

GOVERNANCE AND AUDIT COMMITTEE

**MEETING TO BE HELD AT 11.00 AM ON THURSDAY, 29 MARCH 2018
IN COMMITTEE ROOM B, 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**
To identify items where resolutions may be moved to exclude the press and public.
- 4. MINUTES OF THE MEETING OF THE GOVERNANCE AND
AUDIT COMMITTEE HELD ON 25 JANUARY 2018**
Copy attached.
(Pages 1 - 6)
- 5. TREASURY MANAGEMENT**
(Pages 7 - 8)
- 6. EXTERNAL AUDIT**
(Pages 9 - 26)
- 7. STRATEGIC INTERNAL AUDIT PLAN**
(Pages 27 - 42)
- 8. INTERNAL AUDIT PROGRESS REPORT**
(Pages 43 - 58)
- 9. INTERNAL CONTROLS & FINANCIAL MONITORING**
(Pages 59 - 66)
- 10. 2017/18 ANNUAL ACCOUNTS YEAR END**
(Pages 67 - 78)

11. CORPORATE RISK REGISTER

(Pages 79 - 82)

12. GENERAL DATA PROTECTION REGULATION PROGRESS

(Pages 83 - 104)

**13. STANDARDS IN PUBLIC LIFE ON LOCAL GOVERNMENT
ETHICAL STANDARDS - CONSULTATION**

(Pages 105 - 116)

Signed:

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

WYCA Managing Director



**MINUTES OF THE MEETING OF THE
GOVERNANCE AND AUDIT COMMITTEE
HELD ON THURSDAY, 25 JANUARY 2018 AT COMMITTEE ROOM A,
WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS**

Present:

Roger Marsh OBE (Chair)	Leeds City Region Enterprise Partnership
Councillor Andrew Carter CBE	Leeds City Council (from minute 29)
Andy Clayton	Department for Work and Pensions
Councillor Imran Khan	Bradford Council

In attendance:

Angela Taylor	WYCA
Caroline Allen	WYCA (minute 37 only)
Russell Gott	WYCA
Rachel Jones	WYCA (minute 35 only)
Ruth Chaplin	WYCA

25. Apologies for Absence

Apologies for absence were received from Councillor S Hinchcliffe.

26. Declarations of Disclosable Pecuniary Interests

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

27. Exclusion of the Press and Public

There were no items on the agenda requiring exclusion of the press and public.

28. Minutes of the Meeting of the Governance and Audit Committee held on 28 November 2017

Resolved: That the minutes of the meeting held on 28 November 2017 be approved.

29. Internal Audit Strategy/Emerging Internal Audit Plan

The Committee considered a report which provided an update on the development of the Strategic Internal Audit Plan.

Members noted the approach and elements which had been taken into account during the development of the draft 3 year plan which was attached at Appendix 1. They welcomed the document which provided greater flexibility and was based on audit knowledge and a review of business planning to date. The resourcing of the Internal Audit section was discussed and the Committee asked that an analysis of the staffing requirements and options be undertaken.

It was proposed that the plan would be reviewed annually to consider changes in organisational risk and assurance requirements and the draft plan would be brought to the next meeting.

Resolved:

- (i) That the change in approach to the development of a strategic audit plan be noted.
- (ii) That the emerging internal audit plan be brought to the next meeting of the Committee.
- (iii) That options for the future delivery of internal audit be explored.

30. Revised Internal Audit Plan 2017/18

The Committee considered a report on:

- The actions required to enable the delivery of the Internal Audit Plan for 2017/18.
- The resourcing requirements for the completion of the Internal Audit Plan 2017/18.

Members discussed the progress made to date in completing reviews within the Plan and the resourcing issues within the Internal Audit team. They expressed concern regarding the impact the level of resourcing could have on delivering the Plan and the Committee wished to ensure that the fullest possible level of assurance be provided for 2017/18. It was agreed that the Chair would formally notify WYCA's Chair and Managing Director of their wishes and therefore the need to increase resourcing.

Resolved: That the revisions to the Internal Audit Plan and the impact this will have on the level of assurance this provides in 2018/19 be noted.

31. Internal Audit Progress Report

The Committee considered a report on the work undertaken by the Internal Audit Section.

Members discussed the report and dashboard table attached at Appendix 1 and it was suggested that it would be helpful to link the dashboard with strategic risk. In respect of risk, Councillor Carter commented that WYCA should be mindful of the involvement of Carillion's involvement in the contract for the second phase of the City Cycle Ambition Grant.

