

GOVERNANCE AND AUDIT COMMITTEE

**MEETING TO BE HELD AT 11.00 AM ON THURSDAY, 28 JULY 2022
IN COMMITTEE ROOM 1, WELLINGTON HOUSE, 40-50 WELLINGTON
STREET, LEEDS**

A G E N D A

- 1. APOLOGIES FOR ABSENCE**
- 2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS**
- 3. EXCLUSION OF THE PRESS AND PUBLIC**
- 4. MINUTES OF THE MEETING OF THE GOVERNANCE AND
AUDIT COMMITTEE HELD ON 6 APRIL**
(Pages 1 - 4)
- 5. GOVERNANCE ARRANGEMENTS**
(Pages 5 - 14)
- 6. REVIEW OF INTERNAL CONTROL AND EFFECTIVENESS OF
INTERNAL AUDIT**
(Pages 15 - 18)
- 7. INTERNAL AUDIT ANNUAL REPORT AND OPINION**
(Pages 19 - 36)
- 8. INTERNAL AUDIT PROGRESS REPORT**
(Pages 37 - 54)
- 9. EXTERNAL AUDIT PROGRESS REPORT**
(Pages 55 - 98)
- 10. DRAFT ANNUAL ACCOUNTS 2022**
(Pages 99 - 102)
- 11. COMPLIANCE AND MONITORING**
(Pages 103 - 110)

12. TREASURY MANAGEMENT

(Pages 111 - 112)

13. RISK MANAGEMENT PROCESS

(Pages 113 - 144)

14. ANNUAL ACCOUNTABILITY REVIEW

(Pages 145 - 148)

Signed:

A handwritten signature in black ink, consisting of the letters 'BSM' in a stylized, cursive font, with a horizontal line underneath.

**Managing Director
West Yorkshire Combined Authority**



**MINUTES OF THE MEETING OF THE
GOVERNANCE AND AUDIT COMMITTEE
HELD ON WEDNESDAY, 6 APRIL 2022 AT LARGE MEETING ROOM,
WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS**

Present:

Debbie Simpson (Chair)
Councillor Jane Scullion (Substitute)
Councillor Matthew Robinson
Joanna Wardman

Independent Member
Calderdale Council
Leeds City Council
Independent Member

In attendance:

Mark Dalton
Mark Outterside
Bronwyn Baker
Katie Hurrell
Lorna Jones
Angela Taylor
Ben Kearns

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West Yorkshire Combined Authority
West Yorkshire Combined Authority
West Yorkshire Combined Authority
West Yorkshire Combined Authority
West Yorkshire Combined Authority

1. Apologies for Absence

Apologies were received from Councillor Pandor, Councillor Swift, and Councillor Hinchliffe.

2. Declarations of Disclosable Pecuniary Interests

There were no declarations of pecuniary interests at the meeting.

3. Exclusion of the Press and Public

There were no items that required the exclusion of the press and public.

4. Minutes of the Meeting of the Governance and Audit Committee held on 30 September

Resolved: That the minutes of the meeting held on 10 March be approved.

5. Notes of the Meeting of the Governance and Audit held on 13 January

Resolved: That the notes of the meeting 13 January be noted.

6. Treasury Management

Members considered a report that outlined the Combined Authority's treasury management arrangements.

Members received a presentation from the treasury management team at

Leeds City Council and had the following questions:

Members asked if a summary of the quarterly meetings between Leeds and Combined Authority officers about treasury management could be provided to the Governance and Audit Committee.

Resolved: That the presentation be noted.

7. Internal Audit Progress Report

Members considered a report that set out progress against delivery of the current 2021/22 audit plan.

The Committee discussed recruitment challenges to internal audit with three roles out to recruitment work was underway with HR to look at alternatives including temporary resource while recruitment was ongoing.

The Committee noted the completed audit reports since the last meeting and discussed the limited assurance given on contract management relating to bus shelter repairs. Members discussed the recommendations and mitigations following the audit.

Members considered the update on AEB audit and the impact of recruitment challenges on the work. Members recognised that a lot of good work had gone into developing systems ready for the first year delivery of AEB but these systems now need to be implemented robustly.

Members discussed the Audit follow-up table and the outstanding item relating to contract management from a report in February 2020. Members asked if an extra column could be included to provide more context to mitigations that were in progress.

Resolved: That the report be noted.

8. Internal Audit Plan

Members considered a report that set out the draft internal audit plan for 2022/23 for consideration and approval.

It was noted that the plan had been developed to keep focus on the management of contracts, projects and procurement, new business development as well as the Adult Education Budget and Mass Transit.

Members were supportive of the proposed internal audit plan and asked about how audits were prioritised through the year. Members were informed that there would be ongoing re-prioritisation if the level of risk changed throughout the year. Members asked if any prioritisation could be linked to the risk register so Members could better understand the driver for adapted the plan were it to be necessary.

Resolved: That the internal audit plan for 2022/23 be approved.

9. External Audit Progress Report

Members considered a report which provided an update on external audit matters.

Members noted that further instruction from government relating to the 2020/21 final accounts was still awaited and that the recommendation to join the PSAA arrangements had been approved by the Combined Authority.

The approach to the 2021/22 was discussed and changes to the timetable outlined. Work on the audit would not begin until December reflecting the backlog of public sector audits as well as the increasing complexity of the Combined Authority audit. The delayed audit would mean that the Combined Authority audit would get the attention and quality of resources necessary.

Resolved: That the external audit activity be noted.

10. Compliance and Monitoring

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

There had been no changes to internal controls and no RIDDOR incidents. It was noted that the year-end financial position would be brought to the next meeting of the Committee. Members discussed the complexities of next year's budget.

Members asked for the assumptions behind the budget to be outlined, especially around the funding uncertainties and reduced external funding

Resolved: That the report be noted.

11. Risk Management

Members considered a report which provided an update on the corporate risk arrangements.

The strategic risks as at January 2022 set out in appendix 1 to the submitted report.

The report contained an update on the recruitment process and the risk associated with recruitment challenges and ways in which the Combined Authority could present itself to improve its recruitment.

Resolved: That the update on the review of the Corporate Risk Register be noted

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Report to: Governance and Audit Committee

Date: 28 July 2022

Subject: **Governance arrangements and forward plan**

Director: Angela Taylor, Director, Corporate and Commercial Services

Author(s): Caroline Allen, Head of Legal and Governance Services

1. Purpose of this report

1.1 To advise Governance and Audit Committee of the governance arrangements approved by the West Yorkshire Combined Authority (the Combined Authority) at the Annual Meeting on 23 June 2022 in respect of the committee.

1.2 To consider the proposed work programme for the year.

2. Information

2.1 At the Annual Meeting the Combined Authority resolved to appoint the Governance and Audit Committee on the **terms of reference** attached as **Appendix 1** to this report.

2.2 The **quorum** of the Committee is 4.

2.3 The Combined Authority appointed Debbie Simpson as Chair of the Committee and Councillor Tim Swift as deputy.

2.4 A table showing the Committee's membership is attached as **Appendix 2**, the new members are highlighted in red.

2.5 The Combined Authority also agreed meetings dates for the Committee, as follows:

- 28 July 2022
- 13 October 2022
- 12 January 2023
- 22 March 2023

2.6 A proposed forward plan of work is attached as **Appendix 3**, reflecting the key responsibilities of the Committee and noting that agenda items can be added during the year as required.

3. Tackling the Climate Emergency Implications

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

4. Inclusive Growth Implications

4.1 The terms of reference require this, and all committees, to promote inclusive growth in its actions.

4.2 It is proposed that each decision-making committee continues to designate an Inclusivity Lead. This will ensure that equality, diversity and inclusion is fully embedded in the objectives of the committees

5. Equality and Diversity Implications

5.1 The terms of reference require this, and all other committees, to consider equality and diversity in its actions and decision making.

5.2 The diversity of the committee will be kept under review and steps will be taken, in future recruitment campaigns, to ensure as far as possible that the membership is representative of the population we serve.

6. Financial Implications

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

7. Legal Implications

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

8. Staffing Implications

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

9. External Consultees

9.1 No external consultations have been undertaken.

10. Recommendations

10.1 That the Governance and Audit Committee notes the governance arrangements approved by the Combined Authority at the Annual Meeting on 23 June 2022.

10.2 That the Governance and Audit Committee considers the proposed work programme at Appendix 3.

11. Background Documents

None.

12. Appendices

Appendix 1 – Terms of Reference for the Governance and Audit Committee

Appendix 2 – Table of Members

Appendix 3 – Draft work programme

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Part 3

Section 2.3 - Terms of Reference

Governance and Audit Committee¹

The Governance and Audit Committee is authorised²:

1. To review and scrutinise the Combined Authority's financial affairs³.
2. To review and assess the Combined Authority's risk management, internal control and corporate governance arrangements⁴.
3. To review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the Combined Authority's functions.
4. To make reports and recommendations to the Combined Authority⁵ in relation to reviews conducted under paragraphs 1, 2 and 3 above⁶.
5. To consider the findings of a review of the effectiveness of the system of internal control and approve the annual governance statement⁷.
6. To consider and approve the statement of accounts⁸.
7. To consider external audit arrangements⁹ and reports, and consider any audit letter from the local auditor following an audit.

¹ Appointed in accordance with paragraph 4 of Schedule 5A of the Local Democracy, Economic Development and Construction Act 2009

² These terms of reference should be construed in a broad and inclusive fashion to include any action which facilitates or is conducive or incidental to the role of the Combined Authority as accountable body for the Leeds City Region Enterprise Partnership (the LEP)

³ including in relation to PCC Functions

⁴ including in relation to PCC Functions

⁵ The LEP's Procedure Rules provide that the LEP Board shall consider any audit reports or recommendations relating to LEP activities

⁶ including in relation to PCC Functions

⁷ Regulation 6 of the Accounts and Audit Regulations 2015

⁸ including in relation to PCC Functions and incorporating the accounts of the Chief Constable in accordance with Article 41 of The West Yorkshire Combined Authority (Election of Mayor and Functions) Order 2021

⁹ This does not include appointing a local auditor, which must be carried out by the Combined Authority.

8. To receive and consider an annual report form the Joint Independent Audit and Ethics Committee¹⁰.
9. To promote and maintain high standards of conduct by members and co-opted members of the Combined Authority.¹¹
10. To advise the Combined Authority in relation to:
 - adopting, revising or replacing its Members' Code of Conduct¹²;
 - appointing at least one independent person¹³; and
 - arrangements for investigating and making decisions about allegations of failing to comply with the Members' Code of Conduct.
11. To consider and determine any allegation of failing to comply with the Members' Code of Conduct including complaints referred by the Police and Crime Panel ¹⁴.

Document version control	
Municipal Year:	2022-23
Version:	1 - 22/23
Document approved by:	The Combined Authority
Date:	23 June 2022
To be of effect from:	23 June 2022

¹⁰ Established in accordance with the Financial Management Code of Practice (Home Office Guidance)

¹¹ This function does not extend to adopting, revising or replacing the Members' Code of Conduct

¹² The Code applies to members and voting co-opted members of the Combined Authority and includes provision about registering and disclosing interests

¹³ In accordance with Section 28(7) of the Localism Act 2011

¹⁴ In accordance with arrangements made by the Combined Authority and regulation 29 of The Elected Local Policing Bodies (Complaints and Misconduct) Regulations 2012 as amended by 2021 Order

APPENDIX 3: Table of Members

	CA Members (Voting)	Bradford Co-optees	Calderdale Co-optees	Kirklees Co-optees	Leeds Co-optees	Wakefield Co-optees	Other Co-optees (Voting)
Governance and Audit	Susan Hinchcliffe (L) Shabir Pandor (L) Matthew Robinson (C) Tim Swift (L)	N/A	N/A	N/A	N/A	N/A	(Independent Members)
Chair: Debbie Simpson Deputy Chair: Tim Swift							Debbie Simpson Joanna Wardman

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Governance and Audit Committee draft work programme 2022/23

The following standing items will appear on each agenda:

- External audit update
- Internal audit progress
- Compliance and monitoring
- Risk

The following items are scheduled for specific meetings:

13 Oct 2022	Revised risk management strategy
12 Jan 2023	Early consideration of internal audit plan for 2020/21 Approval of annual accounts (provisional) Annual audit letter, including vfm Budget and treasury management 2022/23
22 Mar 2023	External audit fee letter External audit planning Approval of internal audit plan 2022/23 Revised Code of Corporate Governance
July 2023	Consideration of draft accounts Internal audit annual report Review of internal control

Other items will be brought to the Committee as and when they occur, for example in connection with the appointment of external auditors and the consultation on their fees. Any issues arising in connection with the Members' Code of Conduct would also be referred to this Committee.

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Report to: Governance and Audit Committee

Date: 28 July 2022

Subject: **Review of internal control and effectiveness of internal audit**

Director(s): Angela Taylor, Director, Corporate and Commercial Services

Author(s): Angela Taylor

1. Purpose of this report

- 1.1 To inform the Committee of the outcome of a review of internal control and the effectiveness of internal audit.

2. Information

- 2.1 There is a requirement under the Accounts and Audit (England) Regulations 2015 that 'The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.....The findings...must be considered....by the members of the body meeting as a whole.' There is a further requirement that 'A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit. The findings of the review...must be considered, as part of the consideration of the system of internal control ... by the committee or body...' As a Combined Authority the appropriate body to consider these reviews is the Governance and Audit Committee.
- 2.2 The elements of the system of internal control are set out in the Corporate Governance Code and Framework, approved by the Combined Authority at its last annual meeting. The Corporate Governance Code and Framework uses the seven principles as recommended by the Framework. The code is further reviewed, updated and approved at the annual meeting of the Combined Authority. A significantly revised Corporate Governance Code was approved at the annual meeting of the Combined Authority on 23 June 2022. The revisions reflected the changes arising from the change to becoming a mayoral combined authority. It is included [here](#) for information and noting that further revisions will be brought to this Committee in March 2023 ahead of the next Annual Meeting.
- 2.3 The review of the system of internal control is in effect set out in the Annual Governance Statement (AGS) which is required to be included in the annual

accounts. This sets out the governance framework in place during the year and is in accordance with the guidance set out by CIPFA/SOLACE. It is also informed by the work undertaken by internal audit in the year and their overall conclusion in their Internal Audit Annual Report which is:

From the work undertaken during the financial year 2021/22 and taking into account other sources of assurance, Internal Audit have reached the opinion that, overall, the effectiveness of the Combined Authority's framework of control, governance and risk management is adequate.

The full report from the Head of Internal Audit is included under agenda item 7. The AGS for the year to 31 March 2022 is included within the 2021/22 annual accounts which are the subject of agenda item 10.

2.4 The Director, Corporate and Commercial Services has undertaken a review of internal audit, considering her knowledge of the team and its work and the information in the Internal Audit annual report which sets out the work undertaken. Additionally the information available from the independent external quality review undertaken three years ago is also still relevant, with a requirement to undertake a further review in two years time. This assessed the Internal Audit function in relation to compliance with Public Sector Internal Auditing Standards. This concluded "*that West Yorkshire Combined Authority's internal audit activity generally conforms with the definition of Internal Auditing, the Code of Ethics and the Public Sector Internal Audit Standards*" which is the highest rating which can be given by this type of review. A number of recommendations for further improvement were made by the independent reviewer and these have been addressed by the Head of Internal Audit.

2.5 The overall conclusion is therefore that the internal audit function complies with the necessary standards and has worked to an adequate standard during the year. There continue to be the same few instances of non-compliance with the PSIAS but these are deemed immaterial (they include for instance the non-involvement of the Chair of the Governance and Audit Committee in staffing appraisals for the Head of Internal Audit). It is also recognised that all services should strive for continuous improvement and the Head of Internal Audit will continue to keep under review how she and her team can deliver internal audit in the most effective and value added way.

3. Tackling the Climate Emergency Implications

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

4. Inclusive Growth Implications

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

5. Financial Implications

5.1 There are no financial implications directly arising from this report.

6. Legal Implications

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

7. Staffing Implications

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

8. External Consultees

8.1 The external quality assessment has been considered as part of this item.

9. Recommendations

9.1 That the Committee approve the outcome of the review of internal control and of the effectiveness of internal audit.

10. Background Documents

None.

11. Appendices

None.

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Report to: Governance and Audit Committee

Date: 28 July 2022

Subject: **Internal Audit Annual Report and Opinion**

Director: Angela Taylor, Director of Corporate and Commercial Services

Author: Bron Baker, Head of Internal Audit

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

1. Purpose of this report

- 1.1. To ask members to consider and note the contents of the report and supporting appendix detailing the Head of Internal Audit's Opinion for 2021/22.

2. Information

Background

- 2.1 As the Committee will be aware, the Head of Internal Audit is required to give an annual opinion on controls, governance and risk management for inclusion in the annual governance statement. This opinion needs to be based on the work conducted by Internal Audit and takes into account other forms of assurance for example, external assurance from partners that we work with and management assurances (second line of defence).
- 2.2 While there have been some very specific issues in 2021/22 related to resourcing constraints, Internal Audit has managed to complete sufficient work against the plan, both advisory and assurance, to enable the provision of an opinion which has not had to be limited by the volume and scope of work undertaken for this year.

Opinion

- 2.3 The opinion for this last year is that systems of control, governance and risk management have been adequate for 2021/22.
- 2.4 As always, Internal Audit will continue to monitor progress against recommendations made to improve controls and governance and will continue to report progress to Governance and Audit Committee and the Regulatory & Compliance Board. This helps to ensure that learning and recommended areas for improvement are shared more widely with Directorate Management Teams through their R&C Board directorate representatives.

3. Tackling the Climate Emergency Implications

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

4. Inclusive Growth Implications

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

5. Equality and Diversity Implications

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

6. Financial Implications

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

7. Legal Implications

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

8. Staffing Implications

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

9. External Consultees

- 9.1 No external consultations have been undertaken.

10. Recommendations

- 10.1 That the Committee consider and note the internal audit annual opinion.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

Appendix 1 – Internal Audit Report and Opinion 2021/22

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Internal Audit Report and Opinion 2021/22

Bronwyn Baker / June 2022

Background

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. The results of work undertaken within the Annual Audit Plan are designed to support the opinion provided in the Annual Internal Audit Report alongside any other internal or external assurances on which Internal Audit can rely.

Scope of Internal Audit Opinion 2021/22

In providing the annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2021/22 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

It should also be noted that the last year has provided a significant challenge in terms of resourcing with a number of vacancies (the team operating at 50% capacity for nearly half the year) proving extremely difficult to fill. This issue was and continues to be quite widespread in a number of professional areas and is not just restricted to the Combined Authority. That said, some benchmarking work to review our offer was undertaken and Audit will be continuing to work with the HR team to address both what we can do to be more attractive to potential candidates as a team linked with what the Combined Authority is doing as a whole.

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Specialist resource to do IT work was utilised to give assurance in relation to the project delivering a new Integrated Corporate System, cyber security and helping with data analytics.

By re-assessing the plan against changes to risks, we were able to prioritise our work that enabled a full opinion to be given that is not limited by scope. We will need to keep under review the size and nature of the team given the changes to the Combined Authority and the substantial growth of the organisation over the last two years. This will ensure that the breadth and scope of internal audit work is appropriate to the risks and priorities in play both for the medium and long term.

Annual Opinion 2020/21

From the work undertaken during the financial year 2021/22 and taking into account other sources of assurance, my opinion is that, overall, the effectiveness of the Combined Authority's framework of control, governance and risk management is adequate.

In reaching this opinion the following key factors were considered:

Risk Management

A key element of the control environment at the Combined Authority is ensuring that risk management practices are effectively embedded. Attention is drawn to the “Reasonable Assurance” opinion in respect of the Internal Audit’s review of Risk Management. There is a Corporate Risk Management strategy which was approved by the Governance and Audit Committee in January 2020, the strategy is due for review. Roles and responsibilities for risk management are clear and whilst work is ongoing to continue embed risk management in all directorates and teams appropriate arrangements were found to be in place.

Governance

The Combined Authority has continued to progress its development of its governance arrangements with the appropriate reviews and refinements to delegated authorities, the assurance framework (revised and approved in February 2022) and internal governance reporting.

25 This now includes the arrangements for the Office of the Police and Crime Commissioner (OPCC) that became part of the Combined Authority after the mayoral election in May 2021. Audit has contributed to a number of the workstreams that have delivered these changes and continues to provide advice and guidance as further improvements are developed.

Summary of Whistleblowing Cases

Internal Audit continues to act as the primary contact point for the Combined Authority’s Whistleblowing Policy. There have been no whistleblowing referrals during 2021/22.

Summary of Fraud Cases

Internal Audit investigated a referral for COVID-19 payment relief fraud during the previous year which was not pursued as a criminal case as the allegation was against a third party. We did however follow up the wider contractual implications and systems weaknesses identified whilst considering this matter and provided an advisory report to assist in strengthening those controls.

The 2020/21 bi-annual National Fraud Initiative matches were considered by the relevant teams in the business during this last year and Internal Audit provided oversight and an assurance report to the Regulatory and Compliance Board on the outcome of that work.

One internal fraud case, related to time recording concerns, was dealt with through the disciplinary process and suitably resolved, this did not require investigation by the counter fraud officer.

There were no other fraud related matters or referrals in the 2021/22 financial year.

Controls

West Yorkshire Combined Authority has continued to operate its system of controls in 2021/22 and Internal Audit has undertaken compliance work within the business to assess how well those controls are being applied. In 2020/21 it was identified that while controls appeared to be working adequately, there was room for improvement around policies, the need for new, more effective systems, particularly around HR and Finance, and improved monitoring by all levels of management to ensure better compliance. The project to deliver a new integrated corporate system encompassing HR, Finance and Payroll began in November 2021 and Audit has had a seat on the project board to provide assurance as the project progresses. This project provides significant opportunity for strengthening of controls in these areas and Audit will continue to assure the project as it moves to completion at the end of 2022.

Summary of Internal Audit Work 2021-22

The work of Internal Audit against the agreed audit plan is summarised in the table below.

