Corporate risk register in place and actively reviewed by management throughout the year. • Annual Governance Statement subject to challenge by Governance and Audit Committee. • Regular reporting by Internal Audit on internal control to management and Governance and Audit Committee. • Integration of LEP into Combined Authority's risk management and governance structures.

Sub-criteria	Proper arrangements	Risk rating at planning stage	Arrangements at West Yorkshire Combined Authority
Sustainable resource deployment	Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.	Medium	<ul style="list-style-type: none"> Balanced budget set for 2017/18 including use of £2.3m of reserves consistent with strategy. A three year Medium Term Financial Strategy covering the years 2017/18 to 2019/20 adopted. A risk-based reserves strategy determines the appropriate level of reserves required. Constructive engagement with districts over transport levy.
	Managing and utilising assets effectively to support the delivery of strategic priorities.	Low	<ul style="list-style-type: none"> Capital programme reflects priorities set out in the corporate plan as derived from the Strategic Economic Plan Assurance processes in place for Growth Deal and other projects Asset register in place. Asset management plan in place.
	Planning, organising and developing the workforce effectively to deliver strategic priorities.	Low	<ul style="list-style-type: none"> HR policies and procedures in place. Internal controls to challenge recruitment. Monitoring of staff sickness absence.

Sub-criteria	Proper arrangements	Risk rating at planning stage	Arrangements at West Yorkshire Combined Authority
Working with partners and other third parties	Working with third parties effectively to deliver strategic priorities.	Low	<ul style="list-style-type: none"> Refresh of Strategic Economic Plan for Leeds City Region as framework for engagement with others within the City Region and beyond across private, public and third sectors to deliver good growth. Leading 'Transport for the North' work-streams on 'Local Strategic Connectivity' and 'Integrated and Smart Travel'. Representation on relevant outside bodies.
	Procuring supplies and services effectively to support the delivery of strategic priorities.	Low	<ul style="list-style-type: none"> Procurement arrangements in place to secure cost effective purchasing.

Fees

Fees for work as the Combined Authority's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by Public Sector Audit Appointments Ltd (PSAA) as communicated to you in our fee letter on 12 April 2016.

Area of work	2016/17 proposed fee £	2015/16 final fee £
Audit work required by NAO's Code of Audit Practice	33,720	33,720

Fees for non-audit work

We do not currently expect to undertake any additional work outside the scope of our Public Sector Audit Appointment contract.

Our team



Mark Kirkham - Partner

Email: mark.kirkham@mazars.co.uk

Phone: 0113 387 8850

Mark has been a partner at Mazars since 2015 and prior to that he had been an engagement lead since 2002. Mark has extensive experience in a number of sectors and this is his second year as the engagement lead for the Combined Authority audit.



Steve Appleton – Senior Manager

Email: steve.appleton@mazars.co.uk

Phone: 0788 128 3340

Steve has been a senior manager since 2012 having extensive experience of the public sector. He will manage and coordinate the different parts of the audit and be the key point of contact for the finance team and internal audit.

Appendix A – Service organisations and experts

Service organisations

As we outline in the main body of this report, the Combined Authority makes use of service organisations. ISA 402 defines a service organisation as one that provides services to another entity that form part of that entity's information systems relevant to financial reporting. The table below sets out the service organisations that we have identified as part of our planning work together with a description of how we intend to obtain assurance over the entries in your financial statements that are derived from them.

Service organisation	Services provided	Planned audit approach
Leeds City Council	Treasury management services affecting bank balances, investments and borrowing	Sufficient appropriate audit evidence will be obtained from direct confirmations requested from third parties.

Experts

The Combined Authority also uses experts to provide entries in its financial statements. The table below outlines the areas of the financial statements where we expect the Combined Authority to use experts and an explanation of the approach we will take to obtaining assurance over those entries.

Financial statement area	Management's expert	Planned audit approach
Defined benefit liability and associated IAS 19 entries and disclosures	Actuary (Aon Hewitt)	Use National Audit Office's consulting actuary (PWC) to confirm we can rely upon information provided by management's expert.
Property, plant and equipment valuations	Lambert Smith and Hampton	Use National Audit Office's consulting valuer (Gerald Eve) to consider the reasonableness of the approach taken by management's expert.
Financial instrument notes: fair value estimates	Capita	Use assurance provided by the National Audit Office to confirm we can rely upon fair value estimates provided by management's expert.

Appendix B – Independence

We are required by the Financial Reporting Council to confirm to you at least annually in writing, that we comply with the Auditing Practices Board's Ethical Standards. In addition we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you, and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement, there are no relationships between us, and any of our related or subsidiary entities, and you, and your related entities, creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team who are required to rotate off a client after a set number of years; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We wish to confirm that in our professional judgement, as at the date of this document, we are independent and comply with UK regulatory and professional requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with either Mark Kirkham or Steve Appleton.

Prior to the provision of any non-audit services, Mark Kirkham will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. No threats to our independence have been identified.

Appendix C - Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit.

Whilst planning our audit, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

We discuss with management any significant misstatements or anomalies that we identify during the course of the audit and we report in our Audit Completion Report all unadjusted misstatements we have identified other than those which are clearly trivial, and obtain written representation that explains why these remain unadjusted.

Appendix D – Our added value

Our primary responsibilities as the Combined Authority's external auditor are outlined in the main body of this report. As your external auditor we are ideally placed to provide added value in delivering those responsibilities and the diagram below provides a summary of how we do this.