The Committee noted the details of the activities undertaken by the Internal Audit Section in the period from 1 October 2017 to 31 December 2017. These provided information on the delivery of the 2017/18 Audit Plan, audit opinions on completed reviews, summaries of any significant issues identified and the status of high priority recommendations which have not been fully implemented.

Resolved: That the report be noted.

32. External Audit Report

The Committee considered a report which set out information on external audit matters.

Members discussed the report which set out the proposals for audit fees for 2018/19 and were given the opportunity to ask questions and raise any issues with Mark Kirkham, from Mazars, who attended the meeting. It was noted that members had highlighted some concerns regarding the 23% fall in audit fees and they were assured that WYCA would receive the same level of service and that the quality of work would not deteriorate. It was suggested that it might be beneficial to arrange a workshop for members to provide a better understanding of the external audit environment and any key issues.

Resolved: That the update report from Mazars and the audit fee consultation be noted.

33. Internal Controls & Financial Monitoring

The Committee considered a report which:

- Provided information on the operation of, and changes to, internal controls since the last meeting of the Committee.
- Provided information on the current financial position.

Internal Control Environment

It was noted that key controls within the Finance, Concessions and Integrated Ticketing teams were operating correctly and monthly reconciliations were up to date. Regular governance meetings continued to be held with Leeds City Council (LCC) who carry out many of the day to day operations under a Service Level Agreement. Members were advised that the indicator relating to proportion of fixed term debt remained out of tolerance due to high cash balances and low short term borrowing. However the reasons for this were understood and no corrective action was

required. Current prudential arrangements will be reconfirmed as part of the budget report to WYCA on 1 February 2018.

In respect of internal financial control, the Committee was made aware of a recent incident at Wellington House which was being investigated by the Police and members would be kept informed.

Financial Monitoring

It was noted that the budget and business planning for 2018/19 would be considered by WYCA on 1 February 2018 and regular reports together with the key performance indicators identified in the business plan and changes to risk will be brought to the Committee and WYCA.

Resolved: That the report be noted.

34. Business Planning & Budget 2018/19

The Committee considered a report on the work underway to progress business and budget planning for 2018/19.

It was reported that a Budget Working Group had been established and original forecasts for both income and expenditure were further developed and refined. WYCA had considered a budget report on 14 December 2017 and a copy was attached at Appendix 1. The final budget report was to be considered by WYCA on 1 February 2018 using the figures in the attached appendix and further detail on the specific savings plans and any income generation opportunities. It would also provide further detail on the reserves policy, treasury management arrangements and three year capital programme.

In noting the report members asked that the schedule of meetings for 2018/19 allows sufficient time for the Committee to consider the proposed budget prior to submission to WYCA. Members were advised that regular reporting against the approved budget would be provided to the Committee and WYCA.

Resolved: That the position with regard to business planning and budgets be noted.

35. Assurance Framework - Annual Review

The Committee considered a report which provided an update on progress relating to changes proposed to the Leeds City Region Assurance Framework arising from its annual review, and with the recently issued review of Local Enterprise Partnership Governance & Transparency (October 2017).

It was noted that the LEP has secured Growth Deal funding and WYCA, as the accountable body, had to ensure there are robust, transparent and accountable processes in place to support the budgets and programmes for the LEP and WYCA.

The Assurance Framework had to be updated annually and published on the Local Enterprise Partnership's website. The Committee discussed the latest draft which was attached at Appendix 1. They were advised that the Overview & Scrutiny Committee's SEP Delivery Working Group had discussed this at their recent meeting and offered a level of challenge to the approach taken and they were content with the current progress. Further scrutiny sessions would be arranged to ensure it remains fit for purpose as this was a 'live' document.

It was noted that the changes to the LCR LEP's governance arrangements which were approved on 16 January 2018 had been reflected in the document. The draft Assurance Framework had also been discussed by the LEP Board and Overview & Scrutiny Committee and was to be considered by WYCA on 1 February 2018.

Members discussed how the Assurance Process had been amended to capture and measure the benefits/outcomes of projects and it was suggested that the Committee consider some projects from the 2018/19 programme.

The Committee thanked officers for undertaking the comprehensive review of the Assurance Framework.

Resolved: That the Governance & Audit Committee note that the Leeds City Region Assurance Framework is being revised for the reasons set out in the submitted report.

36. Risk Register

The Committee considered a report which provided an update on the work being undertaken to finalise the Corporate Risk Management Strategy and the current position in respect of Corporate Risk issues.