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	Assurance Area	Comments	Current Status	*Assurance Level
1	Project and Programme Assurance - Natural Flood Management	The review found there was good compliance with the Combined Authority's assurance framework. We made one suggestion for Management to consider as part of improvements to project management processes.	Completed review	Reasonable Assurance
2	Health & Safety	This review examined the health and safety system and found that whilst there were adequate processes, opportunities to strengthen internal controls were identified around inspections and digitising H&S checklists to ensure easier compliance and recording.	Completed review	Reasonable Assurance
3	Contract Management - Mechanical and Electrical Maintenance Repair service contract	We reviewed the Mechanical and Electrical Maintenance Repair Services contract to determine compliance with contract standing orders and standards. Recommendations were made to improve budgetary controls and contract renewals, overall the contract achieved a good level of compliance with contract standards.	Completed review	Reasonable Assurance

	Assurance Area	Comments	Current Status	*Assurance Level
4	Contract Management - Review of the Bus Shelters contract	Audit reviewed the contract for glazing, repair and maintenance services of bus stops to determine compliance with contract standing orders and standards. The review concluded that there were key areas where sufficient evidence of control was not demonstrated and recommendations were made to improve document management, recording decisions and monitoring of budgets.	Completed Review	Limited Assurance
5	Compliance with Contracts Standing Orders & Financial Regulations	Internal Audit reviewed the adequacy and effectiveness of controls in place to manage risks associated with the Creditor and Purchasing systems. Two recommendations were raised to strengthen existing controls around changes to supplier details, and order approval permissions on the purchasing system.	Completed Review	Reasonable Assurance
6	Adult Education Budget Procurement Stage 2	The review found that there was good compliance with procurement rules and contract standing orders, with the AEB team duly supported by the Commercial team to ensure guidance was followed. We did make a recommendation to improve the audit trail when agreeing allocation of funds.	Completed Review	Reasonable Assurance
7	Safeguarding	We reviewed the CA's safeguarding arrangements including a high-level review of policies and guidance in place for staff to raise concerns. Recommendations were made for Management to review the safeguarding policy and raise its awareness, deliver staff training as well as improving systems for recording issues and concerns and reviewing procurement guidance.	Completed Review	Limited Assurance
8	Procurement	We reviewed procurements from each directorate and found each had complied with contract standing orders and procurement rules, no matters of concern were raised.	Completed Review	Reasonable Assurance

	Assurance Area	Comments	Current Status	*Assurance Level
9	National Fraud Initiative	This review assessed compliance with mandatory requirements of the NFI 2020 data matching exercise. As a result of the work new working methodologies have been adopted and recommendations in the report were made to improve audit trails and improve timeliness of future exercises.	Completed Review	Reasonable Assurance
10	Complaints Handling/Casework	The review found that the CA's complaints and casework handling process was managed in accordance with policies and guidance. We made some suggestions to improve working practices.	Draft	Reasonable Assurance
11	Risk Management	An annual health check to inform the audit opinion. The review highlighted ongoing work to embed risk management activities across the organisation. Recommendations were made to review the corporate strategy, improve completeness of risk registers and training of staff.	Draft	Reasonable Assurance
12	ICT – Cyber Security	Salford Internal Audit Service (our specialist ICT audit provider) have undertaken a cyber security scan to identify any unaddressed vulnerabilities. No major concerns were identified.	Completed	Reasonable Assurance
13	AEB – Provider Review (2)	This review forms part of the regular assurance cycle for AEB providers. Evidence was tested to assure the reporting, eligibility of learners and claims (financial and outcomes) have followed funding rules and contract agreements. Robust processes for this provider were operating and positive assurance has been given.	Completed	Reasonable Assurance
14	Integrated Corporate System (HR, Finance, Payroll)	Salford Internal Audit Service (our specialist ICT audit provider) examined the effectiveness of arrangements to deliver the new Integrated Corporate System and found that there is a risk that the project may not achieve its stated objectives. As a result of this assessment additional mitigations and actions have been developed by the Project	Completed	Advisory Review

	Assurance Area	Comments	Current Status	*Assurance Level
		Board which will monitor these closely and further reviews are planned.		
15	AEB – Provider Review (1)	This review was requested to advise an AEB provider on controls around registrations, learner eligibility for different funding streams, the correct application of the funding rules and monitoring processes. A number of recommendations were made which will be followed up in compliance reviews.	Completed	Advisory Review
16	Counter Fraud work including a review of business support Covid grants	The counter fraud officer completed an advisory report following a review of the contract and monitoring arrangements in place in relation to one of the sectors supported by Covid relief payments in 20/21. The purpose of this work was to strengthen controls and ensure VFM from the arrangements in place.	Completed	Advisory Review
17	Bus Funding Model - Financial Processes (Transport Services)	The review examined the process of preparing claims for audit certification, reviewed documentation and examined the internal financial control processes and oversight arrangements within the service. We highlighted areas for management to consider strengthening controls including developing clear internal quality assurance processes.	Completed	Advisory Review
18	Climate Change	We followed up progress against implementation of agreed audit recommendations from our 2020-21 review. We found that progress was slow, frequent staffing resource issues had contributed to a lack of ownership and monitoring of the internal climate change plan. Management were asked to review the current arrangements and to confirm the plan going forward.	Completed	Follow Up Review
19	Equalities	We followed up progress against implementation of audit recommendations from our 2020-21 review. We found that good progress was being made and although some matters were outstanding, a significant amount of work was taking place around equality, diversity and inclusion and the Equalities lead was fully focused on improving practice	Completed	Follow Up Review

	Assurance Area	Comments	Current Status	*Assurance Level
		around the organisation and implementing the agreed actions.		
20	Various grant certifications	A comprehensive range of grant certification was carried out over the year in line with funding applications and funding agreements. Audit provided the necessary checks and assurance to support the grant claim submissions.	Completed (see grant certification section below)	N/A
21	GDPR and data privacy	The Information Governance Team asked Internal Audit to provide informal advice and guidance to support the team in conducting a self-assessment against the new ICO framework. Audit will continue to provide support into 22/23 ensuring that the evidence used to support the assessment is robust and suitably retained to confirm the outcome of the assessment.	Ongoing advice and guidance and continuing into the new plan year.	N/A
22	Attendance on Boards	Advice and guidance to inform the control framework with particular Board attendance on: AEB, ICT Service Management and Integrated Corporate System.	Ongoing advice and guidance and continuing into the new plan year.	N/A
23	MCA Workstreams	Audit provided resource to workstreams to advise and assist in the development of appropriate arrangements both pre and post mayoral election, the most significant included AEB and the transfer of OPCC.	Ongoing advice and guidance and continuing into the new plan year.	N/A
24	HR	Focus on key risks and controls in HR, particularly around HR data. This work has been deferred to allow for the data cleanse and migration work to be completed as part of the ICS project for which there is separate assurance.	Deferred to 2022-23	N/A
25	Commercial	A review of any new commercial arrangements put in place, this may defer to 22/23 as these developments are not yet in place	Deferred to 2022-23	N/A

	Assurance Area	Comments	Current Status	*Assurance Level
26	Security of Assets	This review has focused on reviewing the management of the Combined Authority's New Generation Transport (NGT) asset portfolio. The audit is in progress and the outcome will be reported in the 2022-23 plan year.	In progress, carried over into 2022-23	N/A
27	Insolvencies	This review was removed from the plan as other areas are prioritised and resource is constrained, reported and agreed by the Governance and Audit Committee in January 2022	Removed from Plan	N/A
28	Inter Directorate Working - Use of SLAs/MOUs	This review was removed from the plan as other areas are prioritised and resource is constrained, reported and agreed by the Governance and Audit Committee in January 2022.	Removed from Plan	N/A

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

Grant Certification work

Internal Audit resource has been used to check and certify a significant number of funding streams which has required the Head of Internal Audit to sign off that expenditure had been incurred in accordance with the grant funding terms and conditions. The outcome of this work has helped to form an opinion on the control environment. During the year we provided certification on the following;

Funding Body	Grant	Claim Value	Description
European Regional Development Fund	Investment Readiness	£389,997	4 quarterly claims certified. Grant to help small and medium sized businesses (SMEs) better understand the full range of finance options and products available and put them in the best position to apply for investment.
European Regional Development Fund	Connecting Innovation	£421,308	4 grant claims certified, this program was created to help businesses to innovate across Leeds City Region at the same level as other regions by enabling them access to specialist knowledge.
European Regional Development Fund	ReBiz (REF2)	£1,250,843	4 grant claims certified, grant to support SMEs identify and implement cost effective improvements in energy and resource efficiency.
European Regional Development Fund/ European Structural Investment Fund	Strategic Business Growth	£1,575,952	4 quarterly claims certified, to provide an integrated package of advisory and financial support to help SMEs across Leeds City Region with growth potential.
Interreg SHARE-North	Art Forum Interreg/Share North/SMARTY	€191,272	Several claims focused on SME expenditure, training grants etc
Dept for Business Energy and Industrial Strategy	BEIS Core, EU, Uplift Funding	£1,028,550	3 claims certified. Grant for giving advice to businesses by the Leeds City Region LEP supporting the further development of Growth Hubs
Ministry of Housing, Communities and Local Government	Brownfield Housing Fund	£551,843	Funding with the aim of creating more homes by bringing more brownfield land into development.

Funding Body	Grant	Claim Value	Description
Department for Digital, Culture, Media & Sport	BDUK	NIL	Nil return certified
Department for Transport	LTP	£63,451,000	Capital transport expenditure provided to the Combined Authority.
Department for Transport	Bus Services Operators Grant	£2,063,592	Grant certified that was paid to operators of eligible bus services and community transport organisations to help them recover some of their lost income.
Dept for Business Energy and Industrial Strategy	Peer Networks	£78,826	Funding to support businesses with advice and guidance via its Growth Hub
Department for Transport	Local Transport Authority - Bus Recovery Grant	n/a	Audi to endeavour to carry out checks of funding to commercial operators is in compliance with the grant determination
Department for Transport	Coronavirus Bus Services Support Grant	£5,775,000	Certification of grant received to support allocations to support local bus services that may have experienced revenue shortfalls during COVID-19

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Adult Education Budget (AEB)

The West Yorkshire Combined Authority took control of the £63 million devolved Adult Education Budget (AEB) and £2 million delegated Level 3 (Free Courses for Jobs) funding on 1st August 2021. In 2021/22 the agreed 'Readiness conditions' were completed and signed off by the Department for Education. West Yorkshire has implemented and begun delivery of AEB in a shorter timescale than any other MCA and only utilised 95% of the budget for the project, providing a saving of £56,000.

Internal Audit were active Project Board members, providing support at a strategic and workstream level, and continued to do so on the new AEB Performance Board. The Principal Auditor who has historically led on this area has also:

- **Audit and Assurance**

- Assisted in the onboarding of over 30 providers through delivery of a presentation and answering questions at 4 welcome events.
- Liaising with the Education and Skills Funding Agency (ESFA) and other MCA's on the Audit and Assurance and Fraud Investigations (AAFI) group. This has included identifying where random sample compliance visits are being undertaken by the ESFA on providers we have in common with them, and smaller discussions on more high risk providers
- Developed the Operational AEB Audit and Assurance Workstream Plan, our compliance visit testing methodology, and planned and carried out initial reviews on two providers.
- A formal review was completed by the main Internal Audit Team on Stage 2 of the Procurement process for Independent Training Providers (ITP's)- Mini Competition, which resulted in Reasonable Assurance being given in this area.
- Work has also been carried out on determining the Department for Education's assurance requirements for the funding received to ensure this can be provided on a timely basis.

- **ICT and data**

- Determined initial data report requirements for audit purposes from Power BI and ESFA source data to inform provider reviews.
- Advised on necessary controls in the new DAPS payment system and Customer Relationship Management (CRM) systems at the design and implementation stage, with a view to a formal review of these as part of the year end assurance processes.

- **Procurement and Legal & Governance**

- Advised as needed on final contract and grant agreement issues, and the Terms of Reference for the AEB Performance Group.
- Reviewed the initial Funding Rules and changes needed to these during delivery to date.
- Assessed requests for changes to allocations where these have been made.

- **Operational provider management-** worked with the new AEB Contract Management and AEB Key Account Management Teams to further develop the performance management framework and processes, including the development of a Provider Risk Assessment matrix, collaboratively working on our position on how particular funding rules should be interpreted and therefore, compliance with them evidenced by providers, and regular exceptions reporting/ monitoring carried out by operational management.

A full time Principal Internal Auditor has now been recruited to progress the provider compliance visits audit programme. Recruitment of two Senior Internal Auditors to support this work, to enable the organisation to meet its assurance requirements to the Department for

Education regarding the funding provided for the full Academic Year, has been underway for some time with little success to date. The recruitment process is still underway.

Third-Party Assurance

Treasury Management

Leeds City Council's Internal Audit information is still awaited for 2021/22, but they have provided an interim statement for inclusion in this report as follows:

We have undertaken the initial work to establish an on-going audit programme to provide timely assurance over the accuracy and completeness of treasury transactions. This tranche of work has included transactions which have occurred since the last audit, March 2020, to January 2022. Once the audit programme is embedded, we will be providing regular reporting of outcomes to the service.

Where information was available for the period under review, we can provide assurance that treasury transactions have been correctly received or paid, including that interest amounts have been calculated correctly. We will be undertaking sample testing where it is not possible to incorporate data analysis to provide assurance on the whole population of transactions.

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Conformance with PSIAS

The work of Internal Audit must be conducted in accordance with the Public Sector Internal Audit Standards (PSIAS). Conformance with the standards provides an indication of the effectiveness of the system of internal audit. In doing so, assessment against the standards and CIPFA local government application note and development of Quality Assurance and Improvement Programme (QAIP) is essential. The QAIP must include a combination of internal and external assessments, internal assessments are periodic and ongoing whereas an external assessment must be carried out at least once every 5 years.

It has previously been reported that an external quality assessment of the Internal Audit activity was performed in April 2019. This assessment concluded that overall Internal Audit "generally conforms" with the requirements of the definition of Internal Audit, the Code of Ethics and PSIAS. Internal Audit undertake a self assessment against PSIAS annually and for 21/22 are confident that the team continue to meet the standards. As part of that review, a slightly revised Internal Audit Charter was presented to the Governance and Audit Committee for approval in January 2022. The QAIP has been kept under regular review and Internal Audit effectiveness continues to be developed to ensure progress is made against areas identified for improvement.

Follow ups

Once recommendations are agreed with Management and an implementation timetable set, the action is recorded in the Audit Actions Register. These actions then form part of an ongoing cycle of follow up work during the year and progress is reported to the Governance and Audit Committee. Recommendations are followed up to ensure that they are implemented and where there is delay the Regulatory and Compliance Board is advised. In addition, we track all outstanding recommendations (including prior years) across directorates as part of the internal performance monitoring and future audit planning processes.

Performance Indicators

PI area	PI description	Target	Actual performance
Issuing Reports	Final report on audits to be issued within 10 working days from completion of audit work	95%	65%
Recommendations	Percentage of agreed recommendations	100%	97%
Grant Claims	Grant claims processed within three working days of a fully completed file being received	90%	88%
Customer Feedback	Overall positive customer satisfaction rating (based on 7 out of 12 returned)	80%	100%
Fraud/Whistleblowing	Fraud/Whistleblowing acknowledged in 10 working days	100%	No reported cases
Fraud/Whistleblowing	Fraud/Whistleblowing reports within 10 working days of completion	95%	No reported cases

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B Baker, Head of Internal Audit, June 2022



Report to: Governance and Audit Committee

Date: 28 July 2022

Subject: **Internal Audit Progress Report**

Director: Angela Taylor, Director of Corporate and Commercial Services

Author: Bron Baker, Head of Internal Audit

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

1. Purpose of this report

- 1.1. To ask members to consider the contents of the report and supporting appendix detailing summaries of completed reviews since the last Committee meeting and progress against the current plan for 22/23.

2. Information

Audit Delivery for 2022/23

Recruitment

- 2.1 Recruitment is still proving to be problematic, with two vacancies remaining unfilled. Adverts are currently out for these roles at a higher point in the salary range and are also being advertised in a more audit specific advertising environment.

Work against the audit plan

- 2.2 Much of the focus of the team's work over the last few months has been to fully complete the 2021/22 plan to enable an opinion to be given that was not limited by scope. This was as a result of the resourcing problems that have been experienced over the course of the last year. The summaries in the

Appendix relate to all the pieces of work that were at draft stage or had not yet been completed by the date of the last Committee.

Work is now fully underway on the 2022/23 plan and while the team have not met the KPI for Quarter One, confidence remains high that the plan will be delivered on time for next year's opinion.

Fraud/Whistleblowing/Money Laundering

- 2.3 One whistleblowing referral has been received to date in 22/23 and is currently being investigated as a possible external fraud case.

3. Tackling the Climate Emergency Implications

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

4. Inclusive Growth Implications

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

5. Equality and Diversity Implications

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

6. Financial Implications

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

7. Legal Implications

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

8. Staffing Implications

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

9. External Consultees

- 9.1 No external consultations have been undertaken.

10. Recommendations

- 10.1 That the Committee consider and note the internal audit annual opinion.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

Appendix 1 – Internal Audit Progress Report July 2022

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Governance and Audit Committee Internal Audit Progress Report July 2022

July 2022

Appendix 1

1.Key Headlines / Index

Top three issues –Transport, in particular bus partnerships/franchising and mass transit; delivery against Mayoral Pledges; resource and recruitment.

Reports issued – Pages 2-6 provide an update of work carried out since the last update to Committee.

Progress against 2022/23 Audit Plan and any planned changes – there has been focus on completing the 2021-22 plan and work on the 2022-23 plan is now progressing. Overall the plan is now well underway and a summary is provided at **pages 7 – 9**. There has been one addition to the agreed plan i.e. Transport and Property Services Directorate – Financial Controls review. It is anticipated that the plan will be delivered on time in order to inform the annual audit opinion.

Outstanding actions- At **page 10** a brief summary is provided of audit recommendations made since April 2021. Audit monitor the status of implementation of recommendations and where recommendations are overdue, Audit work with Management to monitor progress, agree revised implementation dates or perform follow up reviews.

Feedback from clients – Page 11 provides details of feedback received from recently issued reports to date and these have been included.

Performance Measure- Page 12 provides some details on our performance measures.

2. Reports Issued/ Progress Updates since the last Committee meeting

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Audit Report – Safeguarding

Local Authorities have a duty to promote safeguarding, report concerns and ensure functions and services promote welfare of vulnerable people and children. This review examined the current arrangements with particular reference to: governance, policies and guidance, recording and reporting concerns and training for staff.

Our work concluded that whilst there was some good practice in place to manage safeguarding, further progress was required to embed these practices. The safeguarding policy was out of date and whilst it was under review we identified some additional improvements for Management to consider. Furthermore, there appeared to be inconsistency in recording incidents and lines of reporting were not adhered to. Therefore an audit opinion of **LIMITED** assurance was provided.

The review resulted in recommendations for management to implement and included agreeing a revised safeguarding policy and raising awareness amongst all staff, providing safeguarding training, improving systems for recording incidents and ensuring there was oversight of issues via the Regulatory and Compliance Board.

Audit Report – Procurement

Internal Audit reviewed compliance with procurement procedures, contract standing orders and whether good value was achieved, concluding that an audit opinion of **REASONABLE** assurance can be given.

A review on the implementation of policies, processes, and procedures along with checks on a sample of procurements over £30k found that an appropriate standard of documentation and controls is in place to support compliance with procurement policies and contract standing orders therefore Reasonable Assurance can be provided.

We did not make any formal recommendations; however, we did make one minor suggestion around improving procurement documentation storage.

Audit Report – Cyber Security

Salford Internal Audit Service (our specialist ICT audit provider) have undertaken a review of Cyber Security in the form of a scan that aims to identify any unaddressed vulnerabilities. There were no major issues identified with the results of the scan, some low risk areas were identified that could be easily addressed and these were highlighted to the ICT team for action.

As a result of these findings, **REASONABLE** assurance has been provided.

Audit Report Follow up – Climate Change

Internal Audit conducted a review to follow up on progress against the recommendations made in our previous report, which received a rating of Limited Assurance in January 2021. As a follow up review, this engagement was designed to give a sense of progress against the recommendations made previously and was consequently not rated.

We have found that little progress has been made against each of the audit recommendations from our previous report. It is our intention to review the Combined Authority's (CA's) climate change activities in 2022-23 with a focus on the CA's external objectives, however the CA should still be managing and monitoring its own practices and approach to internal climate change targets.

We therefore made one recommendation as part of this follow up report, for management to clarify the position of the TCE internal action plan going forward.

Audit Report Follow up – Equalities

Internal Audit conducted a review to follow up on progress against the recommendations made in our previous report, which received a rating of Limited assurance in May 2021. As a follow up review, this engagement was designed to give a sense of progress against the recommendations made previously and was consequently not rated.

We have found that good progress has been made against each audit recommendation recognising that work is ongoing to fully implement actions arising from the previous audit report.

Our overall view is that progress is now moving forward at a much faster pace and the emphasis, focus and commitment to equality, diversity and inclusion is clearly evident, but it is our intention to review Equalities again at the latter stages of the Audit Plan for 2022-23 to allow audit to refresh the opinion.

Audit Report – National Fraud Initiative (NFI)

The National Fraud Initiative (NFI) is a Cabinet Office exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud and sends them out for investigation by participants on a bi-annual basis. Those involved include police authorities, local probation boards, fire and rescue authorities as well as local councils and NHS trusts, some central government departments and a number of private sector organisations.

Combined Authorities are legally required to submit certain data and report on investigation outcomes via a secure Portal. These are then compiled and published in a national report. Individual teams including Finance, Transport Services, ICT and Legal and

Governance Services are asked to review and report on any identified matches. Internal Audit then provides investigative and test analysis expertise as well as compiling an overall report on the responses from the organisation for internal governance reporting.