Originator: Russell Gott,
Internal Audit Manager



ITEM 6

Report to: Governance and Audit Committee

Date: 6 April 2017

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 In accordance with the Accounts and Audit (England) Regulations 2015 West Yorkshire Combined Authority, (WYCA) must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.

2.2 This report provides details of activities undertaken by the Internal Audit Section in the period from 1 December 2016 to 31 March 2017 and provides progress in delivering the 2016/17 audit plan, audit opinions on reviews completed, executive summaries of significant issues identified and the status of any high priority recommendations which have not been implemented by the agreed timescales.

2.3 The Internal Audit Section has undertaken work contained within WYCA's Audit Plan through the performance and release of the creditors payments systems review. In addition there are a further 17 reviews which are at various stages of completion. Further information relating to these audits is provided in section 5 of this report.

3. How control is assessed

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 presence and 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 The approved Internal Audit Plan for 2016/17 produced an imbalance between the audit resource which could be provided by the in-house service and the level of assurance required through the performance of audit reviews identified in the plan. Measures were instigated to secure additional resource to make up this shortfall through the procurement of bought-in services and the appointment of an additional internal auditor on a fixed-term basis.

- 4.2 The review undertaken in the latest period was assessed as controlled. A summary of the internal audit review performed is provided in sections 4.4.1 of this report.
- 4.4 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 (2016/17)	54	45	5
Number of Audit Recommendations Fully Implemented (2016/17)	49	41	3
Number of Audit Recommendation in Progress 2016/17	5	4	2

	Priority High	Priority Medium	Priority Low
Total cumulative number of Audit Recommendations, in progress	32 ¹	28	3
Total cumulative number of Overdue Audit Recommendations.	7	12	1

The majority of the overdue medium and low recommendations are partially implemented at the date of writing this report. WYCA's directorate management teams will continue to overview and report progress to internal audit on these matters.

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

¹ The majority of these recommendations concern issues resulting from two reviews of ICT services. A plan to address these issues has been formulated but includes the rescheduling of a number of implementation dates.

4.4.1 Creditors.

Opinion

Controlled.

Controls were found to be present and operating however the reconciliation of transactions with entries through WYCA's bank account was not performed on a timely basis at the time of this review.

Objectives

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

- The authorisation and certification of invoices and credit notes.
- Independent internal review of payment runs.
- Arrangements for the secure holding of cheques and adequacy of supporting procedures and records.
- Enforced segregation of system access rights and separation of duties.
- Bank mandate accurately reflects officers' responsibilities/authority and is up to date.
- Reconciliation of transactions through Dream compared with movements on the general operating bank account.
- BACs payments processes are secure and independently reviewed.
- Creditor payment systems are secure and backed up at frequent intervals.
- Arrangements for the processing of purchase card transaction are secure.
- Written financial procedures are maintained and are up to date
- Compliance with Contract Standing Orders and Financial Regulations.

Principal Observations

A high priority observation was identified relating to the performance of reconciling transactions through WYCA's general operating bank account with corresponding entries recorded within the financial management system. Although this key control was operating, it was not being performed on a timely basis. This could delay the detection of any inappropriate transactions through the bank account. Subsequently, it is understood that efforts have now been made to rectify this position.

In addition, comments were provided in relation to an anomaly within the processing of a payment. Upon investigation, there was found to be no irregularity in this instance but management accept the general principle that values of payments, once authorised by budget controllers/holders, must not be amended without further proper authorisation.

5. Work in Progress

- 5.1 In addition to the completion of scheduled audit reviews provided in section 4 of this report, a significant number of audit reviews are currently in progress and include;

Growing Places Fund
Business Growth Fund
Housing & Regeneration Projects
Creditors Payments Systems
Travel Centre Processes
Health & Safety
CRM Regulations Compliance
Transport Fund
Growth Deal
Risk Management
Business Continuity
Superfast Broadband
Prepaid Tickets & Concessionary Travel
Main Accounting System
Debtors Processing
Resource Efficiency Fund
Central Heating Fund - certification

Further information concerning the status of each of these reviews is provided within **Appendix A**.

Details of the respective audit opinions, objectives and any significant issues arising from these reviews will be provided to this Committee once this work has been completed and reports are produced.

6. Financial Implications

- 6.1 The costs of the audit team have been included in revised budgets for the year.

7. Legal Implications

- 7.1 None relating directly to the Internal Audit function.

8. Staffing Implications

- 8.1 The performance of some elements of the Audit Plan requires the buying-in of third-party specialist services.

9 Recommendations

- 9.1 That the Internal Audit progress report be noted.

Appendix A



Internal Audit Plan 2016/17

Report Type: Actions Report

Report Author: Russell Gott

Generated on: 22 March 2017

ACTIVITY	OUTLINE DESCRIPTION	ALLOCATED RESOURCE	ACTUAL RESOURCE	AUDIT OPINION
Skills Capital Projects	Project management controls, authorisation of expenditure, review of business processes. Compliance with conditions of grant, evaluation of eligibility of claims.	25	28	Requires Improvement
West Yorkshire Broadband	Processes & procedures Certification of expenditure Compliance with funding agreements Compliance with partnership agreements/claw back provisions	25	25	Report drafted, quality review completed, ready to release
Local Transport Plan Capital Programme Management	Review of arrangements to identify, monitor, control and report on the Capital Programme.	15	15	Well Controlled

Transparency	Compliance with principles of the Local Government Transparency Code 2015	10	10	Controlled
Code of Corporate Governance	Arrangements to ensure compliance with applicable statutes and assessment against SOLACE/CIPFA principles framework including appropriate arrangements for the safeguarding and accountability of public funds, clear and effective communication with WYCA's stakeholders, clearly defined roles and responsibilities at the head of the organisation.	10	8	Controlled
Annual Governance Statement	Financial reporting including compliance with relevant standards and codes of corporate governance. The establishment, monitoring and reporting on the systems of internal control.	5	5	Not Applicable
Pro –Active Anti- Fraud Exercise	Statistical analysis for duplicate payments, data matching for creditor payments into inappropriate bank accounts. Sample review of changes to bank payment master records.	5	0	
ERDF & ESF Technical Assistance Project	Head of IA assurance. Periodic report and claim review and certification.	5	6	Substantial Assurance
Growth Deal – Economic Development	Scheme Evaluation Criteria (SAF) Gateway Review Compliance (SAF) Third-Party Assurances	25	20	In Progress

	Certification of Expenditure Governance Arrangements – Consultation/Compliance			
LTP	Head of IA assurance. Periodic report and claim review and certification. Systems and procedures to control the allocation of payments and provide evidence of eligible expenditure.	10	8	Substantial Assurance
English National Concessions Travel Scheme (ENCTS)	Data handling and protection requirements, access rights to ENCTS database, agreements with the third parties concerning the handling and maintenance of ENCTS data. Validation rules for applicants to provide evidence of identity, residency. System is secure and backed up at frequent intervals with limited access rights. Awareness and communication of requirements of Concessionary Bus Travel Act.	20	20	Well Controlled
QUARTER 1		155	145	
Tendered Subsidised Contracts	Tendering arrangements, batches, de minimis contracts, insurance, operator's licences, lost mileage, payment calculations and processes. Arrangements support and provide contract compliance. Public and education services.	15	12	Controlled
Business Growth Programme	Project management controls, authorisation of expenditure, review of business processes. WYCA expenditure - over £110k	20	20	Report drafted, quality review completed, ready to release

	Compliance with SLA for schemes administered by LCC – less than £100k Administration of loans – overage agreements			
Resource Efficiency Fund including ESIF + LGF	Processes & procedures, assessment of grant applications Compliance with funding agreements	10	4	In progress
Apprenticeship Grant	Processes & procedures, assessment of grant applications Compliance with funding agreements	10	18	Requires Improvement
Central Heating Fund	Processes & procedures, assessment of grant applications Compliance with funding agreements – provided through 3 rd party	10	2	In progress
Better Bus Area Fund	Head of IA assurance. Periodic report and claim review and certification.	3		
Smartcard Enabling Gateline Huddersfield	Head of IA assurance. Periodic report and claim review and certification.	3		
Interreg Carbon Responsible Transport Strategies (SHARE NORTH)	Head of IA assurance. Periodic report and claim review and certification.	3	3	Substantial Assurance

Growing Places Fund	Administration of loans, evaluation criteria and monitoring procedures.	10	16	Report drafted, quality review completed, ready to release
Access to Capital Grants Programme	Project management controls, authorisation of expenditure, review of business processes	10		
Housing & Regeneration Projects	Provision of funding including administration of loans for; <ul style="list-style-type: none"> - Barnsley Town Centre - Brownfield, Leeds - Kirklees Housing Sites - Northgate House - Redhall 	35	26	Report drafted, quality review completed, ready to release
Contract Monitoring - CDM	Compliance with The Construction (Design and Management) Regulations 2015	25	19	In progress
QUARTER 2		154	120	
Prepaid Tickets & Concessionary Travel	Arrangements for accounting for stocks, cash, Haven system controls and reporting, calculations of prepaid ticket pool and distribution, concessionary fares reimbursements. Controls for smartcard transactions and use of smart data/provision of service monitoring information. Payzone sales system.	25	15	In progress

Transport Fund	Scheme evaluation – NTEM forecasts, compliance with WEBTAG Review of operation of Strategic assurance framework	30	18	In progress
Procurement	Review of the operation of key controls including tendering, ordering, commitments, compliance with Standing Orders and Financial Regulations, e- procurement, purchasing cards.	12	2	In progress
Business Contingency/Disaster Recovery	Review of plan to be implemented in the event of incident(s) which impact on WYCA being able to operate.	10	4	In progress
Data Hosting	To provide assurance on the delivery of robust service in line with contract and ensure adequate management controls exist relating to operations and the security of data including recovery if necessary.	15	2	
Data Security/ Protection	System penetration testing -arrangements to protect WYCA ICT systems from attack	15	2	
Fraud Awareness	Maintaining employees' awareness of WYCA's counter- fraud arrangements.	2	2	Not Applicable
Smart Card & Information Programme (SCIP)	Provision of independent, 3 line of defence programme assurance. (Smart transactions Web Customer Hubs and Service Experience (CHASE))	15	6	
Bus Services Operator Grant	Head of IA assurance.	3		