Internal Audit assessed compliance with mandatory responsibilities and lessons learned from the NFI 2020 exercise in which 16,284 matches were considered, risk assessed and some investigated in detail. This report presented the approach taken, findings and conclusions drawn from the review for information and recommended actions for senior management consideration where appropriate.

REASONABLE assurance was given and the joint working approach has led to new methodologies being developed that should increase the audit trail available and effectiveness and timeliness of our review of matches in future exercises.

Advisory Report – Integrated Financial System

Salford Internal Audit Service (our specialist ICT audit provider) examined the effectiveness of project management processes in place to provide confidence that the implementation of the new Integrated Corporate System (ICS) will deliver its defined aims within agreed funding and delivery timescales.

The review found that there is a risk that the project may not achieve its objectives in accordance with the planned timescales and costs. A number of issues were identified which, if addressed, would significantly reduce the risk of failing to achieve the objectives of the project. As a result of this assessment, the ICS Project Board has undertaken some immediate work to build in additional mitigations and actions. These are now under regular review by the Board and form part of the ongoing management of the project. Further assurance reviews are planned for the remainder of the project timetable.

Advisory Report – AEB Provider Review (1)

Internal Audit conducted their first review of an Adult Education Budget (AEB) provider. This review was completed on an advisory basis due to an already identified need to support them in their delivery. This was also driven by recent changes being agreed with them, another Combined Authority and the Education and Skills Funding Agency (ESFA) regarding how they assessed learner eligibility for a particular type of funding for which they are one of only two providers nationally.

The review focussed on the processes followed for the registration of learners, their eligibility for the funding claimed, and the uploading of information into the electronic Individual Learner Record (ILR) system that generates claims for funding promptly and accurately. Changes to learner status, Learning Support Funding, Community Learning provision and how it was accounted for, were also considered. The aim was to provide guidance to the provider as to areas that required development and make recommendations regarding how this might be done.

A number of areas were identified for improvement where the Funding Rules and Grant Agreement were not being complied with. Analysis of the root causes of these were used to suggest actions to be taken to improve processes and controls.

Audit Report – AEB Provider Review (2)

Internal Audit's second Adult Education Budget (AEB) provider visit has been conducted, concluding that an audit opinion of REASONABLE assurance can be given.

The review focussed on the processes followed for the registration of learners and the uploading of information into the electronic Individual Learner Record (ILR) system that generates claims for funding promptly and accurately. The provider's processes were found to be consistent and structured, and only one minor recommendation was made regarding potential process improvement.

Adult Education Budget (AEB) Progress Update

The Combined Authority took control of what is now £65 million devolved Adult Education Budget (AEB) and £4.6 million delegated Level 3 (Free Courses for Jobs Offer) funding on 1st August 2021 and 1st December 2021 respectively.

The first Letters of Assurance on Payments to Providers for these funding streams for financial year 2021/ 22 (August 2021-March 2022) were required by the Department for Education at the end of June 2022. Internal Audit provided guidance on the content to include in these and internal approval processes and tested the evidence of their content for accuracy prior to their approval by the Section 73 Officer.

Recommendations for future controls were provided to the AEB team as part of this work. These primarily related to items that should be published on the West Yorkshire Combined Authority website being updated in line with best practice and activity that will need to be carried out at year end in line with the Performance Management Framework. Caveats were included regarding the payments made to two providers who have received Performance Improvement Notices with requests for repayment at R10 due to underperformance against their agreed profiles/ delivery plans.

Internal Audit have been active Performance Board members, providing support at a strategic level and have continued to do so on the new AEB Performance Group. The Principal Auditors who work on this area has also been:

- **Audit and Assurance-** Liaising with the Education and Skills Funding Agency (ESFA) and other MCA's on the Audit and Assurance and Fraud Investigations (AAFI) group and providers we have in common, developing the Operational AEB Audit and Assurance Workplan and starting to deliver further AEB provider audit visits.
- **ICT and data-** developing the Audit dashboards within Power Bi to inform control and compliance reviews of providers.
- **Legal and Governance-** Reviewing flexibilities requests and changes to the Funding Rules in line with local flexibilities approved by the Combined Authority and Employment and Skills Committee.

Recruitment is still underway for the remaining two unfilled senior auditor roles, with these out to advert again.

Counter Fraud, Whistleblowing and Anti Money Laundering

Basic Anti Money Laundering (AML) training has now been made available to all staff via the iHASCO training portal (the mandatory training also includes modules on Counter Fraud, Bribery and Corruption). More detailed guidance and recorded training sessions on using the newly developed Know Your Customer checklists is in the process of being published on the intranet to support those who may need to carry out checks as part of their roles.

The table below provides a summary of referrals reported during 2022-23.

	Total number of referrals 22/23	Investigation completed - No breach/ no further action	Investigation completed – further action taken	Still under investigation
Fraud – External	0	N/A	N/A	0
Fraud – Internal	0	N/A	N/A	N/A
Whistleblowing	1	N/A	N/A	1
AML	0	N/A	N/A	N/A

One whistleblowing concern has been raised to date and an initial investigation is currently underway.

Grant certification

Internal Audit resource continues to provide certification in accordance with the funding bodies grant determination letter requiring the Head of Internal Audit to sign off expenditure incurred. Since our last report in March 2022, Audit have reviewed and certified the following grants.

Grant	Claim Period	Value certified £
Connecting Innovation	Q1 (01/01-31/03)	205,275
Rebiz (REF2)	Q1 (01/01-31/03)	298,850
Investment Readiness	Q1 (01/01-31/03)	30,576
Strategic Business Growth	Q1 (01/01-31/03)	286,669
BEIS	Apr 21– Mar 22	780,000
Peer Networks	Apr 21– Mar 22	93,896
Traffic Demand Management	Apr 21– Mar 22	22,655
BDUK	Apr 21– Mar 22	1,720,037
BHF	Apr 21– Mar 22	n/a
ZEBRA	March 2022	n/a

3. Internal Audit Plan 2022/23

Assurance Area	Scope	Current Status/Timetable
Contract Management (sample to confirm compliance with Fin Regs/ Contracts Standing Orders)	Contract management reviews to ensure compliance with contract standing orders and contract management principles and a separate review focusing on central systems.	In progress
MCard APP	To examine controls around ticket sales through the new App with focus on fraud risks.	In scope
Adult Education Budget	Various reviews are to be delivered in line with assurance framework for AEB, including a programme of provider audit visits.	In progress
*NEW Transport and Property Services Directorate – Financial Controls review	To examine the system of internal controls within Transport Services	In progress
FlexiBus	To examine the flexibus arrangements	In scope
Project and Programme Assurance reviews	Project and programme assurance reviews to be undertaken. The reviews will primarily focus on compliance with the Assurance Framework as well as good project and contract management compliance.	Quarter 2
Counter Fraud work	A proactive counter fraud work plan is being developed in line with our policy and best practice consisting of activities to strengthen our controls to prevent, detect and investigate fraud, corruption and money laundering that involves the Combined Authority and its resources.	Quarters 2-4
Procurement	To carry out review of a range of procurements to confirm compliance with financial regulations and contract standing orders.	Quarter 2-3

Integrated Corporate System (HR, Finance, Payroll)	To review progress with implementation of the new Integrated Corporate System.	Quarter 2-3
Bus Funding Model	To examine spend forecast on tendered services/ concessionary fares, checks on controls/payments	Quarter 2-3
ICT – various, including Cyber Security	Salford Internal Audit Service to provide a programme of ICT reviews over the year in line with its risk assessment of ICT Services.	Quarter 2-3
Compliance with Contracts Standing Orders & Financial Regulations	Focus on the current financial system.	Quarter 2-3
Health & Safety	To provide assurance that H&S policies and practices are up to date and meet legislative requirements and review processes around incidents and reporting of these and action taken as a result.	Quarter 3
Police and Crime Team Commissioning (including Violence Reduction Unit)	A review to consider how the Police and Crime Team processes are fitting into CA ways of working to ensure agile responses to short term funding.	Quarter 3
PAN Programme Charges (benchmark review)	To consider current arrangements and by comparison with others, look for opportunities to demonstrate vfm with performance indicators and maturity measures.	Quarter 3
Code of Corporate Governance and Compliance with sub delegations	To advice and support the implementation of revised delegations and proposed review of the Code.	Quarter 3-4
Climate Change – external plans	To examine the CA's progress against its external climate change plans	Quarter 3-4
Risk Management	Annual health check to inform the audit opinion and follow up work from 2021-22	Quarter 4
Security of Assets	Carry over review to be completed and scope for further review to be determined but building on previous year's work. This second review will focus on the Combined Authority's asset management processes.	Carry over review in progress Quarter 4

Equalities	Plan for a further review against the EFLG framework gathering evidence to support the assessment, focus across the directorates on work implementing the strategy, action plan and EDI measures. Follow up on previous recommendations.	Quarter 4
Commercial, Development and Investment work, specifically Business Accelerator Fund (claim and payment arrangements)	A review of any new commercial arrangements put in place.	Quarter 4
GDPR (ICO Framework)	To focus on compliance with policies and practices within directorates where significant GDPR issues arise and to review the Data Privacy Impact Assessments process.	Quarter 4
Grant Audits	In line with grant funding applications and funding agreements	As required
Attendance on Boards	Advice and guidance to inform the control framework	Ongoing
Various grant certifications	Grant certification provided In line with funding applications and funding agreements (see below)	Ongoing

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Overall Opinion Ratings

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

Minimal There is a weak framework of control in place and/or the controls are not being consistently applied to ensure the risks are managed effectively.

4. Audit Follow up

As previously agreed with the Committee, Audit reports on any outstanding actions.

The table below provides an update on the status of each audit recommendation made since April 2021 (unless carried forward as outstanding). At the time of writing, 3 recommendations are overdue, and Audit have been liaising with Management to establish progress with implementing these. The table also refers to 1 recommendation “not to be implemented” which management have chosen not to accept. This refers to a recommendation in the National Fraud Initiative audit report (June 2022) that asked officers to establish a process to check all member declarations annually, however, Management felt that the onus was on Members to report any changes to the Monitoring Officer in line with the Members Code of Conduct.

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The implementation of recommendations is based upon Management’s own assessments except where Internal Audit have carried out formal follow up work.

Directorate	Total	Implemented	In progress	Overdue	Not advised	Not to be Implemented
Cross Cutting	11	6	4	0	0	1
Corporate and Commercial Services	21	15	3	3	0	0
Delivery Services	2	2	0	0	0	0
Economic Services	1	0	1	0	0	0
Strategy, Comms, Policing	4	0	4	0	0	0
Policy and Development	1	0	1	0	0	0
Transport Services	10	2	8	0	0	0
Total	50	25	21	3	0	1

5. Customer Feedback

Audit have received 3 client feedbacks for reports (6 sent out), these relate to reviews completed in the 2021-22 audit plan. These have shown an overall positive score, details of narrative comments have been shared below for the Committee's oversight.

Review name & report issue date	What did we do well?	What could we have done better?
Equalities (follow up) (March 2022)	Providing a supportive environment whilst encouraging quality challenge and interrogation to gain the best results for all.	Ahead of the meeting, maybe a overview/reminder of the process and timeline, and any associated actions and for who.
AEB Procurement (March 2022)	Happy with the review	n/a
Procurement (May 2022)	The scope of the audit was clearly presented. The auditor also gave confidence that they would take time to understand the operation of the department and practices in the application of their audit measures.	None, the commercial team was happy with the audit process and the way in which it was completed.

6. Performance Measures

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

Measure	Annual Target	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	YTD
Annual Governance Statement deadline 2021/22 - to include annual audit opinion	May (draft) November (final)	NA	100%	NA									100%
Compliance against Public Sector Internal Audit Standards - self assessment against the Local Govt checklist	May (draft) September (final)	NA	NA	100%									100%
Customer Satisfaction (including question around EDI approach)	80% good or above	100%	NA	100%									100%
Reports issued within 10 working days from completion of audit work	95%	100%	100%	100%									100%
Percentage completed reviews against agreed plan, quarterly targets	Q1=10%, Q2=40%, Q3=70%, Q4=90%	NA	NA	0%									0%
Percentage of recommendations agreed	90%	100%	100%	100%									100%
Fraud/ Whistleblowing acknowledgement, where appropriate, within 10 working days	100%	100%	NA	NA									100%
Fraud/ Whistleblowing reports to be issued within 10 working days of investigation completion	95%	NA	NA	NA									N/A
Grant certifications to be completed within 3 working days (or to a separately agreed	95%	100%	67%	0%									70%

deadline) of a fully completed evidence file being received														
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Report to: Governance and Audit Committee

Date: 28 July 2022

Subject: External audit progress report

Director(s): Angela Taylor, Director, Corporate and Commercial Services.

Author(s): Katie Hurrell, Head of Finance

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

1. Purpose of this report

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

2. Information

Annual Accounts 2020/21 – Final Audit Update

- 2.1 The audit completion report was presented to the last Committee meeting on 13 January 2022. The final audit certificate was pending due to awaiting clarification from Government on the requirement to complete Whole of Government Accounts. This further instruction is still awaited.

External Audit 2021/22 Timetable & Approach

- 2.2 The transfer of the Police and Crime functions to the Combined Authority from 10 May 2021 introduces new complexities to the preparation of the annual accounts, introducing both group accounts and consolidation, as well as a partial year for West Yorkshire Police. The Combined Authority audit for 2020/21 was one of the few that achieved the 30 September deadline but in recognition of the additional complexities for the 2022/22 accounts it has been

agreed that audit finalisation will take place in November 2022 and not September 2022, adopting the additional time extension that has been made available by auditors. The finance teams from the Combined Authority and West Yorkshire Police are working well together, having prepared template accounts and now finalising the content for them but this has been complicated by the extended time taken for the previous auditors to finalise their position on the accounts for West Yorkshire Police to 10 May 2021 which were only approved at the end of April 2022.

- 2.3. An audit progress report from Mazars is attached at **Appendix 1** for information, setting out the approach to the audit, the timing and the key risks. This is in line with previous discussions at this Committee and Mazars will be in attendance at this meeting to talk through the document and respond to any questions. At the time of publication of these papers the appendix is draft and a final version will be available by the time of the meeting. Mazars will be undertaking the audit of both the Chief Constable accounts and those of the Combined Authority for 2021/22.
- 2.4. As part of Mazars routine audit work a number of responses are required from management and those charged with governance with regard to fraud and litigation. The letter to this Committee is attached as **Appendix 2** and members are asked to consider this and note that a response is required prior to 30 September 2022. It is proposed that a response be drafted over the summer, shared with members via email and final approval then delegated to the Chair.

3. Tackling the Climate Emergency Implications

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

4. Inclusive Growth Implications

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

5. Financial Implications

- 5.1 There are no financial directly arising from this report.

6. Legal Implications

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

7. Staffing Implications

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

8. External Consultees

- 8.1 No external consultations have been undertaken.

9. Recommendations

- 9.1 To note the external audit activities.
- 9.2 To consider the External Audit Progress report from Mazars.
- 9.3 To consider the letter from Mazars attached as Appendix 2.

10. Background Documents

None.

11. Appendices

Appendix 1 External Audit Progress report

Appendix 2 Auditor letter to those charged with governance

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DRAFT Audit Strategy Memorandum

West Yorkshire Combined Authority

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Year ending 31 March 2022



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- 01** Engagement and responsibilities summary
- 02** Your audit engagement team
- 03** Audit scope, approach and timeline
- 04** Significant risks and other key judgement areas
- 05** Value for money
- 06** Fees for audit and other services
- 07** Our commitment to independence
- 08** Materiality and misstatements
- 09**
Appendix – Key communication points

This document is to be regarded as confidential to West Yorkshire Combined Authority. It has been prepared for the sole use of Governance and Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Governance and Audit Committee
West Yorkshire Combined Authority
Wellington House
Leeds
LS1 2DE

Mazars LLP
5th Floor
3 Wellington Place
LS1 4AP

July 2022

Dear Governance and Audit Committee Members

Audit Strategy Memorandum – Year ending 31 March 2022

We are pleased to present our Audit Strategy Memorandum for West Yorkshire Combined Authority for the year ending 31 March 2022. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing West Yorkshire Combined Authority which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us, and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0113 394 5316.

Yours faithfully

Mark Dalton
Mazars LLP

Mazars LLP – 5th Floor, 3 Wellington Place, Leeds, LS1 4AP

Tel: 0113 394 2000 – www.mazars.co.uk

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 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. VAT number: 839 8356 73

01

Section 01:

Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of West Yorkshire Combined Authority (the Authority) for the year to 31 March 2022. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

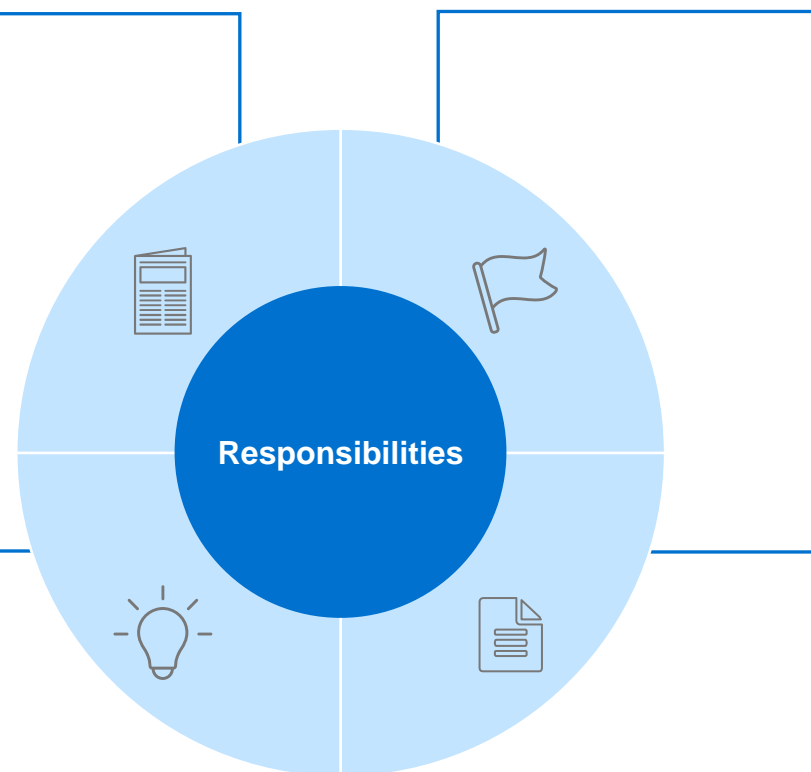
Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or Governance and Audit Committee, as those charged with governance, of their responsibilities.

The Director, Corporate and Commercial Services is responsible for the assessment of whether it is appropriate for the Authority to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and to conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements.

Value for money

We are also responsible for forming a commentary on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



Fraud

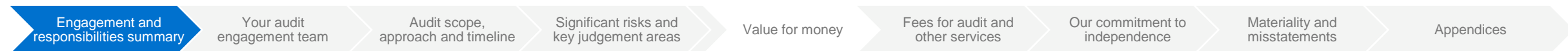
The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management staff as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole, are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Authority's financial statements with its Whole of Government Accounts (WGA) submission.

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 Authority and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom



02

Section 02:

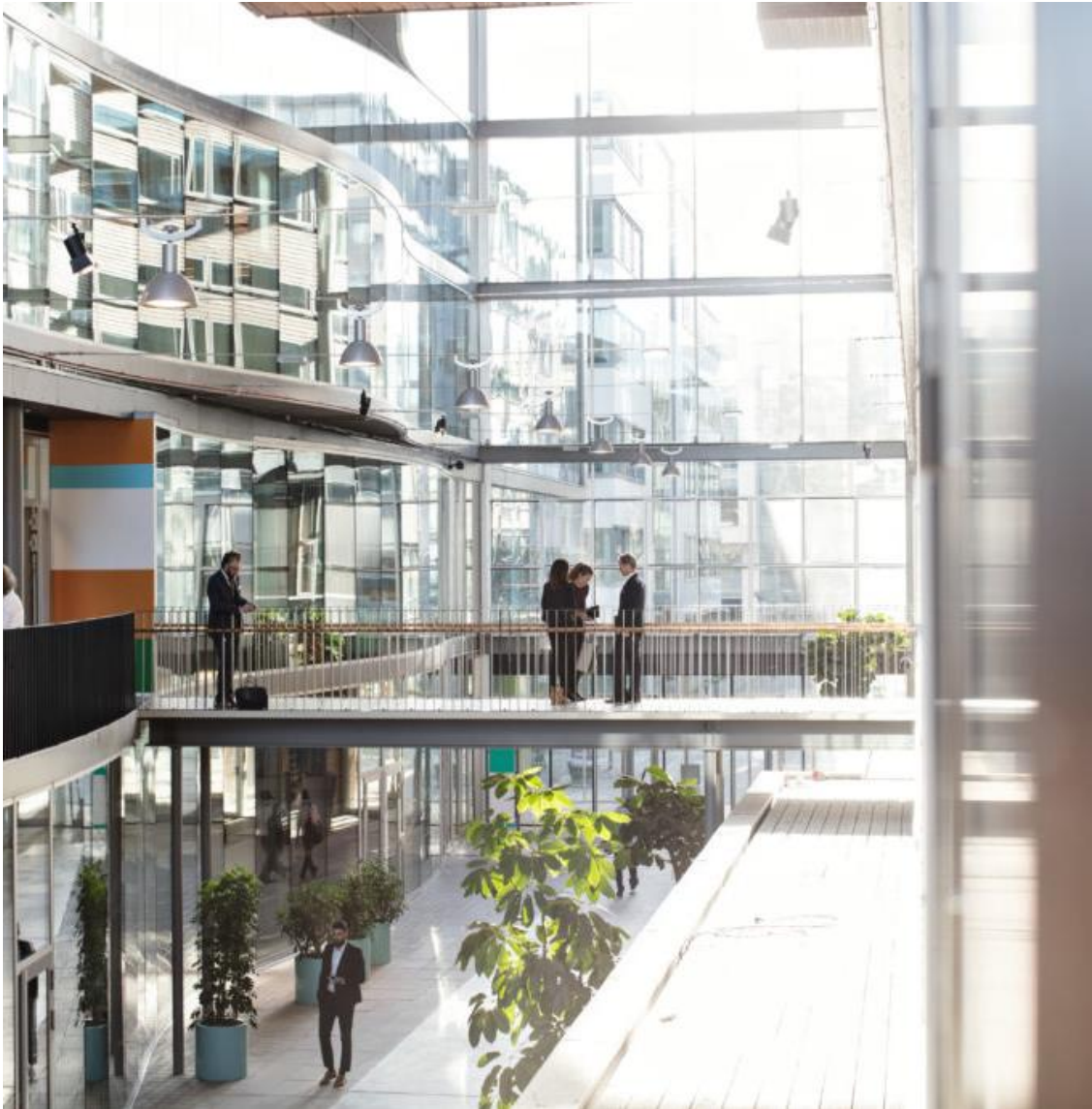
Your audit engagement team

2. Your audit engagement team

Your external audit service will be led by Mark Dalton.

Who	Role	E-mail
Mark Dalton	Engagement Lead	mark.dalton@mazars.co.uk
Mark Outterside	Engagement Manager	mark.outterside@mazars.co.uk
Mousa John	Engagement team leader	mousa.john@mazars.co.uk

As the Authority meets the criteria of a Major Local Audit under the Local Audit Act 2014, per the Firm’s quality management arrangements, an engagement quality control reviewer (EQCR) has been appointed. They will work with the Engagement Lead and the team, but have no direct engagement with the Authority.



Engagement and responsibilities summary	Your audit engagement team	Audit scope, approach and timeline	Significant risks and key judgement areas	Value for money	Fees for audit and other services	Our commitment to independence	Materiality and misstatements	Appendices
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03

Section 03:

Audit scope, approach and timeline



3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

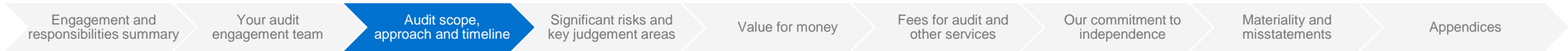
Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place, then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise of tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which consider our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



3. Audit scope, approach and timeline

Planning – June/July

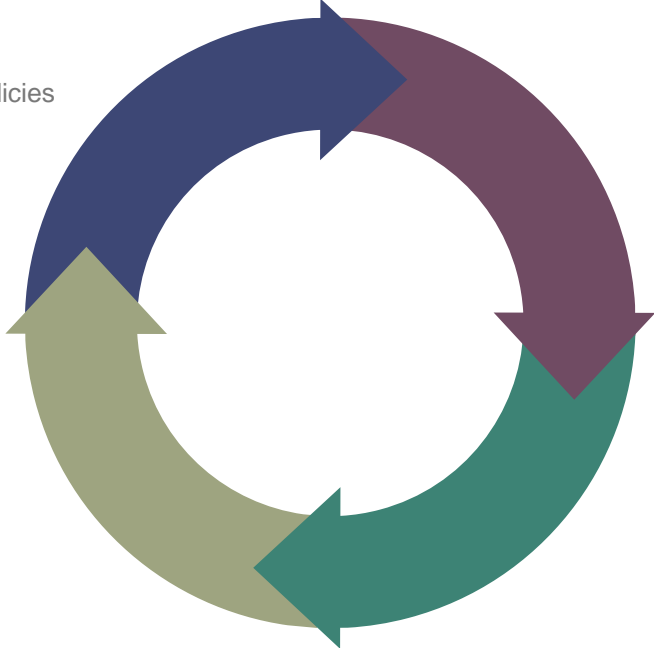
- Planning visit and developing our understanding of the Authority
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Completion - February

- Final review and disclosure checklist of financial statements
- Final partner and EQCR review
- Agreeing content of letter of representation
- Reporting to the Governance and Audit Committee
- Reviewing subsequent events
- Signing the auditor’s report

Value for Money

We plan to complete and report our Value for Money arrangements work within three months of our audit opinion, per National Audit Office (NAO) guidance. See section 5 of this report for more details of our work in this area.



Interim – July/August

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork – December to February

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting



3. Audit scope, approach and timeline

Management’s and our experts

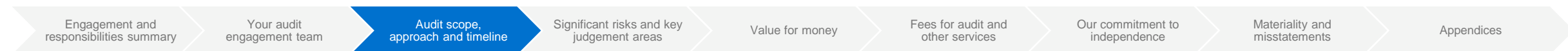
Management makes use of experts in specific areas when preparing the Authority’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Defined benefit liability 69	AON Hewitt (LG Scheme) and Government Actuary’s Department (Police Pension Scheme)	PwC, consulting actuary, on behalf of National Audit Office
Property, plant and equipment valuation	Lambert Smith Hampton (LSH), and Carter Jonas, for land and buildings. Multiflight, specialist valuer for Police helicopters.	We will take into account relevant information which is available from third parties and consider consulting our valuations team for unusual or difficult to value assets.
Financial instrument disclosures	Link Asset Services	We will review Link Asset Services’ methodology to gain assurance that the fair value disclosures of the Authority’s financial assets and liabilities are materially correct.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Authority that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Authority and our planned audit approach.

Items of account	Service organisation	Audit approach
Treasury management (affecting bank balances, investments and borrowing)	Leeds City Council	Sufficient appropriate audit evidence will be obtained from direct confirmations requested from third parties.



3. Audit scope, approach and timeline

Group audit approach

We are responsible for the audit of the Group consolidation, which consists of:

- West Yorkshire Combined Authority (parent); and
- Chief Constable for West Yorkshire Police (component)

Mazars UK are the appointed auditor for the Chief Constable for West Yorkshire Police. As such we are the appointed auditor for 100% of the Group.

At this stage we have not finalised our scoping of our Group approach, however we expect to complete full procedures for both entities of the Group, including:

- a review of the consolidation process;
- test material consolidation adjustments; and
- complete full-scope audit procedures on the Chief Constable for West Yorkshire Police’s financial statements.

Entity	Consolidation Identifier	Auditor	Director/Partner	Scope
West Yorkshire Combined Authority	Parent	Mazars LLP	Mark Dalton	Full
Chief Constable for West Yorkshire Police	Component			

We apply a separate materiality for the audit of the Group accounts as set out in Section 8.

We have not identified any significant risks for Group accounts purposes in relation to the audit of the component. The significant risks and areas of audit focus for the Authority as a single-entity are set out in section 4.



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Section 04:

Significant risks and other key judgement areas

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4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant in respect of the Authority. We have summarised our audit response to these risks on the next page.



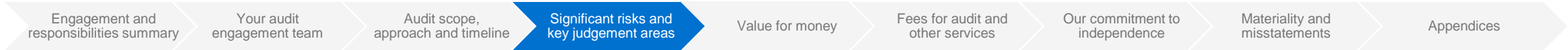
4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during our audit, we will report this to Governance and Audit Committee.

Significant risks

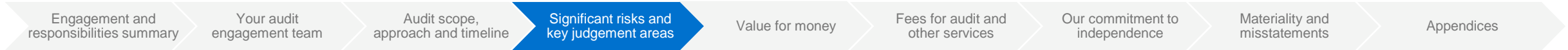
	Description	Fraud	Error	Judgement	Planned response
1 73	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate 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 override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.



4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2 74	<p>Net defined benefit liability valuation</p> <p>The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Authority’s balance sheet.</p> <p>The valuation of the pension scheme liabilities relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority’s overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority’s valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should reflect the profile of the Authority’s employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Authority’s pension obligations are not reasonable or appropriate to the Authority’s circumstances. This could have a material impact to the net pension liability in 2021/22.</p>	○	●	●	<p>We plan to address the risk by:</p> <ul style="list-style-type: none"> critically assessing the competency, objectivity and independence of the Actuaries, Aon Hewitt and the Government’s Actuary Department (GAD); liaising with the auditors of the West Yorkshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council’s financial statements.



4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
3 75	<p>Valuation of property, plant and equipment Land, buildings and infrastructure are the Authority's highest value assets accounting for £176.4 million of the Authority's £369.8 million Property, Plant and Equipment balance in 2020/21.</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date.</p> <p>Management engages its own valuers as an expert to assist in determining the fair value of land and buildings to be included in the financial statements, however there remains a high degree of estimation uncertainty associated with the valuation of Property, Plant and Equipment due to the significant judgements and number of variables involved.</p>	○	●	●	<p>We will evaluate the design and implementation of any controls which mitigate the risk. This includes liaising with management to update our understanding on the approach taken by the Authority in its valuation of land and buildings. We will:</p> <ul style="list-style-type: none"> • assess the scope and terms of engagement with the Valuer; • assess the competence, skills and objectivity of the Valuer; • assess how management use the Valuer's report to property, plant and equipment included in the financial statements; • test the accuracy of the data used in valuations; • challenge the Authority and Valuer's assumptions and judgements applied in the valuations; • consider whether the overall valuation methodology is in line with industry practice, the CIPFA Code of Practice and the Authority's accounting policies; • consider the reasonableness of the valuation by comparing the valuation output with market intelligence; and • consult with our valuations team for those items of property, plant and equipment that are unusual or complex valuations.

Engagement and responsibilities summary

Your audit engagement team

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Significant risks and key judgement areas

Value for money

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Our commitment to independence

Materiality and misstatements

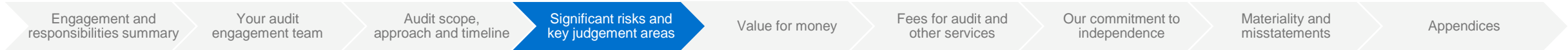
Appendices

4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
4	<p>First year adoption of Group Accounts In May 2021 the Combined Authority took responsibility for the Police and Crime Commissioner for West Yorkshire.</p> <p>This requires first time preparation of Group accounts, incorporating the Chief Constable for West Yorkshire Police into the Group. Inherent within the consolidation process are judgements which could have a material impact on the Group's financial position and materially significant balances.</p> <p>Errors in the consolidation process, could result in material misstatement.</p>	○	●	●	<p>We will:</p> <ul style="list-style-type: none"> • review accounting policies to ensure consistency between Group entities; • review the Group control environment; • review the Combined Authority's own assessment of compliance with the requirements of chapter 9 (group accounts) of the CIPFA Code; • consider the accounting treatment of non-coterminous year-ends for the purpose of balances brought forward; • review and understand the consolidation process; and • complete full-scope audit procedures for the Chief Constable for West Yorkshire Police.

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Section 05: **Value for money**

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5. Value for money

The framework for Value for Money work

We are required to form a view as to whether the 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 view, and sets out the overall criterion and sub-criteria that we are required to consider.

2021/22 will be the second audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Authority has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Authority's arrangements in the Auditor's Annual Report.

Specified reporting criteria

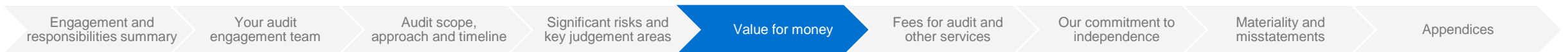
The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Authority plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Authority ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Authority uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Authority's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Authority and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

<p>Planning and risk assessment</p>	<p>Obtaining an understanding of the Authority's arrangements for each specified reporting criteria. Relevant information sources will include:</p> <ul style="list-style-type: none"> • NAO guidance and supporting information • Information from internal and external sources including regulators • Knowledge from previous audits and other audit work undertaken in the year • Interviews and discussions with staff and members
<p>Additional risk based procedures and evaluation</p>	<p>Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.</p>
<p>Reporting</p>	<p>We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none"> • Significant weaknesses identified and our recommendations for improvement • Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Authority.



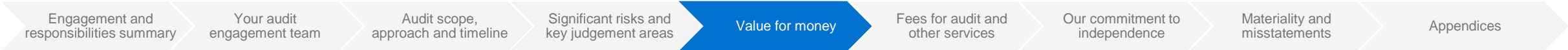
5. Value for money

Identified risks of significant weaknesses in arrangements

The NAO’s guidance requires us to carry out work at the planning stage to understand the Authority’s arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, to date, we have not identified any risks that significant weaknesses in arrangements exist. We will report any identified risks to the Audit and Governance Committee on completion of our planning and risk identification work.

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Section 06:

Fees for audit and other services

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6. Fees for audit and other services

Fees for work as the Authority's appointed auditor

At this stage of the audit, we are awaiting confirmation of the updated fees for West Yorkshire Combined Authority, from the Public Sector Audit Appointment (PSAA) Ltd, given its new role (absorption of Police and Crime Commissioner) and preparation of Group Accounts.

Area of work	2021/22 Proposed Fee	2020/21 Actual Fee
Code Audit Work – West Yorkshire Combined Authority	TBC	£25,964
Additional fees in respect of work completed in regard to valuation testing for Property, Plant & Equipment and Defined Benefit Pensions Schemes as a result of changes in regulatory expectations.	TBC	£5,000
Additional fees in regard to new accounting standards: ISA 540 (Revised): Auditing accounting estimates and related disclosures; ISA570 (Revised) Going Concern.	TBC	£1,500
Additional fees in respect of the change in the Code of Audit Practice in respect of Value for Money arrangements.	TBC	£5,000
Total fees	TBC	£37,464

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

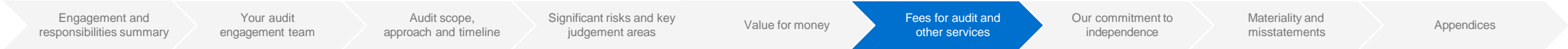
Appendices

6. Fees for audit and other services

Services provided to other entities within the Authority's group

Area of work	2021/22 Proposed Fee	2020/21 Proposed Fee
Chief Constable for West Yorkshire Police audit*	TBC	£17,325
Total	TBC	£17,325

* As with the fees for WYCA, we are expecting revised fees to be confirmed by the PSAA Ltd.



07

Section 07:

Our commitment to independence

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7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. 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.

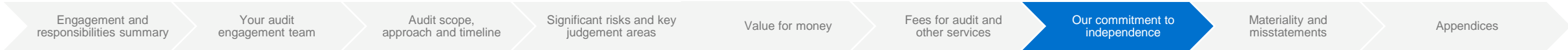
We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- ~~4~~ 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; 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 confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Dalton in the first instance.

Prior to the provision of any non-audit services Mark Dalton will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.



08

Section 08:

Materiality and misstatements

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8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	WYCA - Initial threshold £'000s	Group - Initial threshold £'000s
Overall materiality	£18,000	£18,250
Performance materiality	£9,900	£10,030
Trivial threshold for errors to be reported to Governance and Audit Committee	£540	£545

We have also set specific overall materiality of £5,000 for senior officer remuneration (including any associated exit packages) and members' allowances. Related party transaction specific materiality has been set at £50,000.

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.

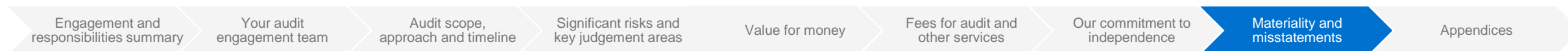
We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, 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.

Our provisional materiality is set based on a benchmark of Gross Expenditure. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to Governance and Audit Committee. We consider that Gross Expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



8. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at 1.5% of Gross Expenditure. Based on the prior year accounts of West Yorkshire Combined Authority (WYCA) and West Yorkshire’s Chief Constable we anticipate the overall materiality for the year ending 31 March 2022 to be in the region of £18m for WYCA and slightly higher for the Group.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on this being the first-year audit of the new Mayoral Authority including Police functions, meaning that we have applied 55% of overall materiality as performance materiality.

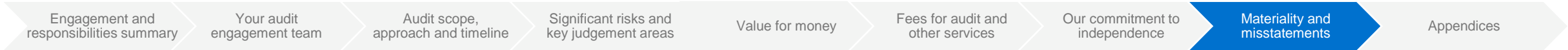
Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to Governance and Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £540k (WYCA) and £545k (Group) based on 3% of overall materiality. If you have any queries about this, please do not hesitate to raise these with Mark Dalton.

Reporting to Governance and Audit Committee

The following three types of audit differences above the trivial threshold will be presented to Governance and Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





Appendix: Key communication points



Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

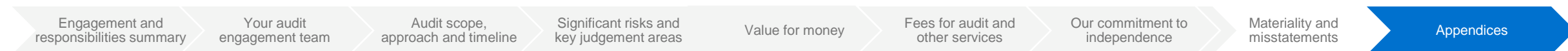
Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;

- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

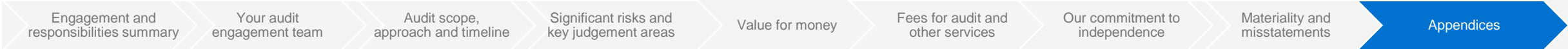
- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.



Appendix: Key communication points

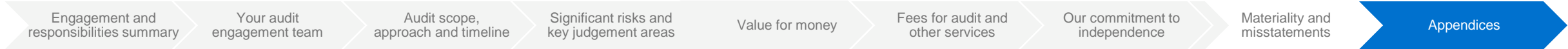
ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of Governance and Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Governance and Audit Committee, Audit planning and clearance meetings



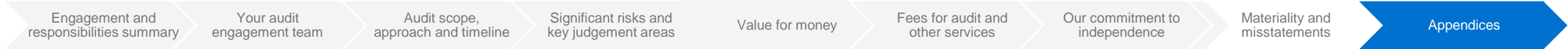
Appendix: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Governance and Audit Committee in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>



Appendix: Key communication points

Required communication	Where addressed
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of Governance and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that Governance and Audit Committee may be aware of.</p>	<p>Audit Completion Report and Governance and Audit Committee meetings</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	<p>Audit Completion Report</p>
<p>Reporting on the valuation methods applied to the various items in the annual and consolidated financial statements including any impact of changes of such methods</p>	<p>Audit Completion Report</p>
<p>Explanation of the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the relevant financial reporting framework.</p>	<p>Audit Strategy Memorandum and/or Audit Completion Report as appropriate</p>
<p>Where applicable, identification of any audit work performed by component auditors in relation to the audit of the consolidated financial statements other than by Mazars' member firms</p>	<p>Audit Strategy Memorandum and/or Audit Completion Report as appropriate</p>
<p>Indication of whether all requested explanations and documents were provided by the entity</p>	<p>Audit Completion Report</p>



Mark Dalton, Director – Public Services

mark.dalton@mazars.co.uk

Mazars

5th Floor
3 Wellington Place
Leeds
LS1 4AP

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Tel: +44 (0)191 383 6300
www.mazars.co.uk

Governance and Audit Committee members
West Yorkshire Combined Authority
Wellington House
40-50 Wellington Street
Leeds
LS1 2DE

Direct +44 (0)191 383 6339
Dial
Email mark.outterside@mazars.co.uk

18 July 2022

Dear Governance and Audit Committee Members

West Yorkshire Combined Authority – 2021/22:

Governance and Audit Committee briefing note - ISA240 (Fraud), ISA250 (laws and regulations), ISA501 (litigation and claims) & ISA570 (going concern)

Introduction

This letter aims to summarise for the Governance and Audit Committee the requirements under International Auditing Standards, in respect of preventing fraud in the annual accounts, compliance with laws and regulations, litigation and claims, and going concern. This letter requests an update from the Governance and Audit Committee in order to inform our continuous audit planning prior to the start of the final stage of our audit of West Yorkshire Combined Authority's (the Authority) 2021/22 accounts.

International Standard for Auditing 240 - The auditor's responsibility to consider fraud in an audit of financial statements

Background

Under the ISA, the primary responsibility for preventing and detecting fraud rests with both management and 'those charged with governance', which for the Authority is the Governance and Audit Committee.

The ISA requires us, as external auditors, to obtain an understanding of how the Committee exercises oversight of management's processes for identifying and responding to the risks of fraud and the internal controls established to mitigate them.

What is 'fraud' in the context of the ISA?

The ISA views fraud as either:

- the intentional misappropriation of the Authority's assets (cash, property, etc); or
- the intentional manipulation or misstatement of the financial statements.

What are auditors required to do?

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 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 COO1139861.

VAT number: 839 8356 73

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities, if we are to properly discharge our responsibilities under ISA240. We are therefore making requests from the Governance and Audit Committee and management on the following, or similar, issues:

1) How does the Governance and Audit Committee oversee management's processes to identify and respond to the risk of fraud and possible breaches of internal control? In particular how the Committee oversees managements:

- Assessment of the risk that the financial statements may be materially misstated due to fraud or error;
- Processes for identifying and responding to risks of fraud in the organisation. This includes any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
- Processes for communicating to employees the views on business practice and ethical behaviour. For example updating, communicating and monitoring against the Authority's code of conduct; and
- Processes for communicating to those charged with governance the arrangements for identifying and responding to fraud or error

2) Has the Governance and Audit Committee knowledge of any actual, suspected or alleged fraud during the period 1 April 2021– 31 March 2022?

3) Has the Governance and Audit Committee identified any specific fraud risks within the organisation? For example does it have any concerns that specific areas within the organisation are at greater risk of fraud?

4) Is the Governance and Audit Committee aware of any significant breaches of internal control during 2021/22?

5) Is the Governance and Audit Committee satisfied that internal controls, including segregation of duties, exist and work effectively? If 'yes', please provide details of these controls. If not:

- Where are the risk areas?
- What other controls are in place to prevent, deter or detect fraud?

6) Is the Governance and Audit Committee aware of any related party relationships or transactions that could give rise to instances of fraud?

7) How does the Governance and Audit Committee mitigate the fraud risks associated with related party relationships and transactions?

8) Is the Governance and Audit Committee aware of any entries made in the accounting records of the organisation that it believes or suspects are false or intentionally misleading? In particular:

- Are there particular balances where fraud is more likely to occur?
- Is the Governance and Audit Committee aware of any assets, liabilities or transactions that it believes were improperly included or omitted from the accounts of the organisation?
- Are there any external fraud risk factors which create a high risk of fraud?