Payroll & HR Records	Review of the operation of key controls including arrangements for starters, leavers, pay points, member's allowances, expenses & deductions.	12	10	Controlled
QUARTER 3		139	61	
Energy Accelerator Projects including European Investment Bank funding (ELENA)	Processes & procedures, loans provided through EIB Eligibility criteria Compliance with funding agreements	10		
Employment Ownership Pilot (Skills Service)	Processes & procedures, assessment of grant applications Compliance with funding agreements	10		
Metro Travel Centre Operations	Ticket sales, stock, cash collection/handling security. Fraud prevention controls and associated back-office operations.	15	15	Report drafted, quality review completed, ready to release
Main Accounting – General Ledger	Review of the operation of key controls including System user rights, review, control, adequacy and timeliness, budgetary control, systems interface – education, Haven, and payroll. VAT.	8	6	In progress
Creditors	Review of the operation of key controls including segregation, authorisation, reconciliation of supplier statements, BACS controls, and sub-contractors records.	8	12	Controlled
Debtors	Test arrangements for write offs, requisitioning, reporting, review of accounts, debt age monitoring and reporting.	6	6	Report drafted, quality review completed, ready to release

Treasury Management	Review of the operation of key controls including treasury management, segregation, review, authorisation, third part services and assurances, prudential code.	15	9	Well Controlled
On-line Payments	Review of controls for the processing of on-line payments and credit/debit card payments received.	8		
Risk Management	Effectiveness of risk management processes, risk management guidance and support, Identification of risk, risk evaluation, risk mitigation and control, monitoring risks, reporting the status of key risks and controls, recording the management of risks, including the effectiveness of the controls and other responses to them, risk awareness and training.	15	10	In progress
Cycle City Grant	Head of IA assurance. Periodic report and claim review and certification.	3		
Growth Deal - WY+Transport Fund	Head of IA assurance.	10	5	Substantial Assurance
Interreg Carbon Responsible Transport Strategies (SHARE NORTH)	Head of IA assurance. Periodic report and claim review and certification.	2	2	Substantial Assurance
Interreg HORIZON project	Head of IA assurance. Periodic report and claim review and certification.	2	3	Substantial Assurance

Green Deal Communities Fund	Head of IA assurance. Periodic report and claim review and compliance with MOU with LCC.	3	3	Substantial Assurance
Health & Safety	Health & Safety Policy meets legal requirements as provided in the Health & Safety at Work Act and other relevant Acts. Workplaces and welfare requirements, recording accidents, illness and first aid, use and maintenance of work equipment, control of exposure to hazardous substances, electrical equipment, noise and radiation, (RIDDOR).	15	10	In progress
Follow up	Follow up on implementation of key audit recommendations.	20	9	
QUARTER 4		150	90	
Fraud Investigations	Contingency for fraud investigation.	20	0	
Audit Plan Contingency	Contingency for any requirement for additional audit assurance and for other unplanned audit work identified in year.	30	16	
Total		648	432	

Forecast Outturn @ 22 March 2017

Audit Resource available to 31 March 2017	35	
Bought – in	<u>50</u>	85
Required to complete the plan		<u>(118)</u>
Projected Shortfall		(33)*

*Majority of testing to be completed at 31/03/2017. Review and issue of final reports throughout April.

APPENDIX B

Overdue High Priority Audit Recommendations



Report Type: Actions Report

Report Author: Russell Gott

Generated on: 22 March 2017

Code & Title	Due Date	Progress	Latest Note	Last Modified Date
M/SD/P29/AR272 Payzone - Automatic Alerts	31-Mar-2016	0%	Escalated to the Director of Transport Services to resolve and consider in context of future service support arrangements	28 Dec -2016
M/SD/P29/AR294 PPT&Cons – Nero Data	1 Dec 2016	20%	Work commenced should be finalised by mid-Feb	23-Jan-2017
M/SD/P29/AR308 Risk Management - Strategic Risks	30-Sep-2016	0%	WYCA is currently undergoing significant organisation change. Business objectives have been identified relating to the Strategic Economic Plan. However, further organisational development and business planning is being undertaken. It is felt prudent to further develop and align strategic risks once these processes have advanced.	28 Dec -2016
M/SD/P29/AR313 Yorcard ICT - Data Sharing Agreement	31-Oct-2016	0%	Agreement in place needs some further checking.	23-Jan-2017
M/SD/P29/AR319 Yorcard ICT - network administrator privileges.	31-Jul-2016	0%	No progress has been reported about this through the newly formed account review meetings.	28 Dec -2016
M/SD/P29/AR332 Yorcard ICT - Capacity Performance	31-Jul-2016	50%	Escalated to the Director of Transport Services to resolve and consider in context of future service support arrangements.	28 Dec -2016
M/SD/P29/AR398 AGE - Data Protection Guidance	31-Oct-2016	0%	Recruitment to post has now been completed. Training to be rolled out to staff from April 2017. Estimated completion date revised to August 2017.	28 Dec -2016

ITEM 7

Report to: Governance & Audit Committee

Date: 6 April 2017

Subject: Internal Audit Plan 2017/18

1. Purpose

1.1 To consider the proposed internal audit plan for 2017/18.

2. Information

2.1. UK Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Work undertaken within the Annual Audit Plan is the principal body of evidence required to substantiate the opinion provided by Internal Audit.

In addition, PSIAS (section 2000) state that the Chief Audit Executive must establish risk-based plan to determine the priorities of the internal audit activity, consistent with the organisations goals.

2.2. In developing the Internal Audit Plan the following elements have been considered;

- The core activities of WYCA and specific risks associated with those objectives.
- Regulatory requirements for internal audit coverage.
- Significant recent changes within procedures and operations.
- Areas of concern or requests for coverage from WYCA's leadership team, Heads of Service and members of the Combined Authority.
- The content of WYCA's risk registers and the controls that the organisation places reliance on to manage those risks.
- Results of cumulative internal audit knowledge and experience.