9) Is the Governance and Audit Committee aware of any organisational, or management pressure to meet financial or operating targets?

10) Is the Governance and Audit Committee aware of any inappropriate organisational or management pressure being applied, or incentives offered, to employees to meet financial or operating targets?

International Standard for Auditing 250 – Consideration of laws and regulations in an audit of financial statements

Background

Under the ISA, in the UK and Ireland, the primary responsibility for ensuring that the entity's operations are conducted in accordance with laws and regulations and the responsibility for the prevention and detection of non-compliance rests with management and 'those charged with governance', which for the Authority is the Governance and Audit Committee. The ISA requires us, as external auditors, to obtain an understanding of how the Committee gains assurance that all relevant laws and regulations have been complied with.

What are auditors required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities, if we are to properly discharge our responsibilities under ISA250. We are therefore making requests from the Governance and Audit Committee, and will be making similar enquiries of management:

11) How does the Governance and Audit Committee gain assurance that all relevant laws and regulations have been complied with. In particular:

- Is the Committee aware of the process management has in place for identifying and responding to changes in laws and regulations? Please provide details.
- What arrangements are in place for the Committee to oversee this process?
- Is the Committee aware of the arrangements management have in place, for communicating with employees, Members and stakeholders regarding the relevant laws and regulations that need to be followed?

12) Does the Committee have knowledge of actual or suspected instances where appropriate laws and regulations have not been complied with? If it is, what actions are management taking to address non-compliance?

International Standard for Auditing 501 – Specific consideration of the potential for, and actual, litigation and claims affecting the financial statements

Background

This ISA deals with specific considerations by the auditor in obtaining sufficient appropriate audit evidence, in this instance with respect to the completeness of litigation and claims involving the entity. The ISA requires us, as external auditors, to design and perform audit procedures in order to identify litigation and claims involving the entity which may give rise to a risk of material misstatement.

What are auditors required to do?

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities, if we are to properly discharge our responsibilities under ISA501. We are therefore making requests from the Governance and Audit Committee, and will be making similar enquiries of management:

13) Is the Governance and Audit Committee aware of any actual or potential litigation and claims involving the Authority that would impact on the financial statements?

International Standard for Auditing 570 – Consideration of the going concern assumption in an audit of financial statements

Background

Financial statements are generally prepared on the basis of the going concern assumption. Under the going concern assumption, an audited body is ordinarily viewed as continuing in operation for the foreseeable future. Accordingly, assets and liabilities are recorded in financial statements on the basis that the audited body will be able to realise its assets and discharge its liabilities in the normal course of its operations.

What are auditors required to do?

If used, we are required to consider the appropriateness of management's use of the going concern assumption in the preparation of the financial statements if we are to properly discharge our responsibilities under ISA570. We are therefore making the following request from the Governance and Audit Committee:

14) How has the Governance and Audit Committee assessed and satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

15) Has the Governance and Audit Committee identified any events or conditions since the assessment was undertaken which may cast significant doubt on the organisation's ability to continue as a going concern?

Consideration of related parties

The auditor has a responsibility to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

Therefore we are making the following request from the Governance and Audit Committee:

16) What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships?

17) Confirmation that the Governance and Audit Committee have:

- disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which they are aware; and
- appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.

The way forward

The information you provide will help inform our understanding of the Authority and its business processes, prior to the start of the final stage of the audit of the 2021/22 financial statements.

I would be grateful for your responses, which should be formally considered and communicated to us on the Committee's behalf to cover the period to 31 March 2022, by September 2022. In the meantime, if you have any queries, please do not hesitate to contact me.

Yours sincerely



Mark Outterside
Senior Audit Manager



Report to: Governance and Audit Committee

Date: 28 July 2022

Subject: **Draft Annual Accounts 2022**

Director(s): Angela Taylor, Director, Corporate and Commercial Services.

Author(s): Katie Hurrell, Head of Finance

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

1. Purpose of this report

- 1.1 To present the draft statement of accounts for 2021/22 to the Committee for Information.

2. Information

- 2.1 The transfer of the Police and Crime functions to the elected Mayor from 10 May 2021 introduces new complexities to the preparation of the annual accounts, introducing both group accounts and consolidation, as well as a partial year for the West Yorkshire Police.
- 2.2 The Mayor is required to keep a fund known as the Police Fund. The Mayor is responsible for the finances of the Police Fund including assets, liabilities and reserves. The Combined Authority (CA) is the legal entity which is responsible for administering the Police Fund and executing the Mayor's decisions in her role as Police and Crime Commissioner. To fulfil these statutory requirements the Chief Constable for West Yorkshire's accounts are consolidated into the accounts of the CA as part of the CA Group Accounts for the first time this year.
- 2.3 During the year, there has been very positive joint working between the CA finance team and the WYP finance colleagues in preparation for this. In

accordance with the deadline government set, both finance teams are working towards the planned draft accounts (CA and CA Group) publication target date 31 July 2022.

- 2.4 This report is to present to the Committee the draft unaudited 2021/22 Statement of Accounts for the CA and the Group (**Appendix 1** to follow). This is a factual report on the CA and the Group's 2021/22 financial accounts. The accounts present the CA and the Group's financial position for the year in the format required by accounting standards, incorporating technical transactions relating to non spendable reserves in addition to the outturn position which is covered in more detail in agenda item 11.
- 2.5 The responsibility for approving draft accounts for publication rests with the S73 Finance Officer and following her approval will be made available for the statutory public inspection period on the Combined Authority's website from Monday 1st August 2022. Due to the challenging timescales of preparing group accounts the accounts are still undergoing final review and a draft will be made available to Members before the meeting.
- 2.6 The accounts will be subject to audit by Mazars later in the year and it is anticipated that the final audited accounts will be presented to this Committee for approval in February 2023. **Item 9** - external audit progress report from Mazars has provided a separate paper setting out more detail on their approach to audit and their audit plan. Mazars will be undertaking the audit of both the Chief Constable accounts and those of the Combined Authority for 2021/22.
- 2.7 The draft accounts will be shared ahead of the meeting for information and comments and questions on them from Members are welcomed.

3. Tackling the Climate Emergency Implications

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

4. Inclusive Growth Implications

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

5. Financial Implications

- 5.1 There are no financial directly arising from this report.

6. Legal Implications

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

7. Staffing Implications

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

8. External Consultees

8.1 No external consultations have been undertaken.

9. Recommendations

To note the draft Annual Statement of Accounts 2021/22.

10. Background Documents

None.

11. Appendices

Appendix 1 – Draft Statement of Accounts 2021/22 to follow

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Report to: Governance and Audit Committee

Date: 28 July 2022

Subject: **Compliance and Monitoring**

Director(s): Angela Taylor, Director, Corporate and Commercial Services

Author(s): Katie Hurrell, Head of Finance

1. Purpose of this report

- 1.1 To consider any changes to the arrangements for internal control in the West Yorkshire Combined Authority since the last meeting of the Committee.
- 1.2 To note the closing 2021/22 financial position and emerging risks facing 2022/23 and future years.

2. Information

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

Internal controls

- 2.2 There have been no significant changes to internal controls in the period and monthly reconciliations are up to date.
- 2.3 Measures put in place to enable business to continue during the pandemic remain robust and changes made were fully captured within guidance notes and procedures.
- 2.4 The Regulatory and Compliance Board at officer level continues to meet and will provide information as required to this Committee and the Combined Authority. Its meetings have considered assurances provided by the work undertaken by internal audit, health and safety, information governance, risks and controls and compliance including financial, procurement, HR and other policies, statutory returns and transparency arrangements. Actions are being identified to ensure compliance is adequately documented and evidenced. Internal Audit are currently undertaking a compliance audit of financial

controls in the Transport and Property Services directorate. Further details are included in agenda item 8.

Treasury Management

- 2.5 Further to the presentation made to the last Committee and the agreed actions a separate item on Treasury Management has been included on this agenda as item 12.

Key indicators

- 2.6 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.
- 2.7 No RIDDOR incidents have been reported since the previous meeting and in this financial year.
- 2.8 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 Outturn 2021/22

- 2.1 The financial year 2021/22 has now been closed and a surplus of £2.8 million is reported, £0.6 million above the Q3 forecast. This position was reported to the last meeting of the Finance, Resources and Corporate Committee. The surplus is primarily due to salary savings in excess of the vacancy target, alongside underspend within the concessions budget, driven by the slow recovery of bus patronage in the region. This is offset by overspends across tendered services, also connected to changes in bus behaviours as a continuation of impacts resulting from Covid. In light of the increased volatility of these transport budgets and the significant variances that emerged at year end, a thorough review is being undertaken, supported by Finance and Internal Audit, to ensure budgetary monitoring within the function is suitably robust and to highlight any weaknesses or gaps in current controls.
- 2.2 The full outturn position is included in **Appendix 1** and the table below summarises this position and provides an overview of the main variances against the Budget and the Q3 Forecast position.

2021.22 Revenue Budget – final outturn	Variances to Budget	Variances to Forecast
	£	£
Staffing underspends ahead of target	2,927,283	(34,076)
Transport Services		
Concessions underspend	4,213,925	1,954,302
Tendered Services net overspend	(1,194,391)	(114,391)
Transport Services other (non-staffing)	773,945	(744,027)
Transport Services other (income)	71,003	615,267
	3,864,481	1,711,150
Capitalisation	(3,666,200)	(1,665,058)
Other	(300,747)	584,524
Net Surplus / Variance	2,824,817	596,539

- 2.3 Members are reminded that at the Combined Authority meeting in February 2022, approval was given to set up a ringfenced reserve with the forecast underspend in Concessions against budget, in preparation for funding the ongoing difficulty of post Covid recovery in the bus service industry. This figure was to be confirmed once the year end position had been finalised and the last meeting of the Finance, Resources and Corporate Committee approved the transfer of £2 million to an earmarked reserve for public transport support in 2022/23 and beyond. Use of this will be considered alongside the submission for Bus Services Improvement Programme, the impact of inflation, the conclusion of government funding for bus and the phased move back to reimbursing concessions on an actual basis.
- 2.4 There are still significant financial uncertainties and challenges which may require mitigation through contingent reserves, including cliff edge funding, inflation and post-COVID pressures. It is intended to update the budget forecast for 2022/23 at the end of Q1 and that this will then be considered in the context of a three-year medium term financial strategy, noting that there are currently budget funding gaps in the next two years. This will also need to consider any changes in expected income, particularly where this is funding people and services and is not guaranteed to continue. The Growth Service team had its annual 2022/23 BEIS grant funding cut by 50% compared to last year and there are further programmes where funding is due to end in 2022/23.
- 2.5 A paper on the agenda for the Combined Authority meeting of 22 July 2022 considers the challenges of bus funding in the current year, and proposes an in year budget virement of £2.1 million from concessionary travel to bus support to respond to the known consequences of inflation on the current contracts.

Capital Outturn 2021/22

2.6 The table below summaries the total expenditure on the Combined Authority's capital programme in 2021/22 against the revised forecasts included in both the budget reported to the Combined Authority in February 2022 and to the Finance Resources and Corporate Committee in March 2022.

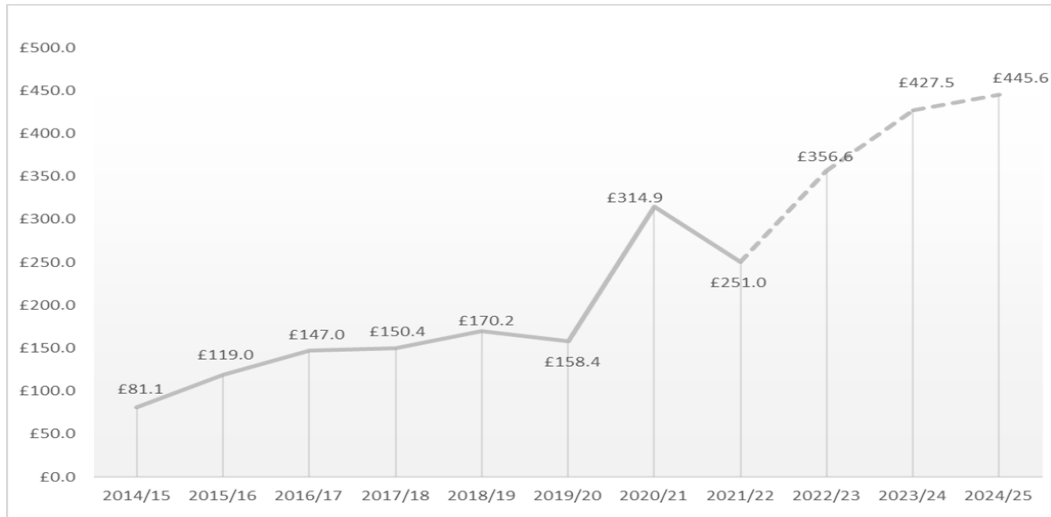
Capital Programme Expenditure	Budget at Combined Authority February 2022	In-year Revised Forecast February 2022	Quarter 4 Expenditure 2021/22	% of in year forecast
West Yorkshire plus Transport Fund	£86,025,688	£64,206,570	£61,550,717	95.9%
Growth Deal	£480,329	£635,329	£402,367	63.3%
Leeds Public Transport Investment Programme	£45,270,442	£45,270,442	£42,798,253	94.5%
Transforming Cities Fund (inc. Tranche 1)	£39,605,197	£36,689,757	£26,316,007	71.7%
Integrated Transport Block / Highways Maintenance / Challenge Fund*	£52,450,545	£52,450,545	£49,448,798	94.3%
Corporate Projects	£4,038,709	£4,352,489	£4,770,121	109.6%
Broadband	£6,110,569	£6,110,569	£1,725,326	28.2%
Land Release Fund & One Public Estate	£1,028,993	£54,996	£168,967	307.2%
Getting Building Fund	£44,557,357	£44,557,357	£44,557,357	100.0%
Brownfield Housing Fund	£13,554,997	£12,912,988	£16,146,481	125.0%
Active Travel Fund*	£7,805,868	£7,805,868	£3,255,438	41.7%
British Library North	£151,414	£151,414	£5,480	3.6%
New Station Fund	£2,000,000	£0	£1,312,459	0%
Other (Clean Bus, ULEB, CCAG, HS2, Energy Accelerator, s106)	£1,000,000	£952,000	£1,039,573	109.2%
Total Capital Spend	£304,080,108	£276,150,324	£253,497,345	91.8%

* Active Travel includes both capital and revenue spend

2.7 Total expenditure in 2021/22 represents 83.3% of the forecast reported to the Combined Authority in February and 91.8% of the revised forecast following review of the quarter 3 claims. Whilst spend is lower than forecast, 2021/22 is a significant year of programme delivery and is the second highest year of capital spend. The delivery that has been achieved reflects well on both the Combined Authority and the partner councils having been achieved despite the many difficulties that have been experienced over the last two years including: the Covid pandemic, high numbers of vacancies, high levels of inflation, issues with obtaining both materials and construction labour.

2.8 The majority of the Combined Authority's forecast expenditure in 2021/22 is concentrated across six major programmes: the West Yorkshire plus Transport Fund; Transforming Cities Fund (TCF); Leeds Public Transport Investment Programme (LPTIP); Getting Building Fund (GBF); Brownfield Housing Fund (BHF) and Integrated Transport Block / Highways Maintenance / Challenge Fund (also known as the Local Transport Capital programmes).

2.9 The approval of new funding in 2022/23 is forecast to make 2022/23 the Combined Authority's highest year of spend to date, as shown in the graph below.



3 Tackling the Climate Emergency Implications

3.1 There are no climate emergency implications directly arising from this report. All projects approved through the assurance process are required to consider climate impact.

4 Inclusive Growth Implications

4.1 There are no inclusive growth implications directly arising from this report. All projects approved through the assurance process are required to consider their impact on inclusive growth.

5. Financial Implications

5.1 As set out in the report.

6. Legal Implications

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

7. Staffing Implications

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

8. External Consultees

8.1 No external consultations have been undertaken.

9 Recommendations

9.1 That the Committee consider the information contained in this report.

10 Background Documents

None

11 Appendices

Appendix 1 – Financial monitoring (revenue)

Appendix 1 - 2021.22 Revenue Budget – final outturn								
Mar-22								
WYCA	FY							
	Mar YTD	Revised Budget	Movement	FY Forecast Q3	YTD Actuals	Utilised %	Notes / Commentary	RAG Rating
			£	£				
Employee Costs	31,332,399	(3,373,629)	27,958,771	28,405,116	101.6%	Spend as expected against forecast		
Indirect Employee Costs	1,664,300	(49,337)	1,614,963	1,281,545	79.4%	Underspends due to delays in recruitment and training spend		
Premises Costs	6,747,115	109,317	6,856,431	6,683,151	97.5%	Spend as expected against forecast		
Supplies and Services	2,049,205	(135,739)	1,913,466	1,551,920	81.1%	Spend to date lower than forecast, driven by marketing underspends		
- Supplies and Services (funded)	6,676,147	(1,749,170)	4,926,977	3,348,281	68.0%	Spend to date lower in funded ES projects		
ICT Related Costs	3,059,034	(63,157)	2,995,877	2,599,004	86.8%	Underspend in the Real Time Network, incorrect 20/21 accrual reversing out		
Travel, Subsistence & Transport Costs	381,596	(31,397)	350,198	414,977	118.5%	Member allowances not forecasted correctly, partially offset by travel underspends		
Tendered Services	25,866,000	251,000	26,117,000	31,609,624	121.0%	Spend in line with Government requirements during lockdown, additional costs due to Covid-19 (extra vehicles for social distancing, cleaning etc), as well as increased educational spend (offset by income below)		
Concessions	53,750,000	(2,259,623)	51,490,377	49,536,075	96.2%	Spend in line with Government requirements during lockdown		
Prepaid Tickets Costs	13,500,000	0	13,500,000	20,378,438	151.0%	MCard sales anticipated to be a lot lower with Covid, not reforecasted, however activity picked up more than anticipated - offset by MCard sales ##		
Grants and Agency costs	52,928,959	(7,102,101)	45,826,858	43,288,315	94.5%	Low grant spend across a number of funded projects in Economic Services		
Consultancy and Professional Services	1,271,146	28,436	1,299,582	791,614	60.9%	Spend to date lower than forecast, driven by planned HS2 petitioning and lower new tenant searches		
- Consultancy and Professional Services (funded)	6,257,764	1,988,690	8,246,453	7,347,292	89.1%	Underspends on district based staff in projects, Bus Options and Housing Revenue projects		
Financing Charges	6,964,657	0	6,964,657	7,128,015	102.3%	MRP costs increased slightly on forecast		
Total Expenditure	212,448,322	(12,386,710)	200,061,612	204,363,366	102.2%			
Income - Transport	(11,310,082)	544,264	(10,765,818)	(11,495,079)	106.8%	Covid19 impact, increasing spend on Education transport being recovered from LA's		
Funding - Grants	(72,651,325)	11,768,607	(60,882,718)	(60,605,744)	99.5%	Grants received to date as expected		
Enterprise Zone Receipts	(3,202,886)	187,184	(3,015,702)	(3,214,215)	106.6%	EZ receipts forecast was more prudent due to uncertainties around occupation		
Interest Received	(818,000)	0	(818,000)	(850,586)	104.0%	Investment interest affected by BoE interest rate increase and more cash		
Income - Operational	(3,126,734)	(4,342,765)	(7,469,499)	(6,496,993)	87.0%	Lower income levels with lower spends above in Consultancy (funded)		
Capitalisation / Internal Recharges	(15,641,296)	2,001,142	(13,640,153)	(11,949,127)	87.6%	PAN recovery method 3% of capital project spend, which is also lower		
Pre Paid Ticket Income	(13,500,000)	0	(13,500,000)	(20,378,438)	151.0%	MCard sales anticipated to be a lot lower with Covid, not reforecasted, however activity picked up more than anticipated - offset by MCard payments ##		
Transport Levy	(92,198,000)	0	(92,198,000)	(92,198,000)	100.0%	Levy receipts as expected		
Total Income	(212,448,322)	10,158,431	(202,289,890)	(207,188,183)	102.4%			
Net Expenditure Total	0	(2,228,278)	(2,228,278)	(2,824,817)				

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Report to: Governance and Audit Committee

Date: 28 July 2022

Subject: **Treasury Management**

Director(s): Angela Taylor, Director, Corporate and Commercial Services

Author(s): Katie Hurrell, Head of Finance

1 Purpose of this report

- 1.1 To provide members with information on the treasury management arrangements in place for the West Yorkshire Combined Authority.

2 Information

- 2.1 Members received a presentation on treasury management at their last meeting. One of the conclusions of this was to provide more information on this to each meeting, in line with some of the changes in regulations and a separate paper will now be provided to each meeting with further detail.
- 2.2 The regular governance meetings continue to be held with Leeds City Council to consider and review the transactions relating to investments and treasury management. The last meeting was on 14th July 2022 and no areas of concern were raised. The high level of cash balances was considered and the challenges this presents with regard to placing funds with approved counterparties, unchanged since previously reported.
- 2.3 A breach in mandate was reported to the CA on the 29th June, following an administration error. A £15m trade with a maturity date marginally outside the approved mandate terms was entered into and cannot be broken without incurring a brokerage fee. A review of the risk has been carried out and is felt that it does not materially increase risk to the CA and is being reported as matter of process.
- 2.4 A further breach was reported to the CA on the 6th July, following completion of set up of a new counterparty and the lengthy process this takes. A change in credit rating for the counterparty had not been checked ahead of placing the funds, the implication being a £15m 3 month trade was made and the change in credit rating restricts trade limits to be £5m. Leeds City Council immediately contacted the Broker to lower the trade value but the full value of the placement had already been further invested. The risk is minimised due to the

short term duration and will be closely monitored. It is highly unusual for such breaches to occur and the team have taken steps to ensure this situation should not happen again.