2.3 Members of the Governance & Audit Committee were contacted individually and provided with the emerging audit plan for consideration in March 2017.

2.3.1 Full details of the plan are provided in the appendix to this report and are presented under the following assurance blocks:

Transport	14%
Delivery	30%
Financial Systems	12%
Data	7%
Corporate Governance	10%
Counter Fraud & Corruption	9%
Certification	8%
Follow-up	6%
Contingency	4%

2.4 Internal Audit will deliver work on the core financial systems, data systems and reactive and proactive counter fraud and probity audits. This will seek to provide assurance that the basic governance and control arrangements continue to operate effectively, minimising the risk of misappropriation, loss and error. System and compliance reviews will provide assurance to statutory officers and key stakeholders that the key systems and processes are operating as intended. This continues to be critical during a period of organisational change.

2.5 The content and progress of work undertaken on the plan will be regularly reviewed and reported to the Governance & Audit Committee. The Internal Audit Plan must continue to be sufficiently flexible to enable assurance to be obtained over current as well as emerging risks. The Committee will be notified if any significant changes to the plan are required in year to address changing risks or audit priorities.

2.6 Audit resource has been calculated after deducting time for non-chargeable activities. This is in line with professional guidance and is consistent with the approach taken in previous years.

2.7 The Audit Plan identifies a resource requirement of 552 days. This will provide an appropriate level of testing to inform the audit opinion on WYCA's overall internal control, risk management and governance arrangements. The Plan does not include any provision for value added activities such as VFM reviews or any significant allowance for consultation in the development of new systems and processes.

2.8 Resource allocations for each audit entity are based on previous audit performance in conjunction with an initial assessment of the scope of each review. The depth of audit testing is established through the evaluation of risk and considers the existence and operation of key controls. Where new areas of assurance have been identified the number of days required to perform this work is determined from an initial overview of these areas and from discussions with senior officers from within the relevant directorates. It is recognised that WYCA will be introducing further management assurance for the delivery of projects through the operation of the portfolio management office. These arrangements will be assessed in 2017/18 and an independent opinion on the effectiveness of these measures will be provided by internal audit.

2.9 The provision of internal audit services as detailed in the Audit Plan requires the additional resource of 39 productive audit days. The current establishment of three

audit staff on a full-time basis and 1 fixed-term post cannot meet this requirement. The Internal Audit Manager will continue to monitor and report on progress against the plan throughout the year and update the forecast resource requirement as appropriate.

3. Financial Implications

- 3.1. A requirement to buy-in I.T. audit specialism for the review of data security and third party data hosting controls including systems penetration testing has been identified. These services will be secured in accordance with WYCA's procurement regulations.
- 3.2 The salary and other costs relating to the posts of Internal Audit Manager and Internal Auditors are provided for in the 2017/18 approved revenue budget. These include 3 full time equivalent posts and 1 fixed-term post up until January 2018.

4. Legal Implications

- 4.1. The Accounts and Audit Regulations 2015, Regulation 5, requires a relevant Authority to undertake an effective internal audit to evaluate the effectiveness of its risk, control and governance processes, taking into account public sector internal auditing standards or guidance.

5. Staffing Implications

- 5.1. The Internal Audit Team consists of 3 full time and 1 fixed-term post.

6. Recommendations

- 6.1. That the internal audit plan 2017/18 be approved.
- 6.2 That the forecast shortfall in available audit resource be noted and that the Internal Audit Manager be requested to monitor this situation and provide an update to a future meeting of the Committee.



Internal Audit Plan 2017/18

Audit	IA Risk Rating	Overview of Assurance	Resource Requirement 2017/18
Transport			72 Days
Prepaid Tickets & Concessionary Travel	HIGH	<p>Calculations of prepaid ticket pool and distribution, concessionary fares reimbursements, on account payments and quarterly adjustments, Haven system controls and reporting. Arrangements for accounting for stocks, cash.</p> <p>Consider controls for smartcard transactions.</p> <p>Payzone sales processing system.</p>	25
Metro Travel Centre Operations	MEDIUM	<p>To review the adequacy of Ticket sales, stock, cash handling security, reconciliations & reviews performed</p> <p>Cash collected is administered and properly controlled to reduce the risk of loss or fraud.</p> <p>Associated back-office operations</p>	15
Tendered Subsidised Contracts	HIGH	Tendering arrangements, batches, de minimis contracts, insurance, operator's licences, lost mileage, payment calculations and processes.	20

Audit	IA Risk Rating	Overview of Assurance	Resource Requirement 2017/18
		Arrangements support and provide contract compliance. To include "gross cost" contracts.	
English National Concessions Travel Scheme	HIGH	Validation rules for applicants, disabled and blind person applications are processed in liaison with district social services departments, robust processes and validation requirements for issuing replacements and renewals. Awareness and communication of requirements of Concessionary Bus Travel Act	12
Delivery			168 Days
Growth Deal	HIGH	Independent assessment of the extent of compliance with WYCA's assurance framework for a selection of specific schemes including governance, programme management – scheme evaluation, risk, cost, progress/delivery.	40
Sector Skills Initiative	HIGH	Operation of controls in respect of Digital, Manufacturing and construction initiatives	12
Skills Service & Skills Fund	HIGH	Processes & procedures, assessment of grant applications Compliance with funding agreements	12
Growing Places Fund	HIGH	Evaluation of expressions of interest, business case, due diligence, loan agreements, drawdown arrangements, monitoring of loans. Administration of loans, evaluation criteria and monitoring procedures.	16
Access to Capital Grants Programme	HIGH	Project management controls, authorisation of expenditure, review of business	12