- 2.5 The increase in interest rates was discussed; this impacts on both borrowing and placing funds on deposit. Given the cash balances held by the Combined Authority it is expected that there will be an improved revenue position for the current financial year and this will be further modelled as part of the budget reforecasting work underway.
- 2.7 The CA continues to work with both Treasury partners (separate arrangements are in place for the Police Fund) whilst we progress our tender process to have a single partner authority. We have had two of our local council partners that have expressed their interest in providing this service. We aim to have the service in place as early as possible in the new financial year.
- 2.7 It is intended to bring to future meetings an update on the prudential indicators, and narrative to support and inform the Committee further on its responsibilities with regard to treasury management.

3 Financial Implications

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

4 Legal Implications

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

5 Staffing Implications

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

6 External Consultees

- 6.1 No external consultations have been undertaken.

7 Recommendations

- 7.1 That the Committee note the position on treasury management and considers what further information it wishes to receive on treasury management.

8 Background Documents

None.

9 Appendices

None.



Report to: Governance and Audit Committee

Date: 28 July 2022

Subject: **Risk Management Arrangements**

Director: Angela Taylor, Director, Corporate and Commercial Services

Author(s): Lorna Jones, Corporate Planning and Performance Manager

1. Purpose of this report

1.1 This report sets out an update on corporate risk matters for consideration by Governance and Audit Committee, specifically:

- To update Governance and Audit Committee on work underway within the Corporate Planning and Performance Team and future plans in relation to corporate risk strategy.
- To highlight risks recently escalated onto the Corporate Risk Register and seek any further input.

2. Information

Corporate Risk Strategy and Approach

2.1 The Corporate Risk Management Strategy has been in place since January 2020 and sets out the Combined Authority's long-term strategy on risk. It is attached as **Appendix 1**. While the majority of the strategy remains relevant and useful, there is a recognition that this needs to be reviewed in the coming months to ensure it is still fit for purpose and reflects the needs of the evolving organisation and environment we are working within. This will include:

- Review of the suite of templates and documents to ensure these are fit for purpose and user friendly
- Review of the risk appetite and categories
- Wholesale review of the existing risk registers and contents
- Clarity over escalation process and key points of contact

2.2 A key focus of the Corporate Planning and Performance Team, as capacity increases to dedicate to this work, will be on working in partnership with Directorates to embed a focus on more active risk management, ensure the

strategy is consistently applied and that teams are supported to monitor and control risks and issues more effectively.

- 2.3 The first step in this work will be a session with the Strategic Leadership Board on 22 July to review the current risks identified on the risk register. The Strategic Leadership Board meets quarterly and provides challenge and support to the organisation on matters relating to business planning, corporate objectives, performance, risk and other such strategic matters. The members of the Board include the Mayor of West Yorkshire (Chair) and Deputy Mayor, LEP Chair, Directors of Development Chair, Combined Authority Chief Executive and Directors, Head of Finance, HR, Legal and Governance Services, and UNISON Branch Secretary.
- 2.4 Following initial feedback from the Strategic Leadership Board there will be further consideration and refinement with the senior officers within the Combined Authority to enable a paper to be brought back to Governance and Audit Committee seeking further views and approval. Views from this Committee are also welcomed at this stage.

Escalations to the Corporate Risk Register

- 2.5 Each Directorate has its own risk register which should be regularly reviewed within Directorate Management Teams. Risks at this level should be managed/mitigated at the directorate level.
- 2.6 Risks that become unmanageable within directorates should be escalated to Corporate Risk Register. This can be done either through Senior Management Team (SMT), which reviews the Corporate Risk Register Quarterly, or via Regulatory and Compliance Board which meets monthly and includes representation from all Directorates. Any escalations made through Regulatory and Compliance Board will still be reported to SMT quarterly for oversight.
- 2.7 Risks recently escalated / added to the Corporate Risk Register are set out in **Appendix 2**. These broadly cover the following areas:
 - Inflation / Cost of Living
 - Labour market / Skills shortage
 - Terms and Conditions negotiations
 - Net Zero Carbon by 2018
- 2.8 Members are asked to consider the current corporate risk register and provide any feedback on the risks and/or the mitigations shown.

3. Tackling the Climate Emergency Implications

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

4. Inclusive Growth Implications

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

5. Equality and Diversity Implications

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

6. Financial Implications

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

7. Legal Implications

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

8. Staffing Implications

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

9. External Consultees

- 9.1 No external consultations have been undertaken.

10. Recommendations

- 10.1 That the Governance and Audit Committee notes the risk management arrangements and consider what further information it wishes to receive as the review progresses.
- 10.2 That the Governance and Audit Committee consider the corporate risk register and provide any feedback on it.

11. Background Documents

None.

12. Appendices

Appendix 1 – Risk Management Strategy

Appendix 2 – Corporate Risk Register (currently undergoing review)

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Corporate risk update July 2022

Risk	Key mitigations	Likelihood	Impact	Rating & Trend		Owner
<p>Due to significant rising inflation including construction and materials costs there is a risk that costs increase significantly across Combined Authority capital programmes and projects.</p>	<ul style="list-style-type: none"> Value engineer and therefore aim to keep costs within project allocations. If this is insufficient the second mitigation is then to look at the project scope to see if elements can be reduced while still continuing to maximise the benefits the scheme will bring. The third mitigation is to assess if schemes with their current scope continue to be fit for purpose given changes to priorities in recent years. This is being considered as part of the funding programme annual reviews over summer 2022. 	4 Likely	4 Serious	Very high	NEW RISK	Director, Delivery
<p>Due to an internal failure of controls, protocols and systems or a malicious attack there is a risk that the CA falls victim to a cyber security breach</p>	<ul style="list-style-type: none"> Mandatory data protection and information governance training for staff Routine monitoring of suspicious e-mails and threat ICT security policy and Information Governance policies in place Cyber Essentials Plus Accreditation Implement Cyber treatment Plan as agreed with DLUHC plus project underway on digital security and information management Appointment of Technical Security Manager 	3 Possible	5 Critical	Very high	↑	Director of Corporate & Commercial Services
<p>Due to the long-term impacts of the COVID-19 pandemic on the regional economy and on travel habits, there is a risk that key corporate objectives cannot be met</p>	<ul style="list-style-type: none"> Research and Intelligence continue to model potential impacts and long-term scenarios Working closely with partners and representative groups to identify possible long-term impacts and develop joint responses Business plans revised for 2022/23 and corporate objectives updated to reflect changing organisational and external environment. 	3 Possible	5 Critical	Very high	↔	Managing Director
<p>Due to the financial impacts of the COVID-19 pandemic, there is a risk that the medium to long term financial health of the Combined Authority will be adversely affected</p>	<ul style="list-style-type: none"> Financial scenario modelling undertaken and being continually updated Continued liaison with Government to understand funding opportunities Finance, Resources and Corporate Committee to oversee response 	3 Possible	5 Critical	Very high	↔	Managing Director
<p>Due to over-optimistic profiles, capacity and recruitment and retention challenges, there is a risk that the Combined Authority fails to directly deliver projects funded through fixed capital funding programmes, within the stipulated timescales or budget, or with the anticipated level of benefits</p>	<ul style="list-style-type: none"> Significant monitoring and controls in place through Assurance Process Challenge on delivery profiles of individual schemes through Assurance Framework Ongoing work to widen the advertising reach for vacancies Annual review of WY+TF and TCF portfolio with district partners underway 	3 Possible	5 Critical	Very high	↑	Director of Delivery
<p>Due to the negotiations on revised terms and conditions not being accepted by the trade union there is a risk of industrial action and reputational damage</p>	<ul style="list-style-type: none"> Further consideration of the proposals, further engagement with Unison and staff 	3 Possible	4 Serious	High	NEW RISK	Head of HR
<p>Due to rising national inflation, there is a risk that the Combined Authority's costs, including energy will rise significantly.</p>	<ul style="list-style-type: none"> Energy reduction measures designed in to building refurbishments Reforecast of budget to quantify scale of risk across all areas of expenditure to allow decisions to manage this to be taken in good time 	4 Likely	3 Moderate	High	NEW RISK	Director, Corporate and Commercial Services
<p>Due to over-optimistic profiles, capacity and recruitment and retention challenges, there is a risk that our</p>	<ul style="list-style-type: none"> Significant monitoring and controls in place through Assurance Process 	3 Possible	4 Serious	High	↔	Director of Delivery

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Risk	Key mitigations	Likelihood	Impact	Rating & Trend		Owner
District partners fail to fully deliver projects funded through fixed capital funding programmes, within the stipulated timescales or budget, or with the anticipated level of benefits	<ul style="list-style-type: none"> Continuing to provide support to districts through secondment of projects/programme staff Challenge on delivery profiles of individual schemes through Assurance Framework 					
Due to challenges in bringing forward Enterprise Zone sites within Growth Deal funding and occupier incentive timescales, there is a risk that there is insufficient floorspace to generate projected business rates income.	<ul style="list-style-type: none"> Prudent level of income forecasting included within budget projections Head of Investment & Development role to oversee EZ strategy Cross-directorate approach established to link into broader funding opportunities and to maximise Inward Investment reach. 	3 Possible	4 Serious	High	↔	Director of Economic Services
Due to the high volume of people and inherent operational risks present in a bus station, transport interchange or CA facility, there is a risk that a major accident or injury occurs at a CA facility	<ul style="list-style-type: none"> Health and safety policies, procedures and processes in place Ongoing staff training Continual monitoring of Health and Safety risks Working with district emergency planning units to share knowledge and develop joint plans 	2 Unlikely	5 Critical	High	↔	Director of Transport & Property Services
Due to the significant amount of change within the organisation and associated increasing workload pressures, there is a risk that staff wellbeing is adversely affected.	<ul style="list-style-type: none"> Significant activity in place to promote wellbeing and signpost staff to support Specific support services in place including EAP and Mental Health First Aiders Capacity issues being identified and monitored through Senior Leadership Team and ODs being implemented where required 	3 Possible	4 Serious	High	↔	Managing Director
Due to the need to improve recruitment processes and reach, and current market buoyancy, there is a risk that the CA is not able to fill vacant roles or attract a suitably diverse and skilled workforce, ultimately impacting on the ability to meet corporate objectives.	<ul style="list-style-type: none"> HR Advisor to lead recruitment & diversity activity in post Interim improvements to advertising of vacancies put in place 	3 Possible	4 Serious	High	↔	Director of Corporate & Commercial Services
Due to the business failure, sale, or substantial change in bus/rail providers, there is a risk that there is a substantial reduction or alternation of services to customers.	<ul style="list-style-type: none"> Close relationships with operators to obtain early warnings Continued dialogue with DFT, TFN Work in progress on potential scenarios 	3 Possible	4 Serious	High	↔	Director of Transport & Property Services
Due to a major unanticipated change in national policy, or an unplanned response to a national emergency situation, there is a risk that organisational objectives cannot be achieved as anticipated and/or there is a need to divert resources	<ul style="list-style-type: none"> Continued dialogue with Government Policy and Strategy directorate continuing to monitor emerging national trends 	2 Unlikely	5 Critical	High	↔	Managing Director
Due to uncertainty surrounding the availability and timing of future funding streams, there is a risk that some key economic support services will cease and the knowledge and expertise we have developed to deliver them will be lost.	<ul style="list-style-type: none"> Continuing to liaise with Government on clarity over funding through UK Shared Prosperity Fund, Levelling-Up Fund Funding sources being considered through annual budget setting process 	3 Possible	4 Serious	High	↔	Director of Economic Services
Due to the role of the organisation broadening under the MCA model, there is a risk that the organisation's processes, systems and structures are insufficient to adequately support the organisation in achieving its objectives.	<ul style="list-style-type: none"> MCA Change Programme now concluded which included significant projects to update systems and processes. MCA Digital programme in delivery to further improve ICT infrastructure and tools. Integrated Corporate Systems project in delivery to modernise the organisation's HR/Finance systems. Corporate objectives have been revised to reflect the organisation's broadened scope and directorate business plans have been designed around these to ensure delivery. 	3 Possible	3 Moderate	Medium	↔	Director of Corporate & Commercial Services
Due to the increased breadth and volume of activities for the organisation under the MCA model, there is a risk that we fail to have in place sufficient capacity or	<ul style="list-style-type: none"> Capacity and skills gaps identified through business planning process and partnership work and these are being addressed. 	3 Possible	3 Moderate	Medium	↔	Director of Corporate & Commercial Services

Risk	Key mitigations	Likelihood	Impact	Rating & Trend		Owner
skills to deliver on increasing priorities and responsibilities	<ul style="list-style-type: none"> Organisational design processes underway across the organisation to ensure adequate capacity and structure of teams. 					
Due to different priorities and differential capacity, there is a risk that our relationships with key partners are not sufficiently strong to deliver on objectives.	<ul style="list-style-type: none"> Continue work to strengthen key partnerships Member and Officer representation on formal and informal groups, Panels and Committees across every aspect of the organisation's work. 	2 Unlikely	4 Serious	Medium	↔	Managing Director
Due to a legacy/outdated structure and resourcing in the Communications Team, there is a risk that perception management and effective communication of the CA and the LEP are compromised.	<ul style="list-style-type: none"> One structural review took place in 2020 and a significant organisational restructure of the service is underway 	3 Possible	3 Moderate	Medium	↔	Director of Strategy, Communications & Policing
Due to the ambitious approach to tackling the climate emergency adopted by the CA in setting a target of becoming net zero carbon by 2038, there is a risk that the CA will not have the capacity and resources to achieve this ambition, or that some existing priorities may not be delivered due to a shift in focus towards reducing carbon emissions.	<ul style="list-style-type: none"> A Clean Growth policy and action plan in place Clean Growth continue to be incorporated into core activities through the annual business planning cycle. Wellington House refurbishment plans include carbon cutting measures (solar panels, electric vehicle charging and low-energy lighting). The City Region's Energy Strategy and Delivery Plan also outline a range of partnership projects that will further support clean growth led by the CA. 	3 Possible	3 Moderate	Medium	↔	Director of Strategy, Communications and Policing
Due to staffing availability issues as a result of an increase in Covid-19 cases and/or self-isolation, there is a risk that frontline services and business as usual activities cannot be adequately provided.	<ul style="list-style-type: none"> Staffing levels being monitored and individual circumstances being regularly reviewed Individual resilience plans in place for frontline services National guidance on testing and isolating changing which will also help mitigate this risk 	2 Unlikely	4 Serious	Medium	↔	Director of Transport & Property Services
Due to the increased profile of the Combined Authority following the transition to the MCA Model, there is a risk that security arrangements in place for individuals and buildings is not sufficient.	<ul style="list-style-type: none"> Security review undertaken for individuals and practical actions being implemented as a result of this Security review of buildings undertaken and practical measures being implemented Training and awareness raising for staff 	2 Unlikely	4 Serious	Medium	↔	Managing Director

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Corporate Risk Management Strategy

January 2020

Document History

Version	Comments	Date
0.1	First draft for approval 06/10/17	September 2017
0.2	CT Amends	October 2017
0.3	LP Further Amends	October 2017
0.4	LP amends following LT/Governance & Audit Committee feedback	November 2017
0.5	LP amends following consultation with DPO and to include Internal Audit recommendations	May 2018
0.6	GL amends Risk Register hyperlink and information on Regulatory and Compliance Board	Feb 2019
0.7	GL makes updates to document to include recommendations of Internal Audit	May 2019
1.0	Draft refresh for consultation	October 2019
1.1	GL makes updates to document to include recommendations of Internal Audit	November 2019
1.2	GL incorporates feedback on risk v issue, escalation, risk culture, information governance	November 2019
1.3	GL further amends - LEP Board and Section 73 Chief Finance Officer	December 2019
1.4	GL incorporates feedback from SMT	December 2019
1.5	GL updates hyperlinks	December 2019
1.6	Approved by Governance and Audit Committee	January 2020

1. Policy Statement

- 1.1. Risk management is a planned and systematic approach to the identification, evaluation, prioritisation and control of risks and opportunities facing an organisation, and to establish and maintain an appropriate risk appetite with proportionate boundaries and tolerances.
- 1.2. The West Yorkshire Combined Authority recognises that effective risk management is an integral part of good corporate governance and as such should be a part of everyday management processes across the organisation. The Combined Authority is committed to ensuring robust risk management arrangements are in place and operating effectively at all times.
- 1.3. The Senior Leadership Team (SLT) will champion risk management by ensuring that appropriate arrangements are maintained, monitored and controlled. This is demonstrated by the appointment of the Director of Corporate Services as the Combined Authority's Senior Information Risk Officer (SIRO), to reinforce to all employees the importance of compliant and effective information management and governance. The Director of Corporate Services is the nominated organisation's Risk Champion at SLT level.
- 1.4. The LEP has agreed that the Combined Authority will manage risks on the LEP's behalf, through the section 73 Chief Finance Officer.
- 1.5. This strategy clearly sets out the roles and responsibilities of the day to day management of the risks affecting the Combined Authority.
- 1.6. The Combined Authority commits to:
 - Use a structured and consistent risk management approach to focus discussion, prioritise resources and enable justifiable risk-taking.
 - Ensure that risk management is applied in a scalable and proportionate way.
 - Make the best use of management information to build a complete picture of the key risks and issues and to jointly report on risk and performance management.
 - Ensure risks are owned and managed in line with the organisation's commitment to outcomes-based accountability.
 - Listen to feedback and regularly review our risk management arrangements to make sure they are still fit-for-purpose.
 - Ensure that all risks are managed at the most effective and practical managerial level.

2. Achieving Effective Risk Management

- 2.1. This will be achieved by:
 - Embedding clear risk management roles and responsibilities and formal risk reporting lines.
 - Integrating a process for continuous review of risks, including proactive management and monitoring of mitigating actions.

- Incorporating risk management into the Combined Authority's decision-making arrangements.
- Applying principles of risk management to budget and project planning processes.
- Actively involving elected members in the risk management process.
- Regularly monitoring and reviewing our risk management arrangements to ensure they remain effective and comply with risk management standards, legislation and good practice.
- Establishing a network of champions and coordinators across the organisation to embed best practice and promote the Corporate Risk Strategy.
- Incorporating embedding risk management into the annual business planning process and incorporating risk actions into individual performance reviews.
- Providing relevant and easy-to-use risk management guidance and information, based on industry best practice.

3. Benefits

- 3.1. Risk management is acknowledged as an integral part of good management and a key feature of corporate governance. Effective risk management works alongside our financial management, performance management, annual business planning process and other elements of strategic and operational management to demonstrate transparency and accountability and to support the successful delivery of the commitments laid out in our Corporate Plan.
- 3.2. Effective risk management is a continuous process which enables us as an organisation to effectively prioritise and manage both the threats and opportunities to our ability to deliver on our commitments. By embedding a standardised approach to risk management, we are able to more efficiently prioritise resources, implement effective and proportionate controls to threats, and exploit commercial or collaborative opportunities. To achieve this, risk management should be a fundamental consideration of all decisions taken within the Combined Authority, at all levels of management.

4. Risk and Risk Management Definition

4.1. Risk

Whilst many definitions for risk exist, the definition used by the Combined Authority is as described in ISO 31000, as "the effect of uncertainty on objectives". This effect may be positive, negative or a deviation from the expected, and the risk is often described by an event, a change in circumstances or a consequence.

- 4.2. It must be noted that risks can be positive in consequence, as noted in HM Treasury Orange Book.

- 4.3. *"Risk is most commonly held to mean "hazard" and something to be avoided. But it has another face - that of opportunity. Improving public services requires innovation - seizing new opportunities and managing the risks involved.*

4.4. *Risk management covers all the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress. Good risk management helps reduce hazard and builds confidence to innovate.*

-HM Treasury

Risk v Issue

4.5. Issues are events that have happened, were not planned, and are currently affecting the Combined Authority, service area, portfolio or project in which they sit. Risks, should they occur, become issues.

4.6. If a risk has materialised and become an issue, the risk will need to be re-assessed to consider whether there is a continuing threat it may occur again. If not, the risk can be closed and should be reported through the escalation and reporting routes described in section 9.6. If within a project or programme managed by the Combined Authority, the issue should be recorded in an issue log (templates are available from the Portfolio Management and Assurance team).

5. Risk Appetite Statement

5.1. Risk appetite is the level of risk the Combined Authority is prepared to tolerate or accept in the pursuit of its strategic objectives. Our aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery and deliver value for public money, whilst encouraging acceptable levels of risk-taking in pursuit of innovation and transformational change.

5.2. Despite mitigation, some risks can never be removed. The purpose of the appetite is to help the organisation prioritise categories of risks and to determine how to most efficiently divert resources into mitigating action.

5.3. The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate risk are established before decisions are made.

5.4. As the Combined Authority is a multi-faceted organisation with a variety of functions, stakeholders and aims, a variable risk appetite has been set for the organisation depending on the area of risk to which it relates. The risk appetite has been set from 1 to 5, to align with the organisation's risk assessment matrix and allow easy comparison. In normal circumstances, if a risk is found to have a higher rating than the appetite allows for, mitigating action must be implemented to reduce the risk to a level within tolerance. For example, a risk relating to 'People and Culture' found to be 'High (4)', should be reduced at a minimum to 'Medium (3)' to fall within the organisation's appetite. Please be aware that there will always be risks which cannot be reduced to within acceptable levels. This is often the case if the risk falls beyond the control of the Combined Authority, or we have a statutory duty to deliver a service with a high level of inherent risk. In this case a discussion and decision to 'Tolerate' the risk must be taken. If, after relevant mitigation, a risk falls considerably outside the Risk Appetite, this may be grounds to consider the risk for escalation.

Risk Appetite Categories

5.5. The organisation's risk appetite is split into the following key categories:

- 5.5.1. **Legal Compliance and Regulation** – This refers to the Combined Authority's obligations to observe and uphold a variety of laws, statutes, conventions and regulations in relation to (amongst others): professional standards, ethics, bribery, fraud and information governance.
- 5.5.2. **Operational and Service Delivery** – The Combined Authority is a public body delivering a variety of services to the region. This refers to any risk arising from the nature of the Combined Authority's business and operations, for example, the risk of a failure to deliver expected services to customers, or to fail to provide the required quality in services.
- 5.5.3. **Finance and Resources** – the Combined Authority aims to maintain its long-term financial viability and its overall financial strength whilst aiming to achieve its strategic and financial objectives and to innovate in getting value for money, subject to the following minimum criteria:
 - the Combined Authority is required to set a balanced overall revenue budget by February every year and Directors must then contain net expenditure within approved service totals;
 - An appropriate level of unallocated general reserves, calculated in accordance with the approved risk-based reserves strategy; and
 - Working within a set of Treasury management principles that seek to protect funds rather than maximise returns.
- 5.5.4. **Reputational** – This refers to the perception and reputation of the Combined Authority by its stakeholders, partners and staff.
- 5.5.5. **Transformational Change** – The environment the Combined Authority works in is continually changing through both its internal operations and the services it provides. This refers to any risk arising from change initiatives to enable the Combined Authority to best deliver on its long-term commitments to the region.
- 5.5.6. **Development and Regeneration** – the Combined Authority has a continuing obligation to invest in the development and regeneration of the region. A level of inherent risk exists to allow the Combined Authority to continue to be progressive and innovative in the delivery of this objective.
- 5.5.7. **Safety and Security** – This refers to any risk to the safety, wellbeing and security of the Combined Authority's staff, service users and stakeholders, as well as its physical assets, facilities and buildings.
- 5.5.8. **Environmental** – The Combined Authority has a responsibility to support the Leeds City Region in becoming carbon neutral by 2038. It also has a responsibility to safeguard the environment from undue physical damage or disturbance. This refers to any risk which may impact on these obligations.

Review

5.6. The Combined Authority’s risk appetite statement is to be reviewed annually by SLT, Regulatory and Compliance Board, the Risk Coordinators and Governance and Audit Committee.

Table 5.1: Combined Authority risk appetite levels

	Low ↔ High Appetite					
	1	2	3	4	5	
Legal Compliance and Regulation	1					This is something for which the Combined Authority has no appetite for and expects minimal exposure to risk. Where it relates to a service which must be provided, significant controls must be in place.
Safety and Security	1					
Finance and Resources		2				There is a preference for what are deemed to be ‘safe’ options where there is a reduced degree of risk. Good controls are expected to be in place where risk remains.
Reputational		2				
Environmental		2				
Service Delivery and Operational			3			The Combined Authority accepts a level of risk may remain in the delivery of services in pursuit of our corporate priorities. The chosen option must present a healthy level of reward in relation to the risk faced.
Transformational Change				4		This is an area in which the Combined Authority has an increased appetite for risk. More uncertainty can be tolerated in seeking opportunities for improvement, commercialisation or innovation.
Development and Regeneration				4		

6. Risk Management Approach

Risk Registers

6.1. The Combined Authority collates risks into the following registers. These can be summarised as follows:

- **Corporate Risk Register** – contains the main on-going or long-term risks to the Combined Authority and its strategic objectives on an organisational. These

risks are owned and managed by the Senior Leadership Team, the register is updated and reported on by the Transformation and Performance Team.

- **Directorate Risk Register/s** – contain risks specific to the business plans, processes and operating environment for each directorate. These risks are managed by Directors and their Heads of Service. Risks within Directorate Risk Registers can be escalated to the Corporate Risk Register through Senior Management Team.
- **Service and Team Risk Register/s** – contain risks specific to the operations and processes of delivering services within each team. These risks are managed by the relevant Head of Service and Team Managers. Risks within Service and Team Risk Registers can be escalated through Directorate Management Teams.
- **Compliance Risk Registers** – registers such as the Health and Safety risk register and the Information Governance risk register contain risks which are cross-organisational but focus around one particular risk type. Whilst these are updated and monitored by corporate teams to ensure overarching risks are managed through appropriate policies and procedures, operational risks are owned by the individual teams and service areas in which the risk exists, and the implementation of specific controls must be carried out by these teams at the local level. Risks within these registers can be referred to another relevant register by the DPO, Health and Safety Business Partner, or the Regulatory and Compliance Board.
- **Portfolio Risk Register/s** – contains risks specific to the portfolio of funding programmes. These risks are managed by the Portfolio Management Group. Risks within the Portfolio Risk Register can be escalated to the Corporate Risk Register by the Portfolio Management Group.
- **Funding Programme Risk Register/s** – contains risks specific to each of the Funding Programmes that the Combined Authority is responsible for. These risks are managed by the relevant Programme Funding Group. Risks within Funding Programme Risk Registers can be escalated to the Portfolio Management Risk Register by the relevant Programme Funding Group.
- **Project and Programme Risk Register/s** – contain specific risks related to individual projects and programmes and are owned by project and programme managers with oversight from the relevant Head of Service. Risks within these registers can be escalated to the relevant Funding Programme Risk Register by the relevant Project or Programme Board.

6.2. Unless a project or programme is not sponsored by the Combined Authority, all risk registers must use the Risk Register Template available [here](#).

6.3. All risk registers must be stored in line with our data and information governance policies available [here](#), and made available to the Transformation and Performance Team or Internal Audit on request.

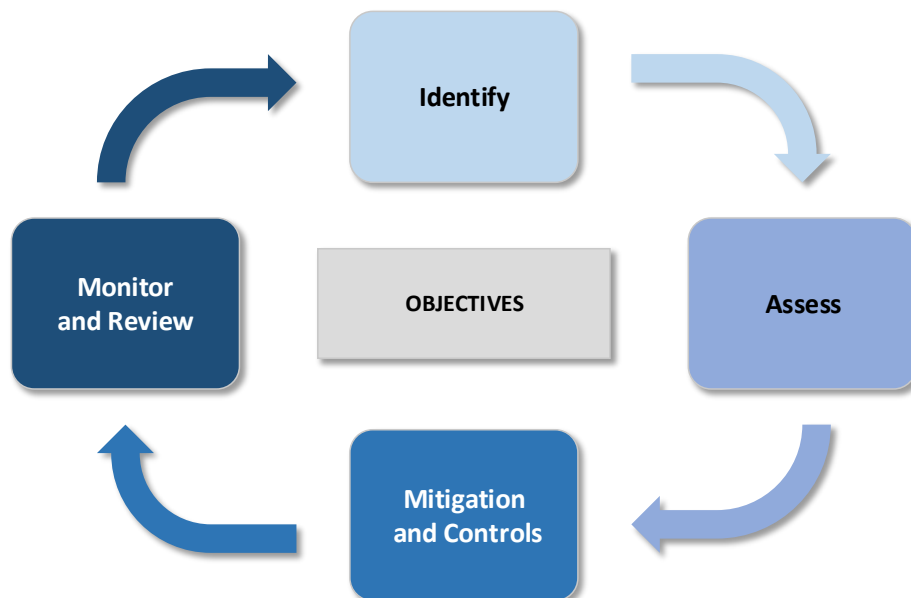
Inherent and Residual Risk

6.4. Inherent and residual risk (sometimes referred to as gross and net risk), refers to the level of the risk faced before any mitigating action (inherent/gross), and the remaining risk once all mitigation has been put in place (residual/net).

- 6.5. Our organisational risk register template focuses only on the residual/net risk, i.e. the risk that we are facing *as of this moment* taking into account all existing mitigating action. This is because the environment in which we operate is prone to circumstantial changes, and rarely will a risk have no existing controls or mitigation in place when assessing its rating.
- 6.6. The risk register template automatically populates the travel of a risk (the change in severity since previous review). Any risks substantially increasing in severity are likely to require more formal discussion and/or mitigating action.

Risk Management Process

- 6.7. The risk management process is broken down into 5 key steps below. The process is a series of logical steps to progress through, when managing any given risk.
- 6.8. The process is cyclical, and it is often necessary to revisit earlier steps and carry them out again to ensure you have a complete picture of the threats or opportunities to the activity or outcome you are assessing.



- 6.9. Further details on each of these stages, with a summary of recommended actions and outcomes, is provided in a 'Risk Management Process on a Page' document below. The full version can be seen on the following page.
- 6.10. Please note, risks which have passed or no longer exist should not be deleted. Risks should be marked as closed in the status column of the register, and greyed out. If a risk has changed substantially in nature it should be closed and a new entry added, rather than reworded.

Risk Culture

- 6.11. Effective risk management comes from a position of knowledge. Only by discussing risks can we as an organisation determine the correct action to take, and proactively managing risk events before they occur often saves significant time and resources than reactively managing issues. All managers and staff should strive to create an open and honest environment where the disclosure and discussion of risks is welcomed and encouraged.

6.12. Recognising and raising a risk does not indicate ownership of the risk to the staff member who raised the risk. Each area of the organisation has a responsibility to raise risks of behalf of the Combined Authority as a whole.

Risk Language

6.13. To help record and frame risks in a uniform way, the following standardised phrasing has been introduced into Risk Register templates and should be used. You should note: the reason for the risk occurring (“Due to...”); the risk itself (“There is a risk of...”); and the consequences (“Which may result in...”).

Risk Management Process on a Page

	Risk Management Process on a Page																																								
	1. Objectives	2. Identify	3. Assess	4. Mitigation and Control	5. Monitor and Review																																				
Step:	<i>In order to effectively identify risks, clear objectives must be set and understood.</i>	<i>Once objectives are understood, all threats and opportunities to achieving these must be identified.</i>	<i>To prioritise the most serious risks, and consider the organisation's risk appetite.</i>	<i>To manage risks, mitigations must be put in place to reduce either their impact or likelihood.</i>	<i>To ensure mitigations are implemented, and to record risks and track changes.</i>																																				
Ask:	What are we trying to achieve? What outcomes will determine our success?	What will stop us achieving these objectives? (threat) What additional benefits could we exploit from this? (opportunity)	What is the likelihood of the risk occurring? What would the level of impact be if it happened?	What can we do about it? Who will be involved, and when can this be completed by?	Where do we record the risk? What if a risk has changed?																																				
Do:	<p>Objectives can be assessed depending on the circumstance: in the case of project management this might be through the outline business case. For a Directorate management team this might be from 1-year business plan objectives.</p> <p>Consider using:</p> <ul style="list-style-type: none"> - Project or programme planning documentation - Outline business case - Corporate Plan - Annual business plans - Organisational values <p><i>Once key risks have been identified and assessed, business or project plans may need to be revised to incorporate planned mitigations.</i></p>	<p>The following methods can be used to identify a range of risks:</p> <ul style="list-style-type: none"> - SWOT analysis (<u>S</u>trengths, <u>W</u>eaknesses, <u>O</u>pportunities and <u>T</u>hreats are considered). - PESTLE analysis (<u>P</u>olitical, <u>E</u>conomic, <u>S</u>ocial, <u>T</u>echnological, <u>L</u>egal and <u>E</u>nvironmental risks are considered). - Root cause analysis (include asking the question 'why?' five times to each concern, to deduce original cause). - Review lessons learnt logs - Horizon scanning and benchmarking <p>Refer to our organisation's risk prompt list on the Risk Register Template to see additional key categories of risks and opportunities to consider. Group workshops can be particularly useful to identify the widest range from all stakeholder viewpoints.</p> <p>Once identified, duplicate risks can be combined, and owners assigned.</p>	<p>All identified risks must be scored on the organisation's 5x5 matrix (below), which provides an overall risk rating based on the likelihood and impact of a risk. Further guidance can be found within risk registers.</p> <table border="1" style="margin: 10px auto; text-align: center;"> <tr> <td></td> <td>High</td> <td>High</td> <td>Very High</td> <td>Very High</td> <td>Very High</td> </tr> <tr> <td></td> <td>Medium</td> <td>Medium</td> <td>High</td> <td>Very High</td> <td>Very High</td> </tr> <tr> <td style="writing-mode: vertical-rl; transform: rotate(180deg);">Impact</td> <td>Low</td> <td>Low</td> <td>Medium</td> <td>High</td> <td>High</td> </tr> <tr> <td></td> <td>V. Low</td> <td>V. Low</td> <td>Low</td> <td>Medium</td> <td>Medium</td> </tr> <tr> <td></td> <td>V. Low</td> <td>V. Low</td> <td>V. Low</td> <td>Low</td> <td>Low</td> </tr> <tr> <td></td> <td colspan="5" style="text-align: center;">Likelihood</td> </tr> </table> <p>Once each risk has an overall risk rating, this should be compared against the organisation's risk appetite.</p>		High	High	Very High	Very High	Very High		Medium	Medium	High	Very High	Very High	Impact	Low	Low	Medium	High	High		V. Low	V. Low	Low	Medium	Medium		V. Low	V. Low	V. Low	Low	Low		Likelihood					<p>There are 5 key ways to respond to a risk:</p> <ul style="list-style-type: none"> - Tolerate: accept the risk at its current level (refer to the organisation's risk appetite). - Treat: Implement controls to reduce the likelihood or impact. - Transfer: insuring against the risk or passing responsibility (not always possible). - Terminate: avoid the activity entirely (not always possible). - Take the opportunity: to exploit an opportunity risk. <p>The risk bow-tie template and guidance can help map and plan mitigating actions.</p> <p><i>If mitigating action is assigned to someone other than the Risk Owner, this must be noted in the risk register.</i></p>	<p>Enter all risks into the relevant risk register. If necessary start a new one with this template.</p> <p>For key actions and mitigations, consider including in the action owner's performance management reviews.</p> <p>Ensure that risk registers are reviewed with the following regularity:</p> <p style="text-align: center;">Very High: 1- 3 months High: 1 - 3 months Medium: 3 - 6 months Low: 6 - 12 months Very low: 6 – 12 months</p> <p>All risk registers should be reviewed in full at least annually. More guidance here.</p>
	High	High	Very High	Very High	Very High																																				
	Medium	Medium	High	Very High	Very High																																				
Impact	Low	Low	Medium	High	High																																				
	V. Low	V. Low	Low	Medium	Medium																																				
	V. Low	V. Low	V. Low	Low	Low																																				
	Likelihood																																								
Output:	Clear objectives which are easily understood	List of identified risks. Identified risk owners.	Risk ratings for all identified risks. Clearly defined high priority risks.	Mitigating actions and owners. Escalation if necessary. Risk 'bow-tie' analysis	Up to date risk registers. Structured reviews.																																				

Risk Rating

6.14. Once each risk has been assessed for probability and impact, the overall risk rating is determined by considering both probability of the risk occurring and the impact it would have if it did occur. The scoring system is demonstrated by the following matrix:

Impact	5 Critical	High	High	Very High	Very High	Very High	
	4 Serious	Medium	Medium	High	Very High	Very High	
	3 Moderate	Low	Low	Medium	High	High	
	2 Minor	V. Low	V. Low	Low	Medium	Medium	
	1 Insignificant	V. Low	V. Low	V. Low	Low	Low	
		1 Very Unlikely	2 Unlikely	3 Possible	4 Likely	5 Very Likely	
		Likelihood					

6.15. Further guidance on risk rating can be found within risk registers and in **Appendix 2**.

Risk Reviews

6.16. It is recommended that risks are reviewed with at least the regularity noted below. If the risks relate to a project or programme, reviews may need to be conducted more frequently as determined by the relevant project or programme Board. For more guidance on risk reviews, please see [here](#).

Very High Risks	Review every 1 – 3 months
High Risks	
Medium Risks	Review every 3 – 6 months
Low Risks	Review every 6 – 12 months (consider very low risks for closure)
Very Low Risks	
Full Register Review	Review registers in full at least annually
<i>New risks can be raised at any relevant management meeting, or in between formal review.</i>	

7. Embedding Risk Management

Training and Awareness

- 7.1. All members of staff have a responsibility to understand and help implement the principles of the Corporate Risk Management Strategy. Only with a common understanding of risk management can we ensure that risks are communicated, managed and recorded effectively across the organisation.
- 7.2. To achieve this, it is crucial that all staff are confident in applying risk management principles and techniques, understand the principles contained within the Risk Management Strategy, and recognise the importance of risk management to good business governance and practice.
- 7.3. The Transformation and Performance Team provide a range of self-help resources to assist with effective risk management, predominantly through the Transformation and Performance intranet page. A risk toolkit and suite of guidance documents are available [here](#). In addition to this, the team are available to support the delivery of focussed risk workshops and focussed 1-1 sessions with risk owners and managers. Staff will be kept up to date on developments and upskilling opportunities via notices on the intranet homepage, via Corporate Risk Management section of the intranet or through the Transformation and Performance Business Partners.

Risk Coordinators and Champions

- 7.4. In order to support the objective of embedding risk management across the organisation, a network of staff with increased risk management awareness and understanding is necessary. Identifying a small group of individuals with greater risk involvement will enable the efficient pooling of training opportunities, and provide a distinct forum for the discussion of risk activities and management.
- 7.5. Risk Champions will be established throughout the organisation. As colleagues with greater risk awareness they will act as exemplars for risk management and will promote and champion the Corporate Risk Strategy across the organisation. For maximum effect, Champions must be established at every managerial level of, with presence on every major committee or board within the organisation.
- 7.6. Supporting this will be a network of Risk Coordinators, with a minimum of one coordinator per Directorate. Risk Coordinators are responsible for updating the risk register for which they are responsible on a rolling basis, and reporting cross-Directorate risks to the Coordinators Group for consideration.
- 7.7. In certain areas of the organisation the role of Champion and Coordinator may be given to the same member of staff. Where this is not the case, they will be required to work together to ensure risks within their area of responsibility are recorded promptly and accurately.

Digitising Risk Management

- 7.8. To be effective, risk management must be embedded into day-to-day management, consuming the minimal amount of administrative time to effectively support the objectives of the business. To do this, we will endeavour where possible to automate processes using available technology, including automated notifications for escalations or reminders for risk reviews.

7.9. All registers, wherever possible, should be stored SharePoint, to assist with version control, automated notification, and user access management.

8. Programme and Project Risk

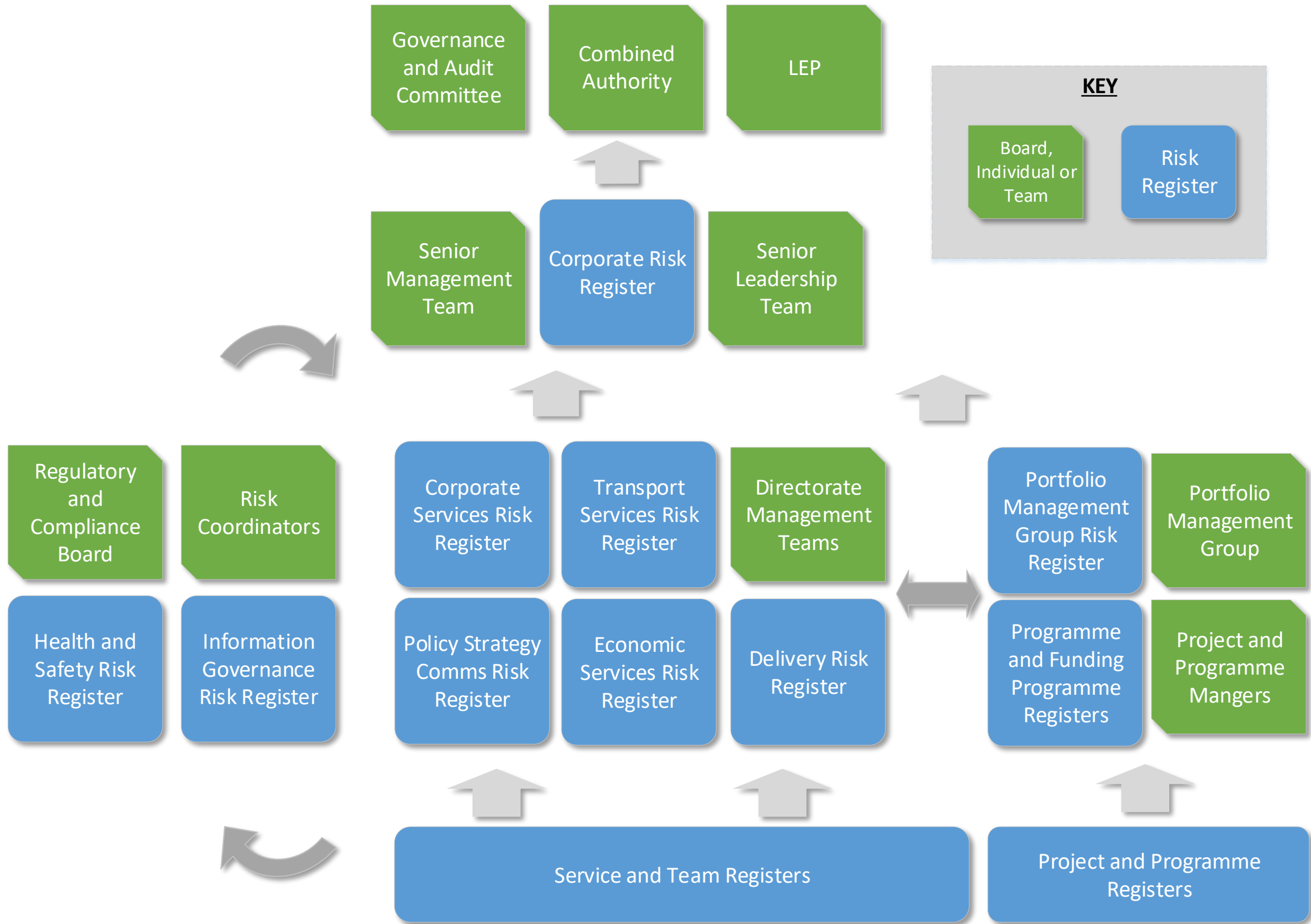
- 8.1. All programmes and projects must create, baseline and maintain a risk register. The format of these is to be determined by the sponsors. However, sponsors as a minimum are required to submit their key risks to the Combined Authority's Portfolio Management and Appraisals team (PMA) using the Risk Register template and included in the Expression of Interest and Business Case at the appropriate Decision Points, as part of any change request and as part of the Combined Authority's monitoring and reporting requirements.
- 8.2. All transport projects must also include a Quantified Risk Allowance (QRA) at Decision Points 3, 4 and 5 of the Assurance Framework (Outline Business Case, Full Business Case and Full Business Case with Finalised Costs). The probability value will be agreed with the Combined Authority. It would typically be expected that the Promoter would include either the P50 or P85 value. The value would be decided by the Promoter in association with the Combined Authority and would depend on local circumstances associated with the project.
- 8.3. Non-transport projects must include a costed risk register, which can be in a simpler form, which must be agreed with the Combined Authority.
- 8.4. The QRA / Costed Risk Register amount will not be held by the Combined Authority and therefore will not be managed at portfolio level, but will be managed by the programme and / or project and included in the funding agreed and detailed in the funding agreement between the Combined Authority and the Promoter. It will be the responsibility of the Promoter to manage the QRA. It is also the responsibility of the Promoter to advise the Combined Authority through the Combined Authority monitoring and reporting requirements on the status of the QRA amount.