Audit	IA Risk Rating	Overview of Assurance	Resource Requirement 2017/18
		processes	
Business Growth Programme	HIGH	Appraisal of applications & due diligence, grant claims and payment processes, project monitoring/reporting, compliance with SLA, cost monitoring control. WYCA expenditure - over £110k Compliance with SLA for schemes administered by LCC – less than £100k.	20
Resource Efficiency Fund	HIGH	Governance framework, operation & application of assurance framework, programme management, monitoring & reporting, cost control, risk management.	12
West Yorkshire + York Broadband	HIGH	Processes & procedures, Certification of expenditure, Compliance with funding agreements and compliance with partnership agreements/claw back provisions.	20
LTP Capital Programme Management	HIGH	Assessment of the extent of compliance with WYCA's assurance framework including arrangements to identify, monitor, control and report on the Capital Programme.	12
SCIP Programme	HIGH	Provision of independent, 3rd line of defence programme assurance in respect of Smart transactions Web and development of on-line payment facilities.	12
Financial Systems			68 Days
Main Accounting – General Ledger	MANDATORY	Review of the operation of key controls including System user rights, review, control, adequacy and timeliness, budgetary control, systems interface – education, bleep, and payroll. VAT.	10
Creditors	MANDATORY	Review of the operation of key controls including segregation, authorisation, reconciliation of statements, BACS controls	10

Audit	IA Risk Rating	Overview of Assurance	Resource Requirement 2017/18
Debtors	MANDATORY	Test arrangements for write offs, requisitioning, reporting, review of accounts, debt age monitoring and reporting	8
Payroll	MANDATORY	Review of the operation of key controls including arrangements for starters, leavers, pay points, member's allowances, expenses & deductions	12
Procurement	HIGH	Review of the operation of key controls including tendering, ordering, commitments, compliance with SOFRs, e- procurement, purchasing cards. Examination of the procurement of consultants services including an independent assessment of vfm and management arrangements	16
Cashbook/Treasury Management	MANDATORY	Review of the operation of key controls including treasury management, segregation, review, authorisation, third part services and assurances.	12
Data			37 Days
Data Security/ Protection	HIGH	System penetration testing -arrangements to protect WYCA ICT systems from attack	15
Data Hosting Arrangements	HIGH	To provide assurance on the delivery of robust service in line with contract and ensure adequate management controls exist relating to operations and the security of data including recovery if necessary.	12
Data Sharing	HIGH	Assessment of the arrangements for the secure transfer and sharing of data.	10

Audit	IA Risk Rating	Overview of Assurance	Resource Requirement 2017/18
Corporate Governance			54 Days
Risk Management	MANDATORY	Effectiveness of risk management processes, risk management guidance and support, Identification of risk, risk evaluation, risk mitigation and control, monitoring risks, reporting the status of key risks and controls, recording the management of risks, including the effectiveness of the controls and other responses to them, risk awareness and training	20
C.A. Members Code of Conduct	MEDIUM	Review of compliance with the requirements of the code of conduct including declarations of interest	6
Code of Corporate Governance	MEDIUM	Assessment to ensure compliance with applicable standards and assessment against SOLACE/CIPFA principles framework including appropriate arrangements for the safeguarding and accountability of public funds, clear and effective communication with WYCA's stakeholders, clearly defined roles and responsibilities at the head of the organisation.	8
Annual Governance Statement	MANDATORY	Financial reporting including compliance with relevant standards and codes of corporate governance. The establishment, monitoring and reporting on the systems of internal control.	5
Human Resources	HIGH	Assessment of employee engagement, recruitment & selection, performance management, training & development and compliance with employment law.	15
Counter Fraud, Bribery & Corruption			48 Days

Audit	IA Risk Rating	Overview of Assurance	Resource Requirement 2017/18
Gifts, Hospitality & Interests	MEDIUM	Assessment of arrangements in place for officers' declarations of gifts, hospitality and interests. Independent examination of records.	8
Fraud Investigations	MANDATORY	Contingency for any required investigations in response to allegations of fraud, bribery or corruption	20
Pro –Active Anti- Fraud Exercise	N/A	Statistical analysis for duplicate payments, data matching for creditor payments into staff inappropriate bank accounts. Sample review of changes to bank payment master records.	6
Anti-Fraud, Corruption & Bribery.	MANDATORY	Review of policy and supporting guidance and processes	6
Money Laundering	MANDATORY	Development of WYCA's policy in respect of Money Laundering Regulations.	8
Certification			44 Days
Local Transport Plan	MANDATORY	Head of IA assurance. Periodic report and claim review and certification Systems and procedures to control the allocation of payments and provide evidence of eligible expenditure.	8
Interreg SHARE NORTH	MANDATORY	Head of IA assurance. Periodic report and claim review and certification	4
BSOG	MANDATORY	Head of IA assurance. Periodic report and claim review and certification	3