9. Risk Escalation and Reporting

- 9.1. Formal processes have been established for transferring, escalating and de-escalating risks between register, which are detailed in the following table.
- 9.2. A network of Risk Coordinators and Risk Champions has been established to provide support and advice on escalation and on the correct areas to manage each risk, and how to recommend risks for consideration on other registers.
- 9.3. There are a number of ways a risk can be reported, such as:
- A verbal report to a line manager
 - By e-mail, or writing to a relevant colleague
 - Raising the concern in your own team meeting or asking your line manager or Head of Service to raise it in a relevant management meeting
 - please remember you don't have to wait for a meeting to raise a risk.....
- 9.4. If you are aware of a risk and unsure who to raise it with or how and where to record it, please speak to a relevant line manager, your area's Risk Coordinator

or the Transformation and Performance Team. Any risks which are rated very high must be considered for escalation by the owners of that register.

9.5. The formal routes for risk escalation and reporting are summarised by the diagram below



9.6. Additional detail on escalation and reporting arrangements is provided in the table below (*T+P Team refers to the Transformation and Performance Team, R+C refers to Regulatory and Compliance Board, CRR refers to the Corporate Risk Register, PMA refers to Portfolio Management and Appraisal Team, PMG refers to Portfolio Management Group*).

Risk Register	Owned/ updated by	Escalates to	Reporting and review	Assurance/ oversight by
Corporate	<ul style="list-style-type: none"> Owned by SLT Updated by T+P Team 	<p>Risks from the Corporate Risk Register can be de-escalated by SLT to Directorate, Service or Team risk registers.</p> <p><i>A risk on the Corporate Risk Register may have iterations on Directorate register to ensure appropriate management at the relevant levels.</i></p>	<p>Reported to every Combined Authority and LEP Board meeting through a performance snapshot provided by the T+P Team.</p> <p>Routine updates provided quarterly to SMT and SLT by T+P Team, urgent updates reported via standing agenda items.</p>	<ul style="list-style-type: none"> SMT T+P Team Risk Coordinators
Directorate	<ul style="list-style-type: none"> Owned by DMT Updated by Risk Coordinator 	<p>Directorate risks can be escalated to the Corporate Risk Register through the standing item on SMT or SLT agenda, or via the T+P Team.</p> <p>Risks to any other Risk Register can be recommended through the Directorate’s Risk Coordinator or through the relevant management team.</p>	<p>DMT to review registers in line with recommended timescales (see section 6.16)</p> <p>Individually assigned risk actions to be incorporated into and reported through 1-1s and performance reviews.</p>	<ul style="list-style-type: none"> R+C Board SMT T+P Team
Information Governance	<ul style="list-style-type: none"> Owned and updated by Regulatory Lawyer and Data Protection Officer 	<p>IG risks can be escalated to the relevant service or team by the IG team or R+C Board.</p> <p>Significant organisational risks can be referred to Corporate Services DMT for consideration on Corporate Services Risk Register or escalation to the CRR.</p>	<p>IG risks reported to R+C Board through standing agenda item and through routine IG update.</p>	<ul style="list-style-type: none"> R+C Board
Health and Safety	<ul style="list-style-type: none"> Owned and updated by Health and Safety Business Partner 	<p>Health and Safety risks can be escalated to the relevant service or team by the Health and Safety Business Partner or R+C Board.</p> <p>Significant organisational risks to be referred to Corporate Services DMT for consideration on Corporate Services Risk Register or escalation to the CRR.</p>	<p>Health and Safety risks reported to R+C Board through standing agenda item and through routine Health and Safety update.</p>	<ul style="list-style-type: none"> R+C Board
Service and Team Registers	<ul style="list-style-type: none"> Owned by Head of Service or Team Manager Updated by Risk Coordinator or Team Member 	<p>Service and Team level risks can be escalated to the relevant DMT by the Risk Coordinator or Team Manager from that service or team.</p>	<p>Service and Teams to review registers in line with recommended timescales (see section 6.16)</p> <p>Individually assigned risk actions to be incorporated into and reported through 1-1s and performance reviews.</p>	<ul style="list-style-type: none"> Relevant DMT Risk Coordinators
Portfolio Risk Register	<ul style="list-style-type: none"> Owned and Updated by Portfolio Lead (Monitoring and Reporting) 	<p>Significant changes to be reported to PMG and Director of Delivery.</p> <p>Portfolio risks can be escalated to the Delivery Directorate Risk Register and/or the CRR by the Director of Delivery, through the standing item on SMT or SLT agenda.</p>	<p>Bi-monthly review by the Portfolio Management Group.</p>	<ul style="list-style-type: none"> Delivery DMT
Funding Programme	<ul style="list-style-type: none"> Owned and updated by Officer delegated by Funding Programme Board 	<p>Funding Programme Risks can be escalated to the Portfolio Risk Register via the PMA.</p>	<p>Funding Programme risks reported to the relevant Funding Programme Board through scheduled meetings.</p>	<ul style="list-style-type: none"> PMG PMA
Programme	<ul style="list-style-type: none"> Owned and updated by Programme Manager 	<p>Significant changes to be reported to the relevant Funding Programme Board and Senior Responsible Owner (SRO).</p> <p>If changes affect the funding programme risk register, SROs to report to Funding Programme Board.</p>	<p>Programme risks reported to the relevant Programme Board through scheduled meetings.</p>	<ul style="list-style-type: none"> Funding Programme Board PMA
Project	<ul style="list-style-type: none"> Owned and updated by Project Manager 	<p>Significant changes to be reported to the relevant SRO. If significant, SROs to report to relevant Programme Board.</p> <p>If the project is not part of a programme, if changes affect the funding programme risk register, SROs to report to Funding Programme Board</p>	<p>Project risks reported to the relevant Project Board through scheduled meetings.</p>	<ul style="list-style-type: none"> Programme Board – if N/A then Funding Programme Board

APPENDIX 1 – RISK MANAGEMENT ROLES AND RESPONSIBILITIES

Group	Responsibilities
Combined Authority Members	<ul style="list-style-type: none"> • Reviews the Corporate Risk Register each meeting through a performance update
Governance and Audit Committee	<ul style="list-style-type: none"> • Responsible for seeking adequate assurance that risk management responsibilities and processes within the Combined Authority are fit for purpose.
LEP Board	<ul style="list-style-type: none"> • Agree with the Section 73 Chief Finance Officer the budget risks facing the LEP, at the beginning of the financial year • Reviews the Corporate Risk Register each meeting through a performance update
Senior Leadership Team	<ul style="list-style-type: none"> • Approves the Risk Management Strategy • Reviews the Risk Management Strategy annually • Owns and reviews the Corporate Risk Register • Reviews any risks escalated to the Corporate Risk Register
Senior Management Team	<ul style="list-style-type: none"> • Reviews the Corporate Risk Register quarterly
Regulatory and Compliance Board	<ul style="list-style-type: none"> • Reviews risk management arrangements and the management of significant organisational risks. • Considers new areas of risk to which the Combined Authority is exposed, the management of these risks, training in risks and awareness of risks across the organisation. • Reviews progress on the internal audit plan, ensuring any emerging risk issues are appropriately addressed • Reviews Health and Safety and IG risks which need to be escalated to the Corporate Risk Register
Directorate Management Teams	<ul style="list-style-type: none"> • Owns the Directorate Risk Register • Reviews Directorate Risk Register and escalates significant risks to the Corporate Risk Register

Group	Responsibilities
Portfolio Management Group and Programme Funding Groups	<ul style="list-style-type: none"> • Owns their Risk Register • Significant changes to be reported to the relevant Senior Responsible Owner (SRO) • If changes affect the funding programme risk register, SROs to report to PMA team
Project, Programme and Service Managers	<ul style="list-style-type: none"> • Owns individual project, programme and service risk registers • Significant changes to be reported to the relevant SRO • If project changes affect the programme risk register, SROs to report to relevant Programme Board • If the project is not part of a programme, if changes affect the funding programme risk register, SROs to report to PMA team
Transformation and Performance Team	<ul style="list-style-type: none"> • Updates and administers the Risk Management Strategy and the Corporate Risk Register • Prepares risk and performance reports for SMT, SLT, the Combined Authority, LEP and Regulatory and Compliance • Reports to Governance and Audit Committee on risk matters as required • Coordinates training and awareness raising activities
All CA Staff	<ul style="list-style-type: none"> • Consider the risks to the achievement of their team's objectives and the Combined Authority's priorities. • Ensure that any risks which they cannot manage or that have a cross-cutting impact are escalated to their managers. At a Head of Service level, this may mean adding the risks to the directorate risk register. At a directorate level, this may mean escalating a risk to the Corporate Risk Register.
Internal Audit (3rd line defence)	<ul style="list-style-type: none"> • Uses risk management techniques in its audit processes • Considers the corporate risk register when developing its audit plan.
Risk Champions	<ul style="list-style-type: none"> • To be familiar with and champion risk best practice, in line with the Corporate Risk Management Strategy • To ensure any risks raised when the Risk Coordinator is not present, are communicated to them for addition into the relevant risk register.

Group	Responsibilities
Risk Coordinators	<ul style="list-style-type: none"> • To update the risk register of the team or area which they are responsible • To escalate and report risks to other Risk Coordinators.
SIRO	<ul style="list-style-type: none"> • Champion risk-based information governance. • Ensure sufficient resources are made available to manage risks to information governance.
DPO	<ul style="list-style-type: none"> • Advise the Combined Authority of its information risk obligations, monitor compliance and raise awareness. • Report information risks to the Senior Information Risk Owner (SIRO).
Health and Safety Business Partner	<ul style="list-style-type: none"> • Ensure and embed a risk-based approach to Health and Safety across the Combined Authority
Section 73 Chief Finance Officer	<ul style="list-style-type: none"> • Responsible for ensuring the risk management strategy addresses risks arising in relation to LEP activity • Responsible for ensuring the process for the LEP board to oversee risk and escalation of risk analysis and risk management requirements within the LEP • Agree with the LEP board the budget risks facing the LEP at the beginning of the financial year

APPENDIX 2 – ASSESSMENT MATRICES

ASSESSMENT OF RISKS

Likelihood

If you're not sure about the percentage chance of a risk happening over a given timescale and you don't have the data to assess its frequency, use the probability descriptors (i.e. 'Very Unlikely', 'Possible' etc.) to determine the most suitable score.

The risk timescale – i.e. the period of time during which the risk could materialise - will vary according to the type of risk it is. For example:

- For a budget risk, it might be expected to materialise over this financial year or over the period of the Medium Term Financial Plan.
- For a project risk, it could be either over the whole of the project lifecycle or for a particular phase within the project.
- With regard to an event, the timescale will be from now until the date of the event.
- For a number of the more cross-cutting strategic risks such as those on the corporate risk register, it is likely that the risk could materialise at any time. When considering a Directorate or Corporate risk, this should be considered against existing and future business plans and any timescales indicated in these.

Likelihood Score	1	2	3	4	5
Likelihood Descriptor	Very Unlikely	Unlikely	Possible	Likely	Very Likely
It is...	Very unlikely to occur	More likely not to occur	Could occur at some point	More likely to occur than not	Very likely to occur
% Likelihood	Less than 5% chance	between 5% and 30% chance	Between 30% to 60% chance	Between 60% to 90% chance	More than 90% chance

Impact

Many risks could have a range of consequences: for example, a Health & Safety breach could affect an individual as well as lead to reputational and financial damage for an organisation. It's therefore possible that you assess the risk as having an impact of '3' using the Health & Safety impact, '2' for Finance and '4' for reputation.

Although you could break the risk down into several different risks covering all these areas and then score each of them to address the varying impact scores, often this can crowd a risk register and take the focus away from the actual risk 'event': i.e. the Health & Safety incident. Where possible, it's better to have 1 risk and use your best judgement to give an overall single impact assessment score. In the example above, this might be a '3' if you were to average the 3 impact scores or '4' if you decided to go with a worst-case scenario.

Impact Score	1	2	3	4	5
Impact Descriptor	Insignificant	Minor	Moderate	Serious	Critical
Projects / Programmes	Little or no schedule slippage. No threat to anticipated benefits & outcomes.	Minor delays but can be brought back on schedule within this project stage. No threat to anticipated benefits & outcomes.	Slippage causes delay to delivery of key project milestone but no threat to anticipated benefits / outcomes.	Slippage causes significant delay to delivery of key project milestone(s). Major threat to achievement of one or more benefits / outcomes.	Significant issues threaten entire project. Could lead to project being cancelled or put on hold.
Financial Impact	No or minimal financial cost.	Losses / costs incurred of 1-2% of budget.	Losses / costs incurred of 3-5% of budget.	Losses / costs incurred of 6-10% of budget.	Losses / costs incurred of more than 10% of budget. Not covered by insurance.
Reputation	No adverse publicity. Rumours.	Single adverse article in local media or specific professional journal. WYCA / Partner one of a number of agencies referred to.	A number of adverse articles in regional / social media mentioning WYCOMBINED AUTHORITY / Partner. Some recirculation via social media. Single request for senior officer / member to be interviewed on local TV or radio. Adverse reaction by LCR residents in social media / online forums. Short-term reduction in public confidence.	Series of adverse front page / news headlines in regional or national media. Wider recirculation via social media. Sustained adverse reaction by LCR residents in social media etc. Repeated requests for senior officer / member to be interviewed on local TV or radio. Long-term reduction in public confidence.	Sustained adverse publicity in regional media and / or national media coverage. Extensive / prolonged recirculation via social media channels. Repeated requests for Leaders / Chief Execs / WYCA MD to be interviewed on national TV or radio. Possible resignation of senior officers. Total loss of public confidence.

Service Interruption	Negligible. No impact on services.	Minor inconvenience for service users and staff. Services quickly restored.	Some client dissatisfaction but services restored before any major impacts.	Major disruption to service delivery. This could be through a single event or a series of outages.	Massive disruption to services. Recovery difficult or even impossible.
Staff	No impact on staff or service delivery.	Short-term low staffing level that temporarily reduces service quality. No impact on staff morale.	Medium-term low staffing level / insufficient experienced staff to deliver quality service. Some minor staff dissatisfaction.	Late delivery of key objective / service due to lack of experienced staff. Low staff morale.	Non-delivery of key objective / service due to lack of experienced staff. Very low staff morale.
Legal and Compliance	No or minimal impact or breach of guidance / statutory duty.	Minor breach of statutory legislation / regulation. Reduced performance rating if unresolved.	Single breach in statutory duty. Challenging external recommendations / improvement notice.	Several breaches in statutory duty. Enforcement action and improvement notices. Critical report. Low performance rating.	Multiple breaches in statutory duty. Prosecution. Complete systems / service change required. Severely critical report. Zero performance rating.
Health & Safety	No ill effects	Short-lived / minor injury or illness that may require First Aid or medication. Small number of work days lost.	Moderate injury / ill-effects requiring hospitalisation. Risk of prosecution from enforcement agencies.	Single fatality and / or long-term illness or multiple serious injuries.	Multiple fatalities and / or multiple incidences of permanent disability or ill-health.
Digital Security	No digital breach of systems or data.	Single breach of non-sensitive, non-business critical systems or data. Any loss quickly recovered and contained.	Single breach of data or systems which are operational or public-facing. Data recovered and contained.	Multiple breaches of data or system with limited ability to recover or contain the loss, or single breach of sensitive data or business-	Multiple breaches of one of more datasets including sensitive personal data, or sustained breach of business-critical or public facing systems,

				critical system.	with limited means of recovery
Environmental	Carbon neutral or negative output in comparison to alternatives. No adverse effects on air, land or water quality.	Low levels of carbon output. Minimal adverse effects on air or water quality to controlled geographic area.	Moderate levels of carbon output in comparison to alternatives. Some adverse effects on air or water quality to compact geographic area.	Noticeably higher levels of carbon output in comparison to alternatives. Noticeable adverse impact on air or water quality in wider geographic area/s.	Significantly higher carbon output in comparison to alternatives. Significant harmful effect on air or water quality to large or multiple geographic area/s.
Infrastructure	No effect on local infrastructure, communities or the environment.	Superficial damage to local infrastructure (e.g. minor road) but little disruption caused.	Medium damage to local infrastructure (e.g. minor road) causing some disruption.	Key elements of local infrastructure (e.g. school, major road) damaged causing major disruption.	Extensive damage to critical elements of local infrastructure (e.g. school, hospital, trunk road) causing prolonged disruption.



Report to: Governance and Audit Committee

Date: 28 July 2022

Subject: **Annual Accountability Reports**

Director: Angela Taylor, Director, Corporate and Commercial Services

Author: Caroline Allen, Head of Legal & Governance Services

1. Purpose of this report

- 1.1 To provide the annual accountability reports about complaints and concerns raised about the Leeds City Region Local Enterprise Partnership (the LEP) and/or members of the LEP Board this year.
- 1.3 To provide a summary of applications for grants considered during the last financial year under arrangements to address conflicts of interest and to note the recently approved broadening of the scope of the Conflicts of Interest Policy and Protocol to non-voting co-optees on Combined Authority committees.

2. Information

- 2.1 As part of the business of the Annual Meeting, annual accountability reports are provided in relation to the complaints and whistleblowing procedures and the management of conflict of interests during the 2021/22 financial year. They are also required to be considered by the Governance and Audit Committee.
- 2.2 Concerns from a member of the public or a third party about the LEP may be reported through:
 - the procedure for considering complaints alleging a failure to comply with the LEP Board Members' Code of Conduct, and
 - the LEP's confidential complaints procedure.

Complaints about the LEP may also be channelled through the Combined Authority's complaints policy and concerns raised under the Combined Authority's Whistleblowing Policy. (The Whistleblowing Policy extends to concerns raised about the LEP and has been endorsed by the LEP Board).

- 2.3 The procedure for considering complaints alleging a failure to comply with the LEP Board Members’ Code of Conduct requires the Monitoring Officer to report annually to the LEP and to the Governance and Audit Committee about any complaints received about any member of the LEP Board, and the outcome of any such complaint.
- 2.4 The Monitoring Officer can now report that no complaint has been received under this procedure in the financial year ending 31 March 2022. Further, no complaint has been received under the confidential complaints procedure, nor the Combined Authority’s complaints procedure.
- 2.5 The Whistleblowing Policy requires the Combined Authority’s Head of Internal Audit to provide an annual report of concerns raised under the Policy to the LEP and to the Combined Authority’s Governance and Audit Committee. The Head of Internal Audit has confirmed that no concerns in relation to the LEP were received under this policy during the financial year 2021 – 22.

Grant applications

- 2.6 The LEP and Combined Authority’s jointly adopted Conflicts of Interests Policy provides an overview of conduct-related provisions applying to Members and officers, with a particular focus on conflicts of interest arising in respect of applications for loans or grants to business, which is addressed by way of the Conflicts of Interest Protocol. The Protocol seeks to ensure that such applications are dealt with fairly and impartially, including where decisions are made by officers under delegated authority. (The specific declaration requirements in the Codes of Conduct adopted by the Combined Authority and the LEP reflect the statutory requirements relating to declarations at formal meetings, and do not extend to declarations outside of formal meeting of the LEP Board or Combined Authority meetings.)
- 2.7 No grant applications were received that required consideration under the conflicts of interests arrangements for the last municipal year. Declarations made by members at the LEP Board or Combined Authority meetings are publicly available on the LEP or Combined Authority’s website as they are recorded in the minutes for each meeting.
- 2.18 For the purposes of transparency, the Committee is asked to note the below recipients of grants who are private sector members without voting rights, who currently fall outside the scope of the conflict of interests arrangements.

Recipient	Date of application	Project amount	LEP Programme	Related Member
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Mind Body Goals Ltd	19/11/2021	£24,990 (project) £10,570 (Grant award)	Connecting Innovation	Colin Glass, Business Investment Panel
Paxman Coolers Ltd	25/1/2022	£87,500 (project) £39,375 (Grant award)	Connecting Innovation	Richard Paxman, Business, Economy and Innovation Committee

2.9 When the conflicts of interest arrangements were first introduced, the thematic committees were advisory and not decision making and the private sector co-optees were voting members and therefore fell within the scope of the arrangements. As a consequence of moving to decision making committees, non LEP Board private sector representative co-optees must legally be non-voting and as such now fall outside the arrangements. However, for the purposes of full and open transparency it is considered best practice for the arrangements to apply to all co-optees whether voting or not and therefore it is proposed to extend the scope accordingly. This change has now been approved by the Combined Authority.

3. Tackling the Climate Emergency Implications

3.1 None arising directly from this report.

4. Inclusive Growth Implications

4.1 None arising directly from this report.

5. Equality and Diversity Implications

5.1 None arising directly from this report.

6. Financial Implications

6.1 None arising directly from this report.

7. Legal Implications

7.1 None arising directly from this report.

8. Staffing Implications

8.1 None arising directly from this report.

9. External Consultees

9.1 None.

10. Recommendations

10.1 To note that no complaints or concerns have been raised this year about the LEP (nor about any member of the LEP Board) under the LEP's complaints procedure, the Combined Authority's complaints policy or the Whistleblowing Policy).

10.2 Notes that no grant applications were received that were required to be considered under the conflicts of interest arrangements in place during 2021 – 2022.

11. Background Documents

11.1 None.

12. Appendices

12.1 None