Audit	IA Risk Rating	Overview of Assurance	Resource Requirement 2017/18
Cycle City Grant	MANDATORY	Head of IA assurance. Periodic report and claim review and certification	3
Growth Deal Fund	MANDATORY	Head of IA assurance. Periodic report and claim review and certification	8
Resource Efficiency Fund	MANDATORY	Head of IA assurance. Periodic report and claim review and certification	8
L- CREATE – ERDF & ESIF	MANDATORY	Head of IA assurance. Periodic report and claim review and certification	4
Green Deal Communities Fund	MANDATORY	Head of IA assurance. Periodic report and claim review and certification	3
Growth Hub Grant	MANDATORY	Head of IA assurance. Periodic report and claim review and certification	3
Follow -up			36 Days
Housing & Regeneration Projects ¹	HIGH	Healthcheck. Publicity & promotion, outline business case appraisal, full basis case evaluation, due diligence, loan agreements, drawdown, programme monitoring, cost management.	10
Health & Safety ²	HIGH	Health & Safety Policy meets legal requirements as provided in the Health & Safety at Work Act and other relevant Acts. Workplaces and welfare requirements, recording accidents, illness and first aid, use and maintenance of work equipment, control of exposure to hazardous	10

¹ Light touch follow up on review completed in 2016/17

² Light touch follow up of review undertaken in 2016/17

Audit	IA Risk Rating	Overview of Assurance	Resource Requirement 2017/18
		<p>substances, electrical equipment, noise and radiation.</p> <p>Provision of protective clothing or equipment, Reporting of injuries, diseases and dangerous occurrences to the enforcing authority (RIDDOR).</p> <p>The control and management of asbestos, management of contractors, smoke free legislation, alcohol and substance abuse.</p>	
Business Continuity ³	HIGH	Assessment of the plan to be implemented in the event of incident(s) which impact on WYCA being able to operate.	8
CDM Compliance ⁴	HIGH	Compliance with The Construction (Design and Management) Regulations 2015	8
Audit Plan Contingency		Contingency for any requirement for additional audit assurance and for other unplanned audit work identified in year.	25 Days
Total			552

³ Light touch follow up of review undertaken in 2016/17

⁴ Light touch follow up of review undertaken in 2016/17

Risk Assessment Methodology

Rating Scale 1 to 10

Previous IA opinion - cumulative audit knowledge & experience. Weighting x 3

Materiality – income/expenditure at risk. Weighting x 2

Legislative and other practise compliance Weighting x 3

Profile – impact of adverse publicity Weighting x 1

Influence on the attainment of key organisational objectives Weighting x 1

Total Score Range 0 – 35 LOW
36 – 69 MEDIUM
70 – 100 HIGH

Available Resources 2017/18

Audit days per annum	602 ⁵
Less Professional development	(18)
Consultancy/advice (ad-hoc)	(20)
Office administration	(33)
Corporate, functional support and other off-plan requirements	<u>(38)</u> ⁶
Available 2017/18	493
Planned days	552
Bought – in technical audit specialism	<u>(20)</u> ⁷
	532
Over programming	39

⁵ excludes annual and statutory holidays.

⁶ includes corporate business planning, updating knowledge of business processes and input/consultation in respect of IA strategy and other functional policies.

⁷ ³audit specialism for data hosting and penetration testing.

Originator: Angela Taylor
Director, Resources



ITEM 8

Report to: Governance and Audit Committee

Date: 6 April 2017

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. The WYCA meeting of 2 February approved the 2017/18 revenue budget and associated financial limits for treasury management.
- 2.3. Regular governance meetings continue to be held with Leeds City Council (LCC) to consider and review the transactions relating to investments and treasury management being carried out jointly with LCC.

Key indicators

- 2.4. The Committee has requested regular information via key indicators, specifically with regard to accidents reportable to the Health and Safety Executive and with regard to key controls.

- 2.5. There has been only one reportable (RIDDOR) accident in the period 1 April 2016 to 31 January 2017 relating to a fall at a bus station. There is no indication of any defect that contributed to this fall.
- 2.6. Key indicators are monitored in relation to the suite of financial controls undertaken monthly in both the finance and the concessions and integrated ticketing team. These are both up to date as at the time of writing this report.

Financial monitoring – revenue budgets

- 2.7. The table overleaf shows the revised forecast for 2016/17 and the budget for 2017/18 as approved by WYCA on 2 February 2017. The presentation of the budget lines has been revised to align with the revised Directorate structures agreed as part of the One Organisation Programme. Further work is still underway to reflect subsequent stages of the development of the Programme and ensuring the available resources are fully aligned to organisational priorities. The approved budget includes a levy cut of £1m, with further cuts expected in future years and work is continuing on ways in which service provision can be reshaped to enable spending reductions to be achieved.
- 2.8. The budget report set out the uncertainties regarding the timing of income from the Enterprise Zone and the pressures on bus services expenditure and the English National Concessionary Travel Scheme reimbursement. Since the approval of the budget a number of other pressures have emerged including the outcome of the triennial revaluation of the West Yorkshire Pension Fund which will increase staffing costs by £350k. Close monitoring of the budget will continue into 2017/18 in order to seek to contain costs within the approved budget.

Combined Authority revenue requirement						
All £000's			Forecast	Forecast		Forecast
	Actuals	Budget				Forecast
	2015/16	2016/17	2016/17	2017/18		2018/19
						2019/20
<u>Transport Services:</u>						
Concessionary Fares	55,452	57,003	55,994	55,994		55,994
- <i>English National Concessionary Schemes</i>	45,142	46,205	45,718	45,366		45,366
- <i>rail</i>	646	662	635	708		708
- <i>young people</i>	9,664	10,136	9,641	9,920		9,920
Subsidised Bus Services	19,614	18,999	18,999	18,235		18,560
Passenger Services	6,725	8,216	8,512	8,187		8,309
Rail - franchise costs	44,375	904	932	904		904
						0
<u>Economic Services</u>						
Business, Skills and Employment		##	8,542	8,592		3,192
Trade and Inward Investment	1,332	1,778	1,263	1,263		1,263
<u>Policy, Strategy and Communication</u>	2,323	2,552	3,117	3,367		3,517
<u>Delivery - funded through capital</u>		0	0	0		0
<u>Resources</u>						
Pensions	1,240	1,394	1,274	1,274		1,274
Financing Charges	6,089	6,160	5,785	5,256		5,070
Corporate inc one organisation	5,431	6,049	6,380	6,019		6,109
Strategic priorities	0	350	0	0		
Savings/cuts						-3,500
						-3,500
	142,581	103,405	110,798	109,090		100,692
Funded by:						100,004
Special Rail Grant	44,372	904	904	904		904
LEP General Funding	2,872	1,407	1,407	1,407		1,407
Growing Places Fund Interest	1,026	300	593	179		586
Enterprise Zone Receipts		500	311	669		1,495
Transport levy applied	96,198	96,198	96,198	95,198		93,312
Business and Skills Funding		##	8,420	8,470		3,050
Net (addition to)/use of reserves	-1,887	4,096	2,965	2,263		-62
	142,581	103,405	110,798	109,090		100,692
						100,004
Closing Reserves	9,831	4,270	6,866	4,603		4,664
						4,637
# these lines were not separately identified in the original budget for 2016/17. The income received is used to fund the activities of the business, skills and employment teams.						

Financial monitoring – capital budgets

- 2.9. Delivery of the Transport Fund and Local Growth Fund projects is being monitored by the Investment Committee and information on this is available via the papers on the website, with a dashboard approach showing progress now being introduced.
- 2.10. The budget paper in February set out the full position with regard to capital funding and expenditure and these tables are set out below for information. There has been an element of underspending on the Growth Deal projects in 2015/16, reflecting the complexity of the programme but by considering the full portfolio of projects and all the funding streams available to the Authority it has been possible to ensure the conditions attached to all funding streams have been met and any underspends made available for carry forward to 2016/17.

CAPITAL FUNDING	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	TOTAL £000
Growth Deal 1 & 2	127,658	56,515	61,619	66,997	312,789
Growth Deal 3			23,400	24,300	47,700
Subtotal Growth Deal	127,658	56,515	85,019	91,297	360,489
<i>Leeds Transport Investment Programme</i>	0	21,000	48,700	49,100	118,800
Integrated Transport	13,104	13,104	13,104	13,104	52,416
Integrated Transport C/Fwd	7,370	0	0	0	7,370
Funding carried forward for Growth Deal		18,090			
Highways Maintenance Block	26,781	25,971	23,507	23,507	99,766
Highways Incentive Funding	1,637	2,432	4,896	4,896	13,861
DfT Cycle City Ambition Grant	6,751	13,941	0	0	20,692
Non LTP / Non Growth Deal Transport Capital	5,431	503	0	0	5,934
BDUK	595	2,275	3,018	1,002	6,890
Growing Places Fund	1,145	3,476	701	2,715	8,037
ERDF	959	2,870	3,533	1,082	8,444
WY+TF Reserve					0
WY+TF Borrowing					0
TOTAL	191,431	160,177	182,478	186,703	702,699

CAPITAL EXPENDITURE	2016/17	2017/18	2018/19	2019/20	TOTAL
	Forecast	Forecast	Forecast	Forecast	
	£000	£000	£000	£000	
Growth Deal 1 & 2					0
Priority 1 - Growing business	11,646	7,177	5,842	4,352	29,017
Priority 2 - Skills capital	29,883	33,567	9,612	158	73,221
Priority 3 - Clean energy & environmental resilience	1,296	8,314	3,921	149	13,680
-Priority 4a Housing & Regeneration	8,633	9,827	4,689	4,901	28,050
-Priority 4b West Yorkshire + Transport Fund	35,289	50,032	70,685	82,841	238,846
Growth Deal 3		18,500	15,950	13,250	47,700
Subtotal Growth Deal	86,748	127,416	110,699	105,651	430,514
<i>Leeds Transport Investment Programme</i>	<i>0</i>	<i>21,000</i>	<i>48,700</i>	<i>49,100</i>	<i>118,800</i>
Integrated Transport	23,516	13,104	13,104	13,104	62,828
Highways Maintenance Block	26,781	25,971	23,507	23,507	99,766
Highways Incentive Funding	1,637	2,432	4,896	4,896	13,861
DfT Cycle City Ambition Fund	6,751	13,941	0	0	20,692
Non LTP / Non Growth Deal Transport Capital	5,431	503	0	0	5,934
Non Growth Deal Economic Development	4,291	9,265	9,263	4,498	27,317
					0
GRAND TOTAL	155,155	213,632	210,169	200,756	779,712

Risk management

- 2.11. 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. Work on the corporate plan for 2017/18 includes a review of the strategic risks facing the organisation and the mitigations in place to manage these – the outcome of this work will be brought to this Committee for consideration.

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.