Members discussed the latest version of the corporate risk register which was attached at Appendix 1 and noted the work being done to review and enhance the existing risk management arrangements for WYCA. Whilst acknowledging that the register was an internal WYCA document, it was suggested that consideration should be given to extending it for strategic risks across all the districts with WYCA as the overarching body.

It was noted that a risk workshop was also being held for WYCA members on 1 February 2018. The risk register will be updated to reflect the outcome of this and as part of the business planning and would be brought to future meetings of the Committee.

Resolved: That the report and Corporate Risk Register be noted.

37. General Data Protection Regulation - Update

The Committee considered a report which provided an update on the approach that WYCA has developed, to ensure compliance and readiness

prior to the implementation of the General Data Protection Regulation (GDPR) on 25 May 2018.

Members discussed the progress to date and requested an update with a guide to key changes, checklist of actions and RAG rating indicating progress be prepared for the next meeting in March and for WYCA in May.

Resolved:

- (i) That the approach that WYCA has developed, to ensure compliance and readiness prior to the implementation of the General Data Protection Regulation (GDPR) on 25 May 2018 be noted.
- (ii) That a progress report be prepared for the next meeting of the Governance & Audit Committee and WYCA in May 2018

38. Forward Programme of Work

The Committee considered the proposed work programme for the coming year and the following items would be added:

- Strategic Internal Audit Plan including an analysis of options for resourcing the Internal Audit section – 29 March 2018.
- General Data Protection Regulation Update – 29 March 2018.

It was noted that the programme was flexible and could be amended as necessary.

Resolved: That the work programme for 2018/19 be noted.

Report to: Governance and Audit Committee

Date: 29 March 2018

Subject: **Treasury Management**

Director(s): Angela Taylor, Director, Resources

Author(s): Angela Taylor

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 At the last meeting of this Committee members requested further information on treasury management arrangements in place. The Combined Authority undertakes its treasury arrangements in conjunction with Leeds City Council, with responsibilities set out in a service level agreement.
- 2.2 A presentation will be given at the meeting setting out the treasury management framework, the responsibilities of Governance and Audit Committee members in that regard, and the treasury strategy in place. Officers from Leeds City Council will be in attendance – Bhupinder Chana, Head of Finance, Technical and David Brown, Senior Treasury Manager.

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 presentation and consider what further information it wishes to receive on treasury management.

8 Background Documents

None.

9 Appendices

None.

Report to: Governance and Audit Committee

Date: 29 March 2018

Subject: **External Audit**

Director(s): Angela Taylor, Director, Resources

Author(s): Angela Taylor

1 Purpose of this report

1.1 To provide members with information on matters relating to external audit.

2 Information

2.1 At the last meeting of this Committee members considered the consultation taking place with respect to audit fees for 2018/19. Public Sector Audit Appointments Limited (PSAA) has now confirmed the outcome of the consultation and this confirms the reduction in audit fee for 2018/19 from £33,720 to £25,964. Members will recall that the external auditors Mazars confirmed that the level of fee will not compromise the completeness of their audit.

2.2 Mazars has undertaken its interim audit and has prepared its audit strategy memorandum for the 2017/18 year-end audit. This is attached as **Appendix 1** and sets out practical details relating to the audit, the requirements of the audit, the significant risks and key judgement areas and the approach to materiality and misstatements. Mark Kirkham, the audit partner and Mark Dalton, the audit senior manager, will be in attendance at the meeting to present the memorandum and answer any questions in relation to it.

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 outcome of the audit fee consultation for 2018/19.

7.2 That the Committee consider the audit strategy memorandum from Mazars.

8 Background Documents

None.

9 Appendices

Appendix 1 - Audit strategy memorandum for the 2017/18.

Audit Strategy Memorandum Appendix 1

West Yorkshire Combined Authority

Year ending 31 March 2018





CONTENTS

1. Engagement and responsibilities summary
2. Your audit engagement team
3. Audit scope, approach and timeline
4. Significant risks and key judgement areas
5. Value for Money
6. Fees for audit and other services
7. Our commitment to independence
8. Materiality and misstatements

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

This document is to be regarded as confidential to West Yorkshire Combined Authority. It has been prepared for the sole use of the Governance and Audit Committee as the appropriate sub-committee charged with governance by the Authority. 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
40-50 Wellington Street
Leeds
LS1 2DE

February 2018

Dear Members

Audit Strategy Memorandum – Year ending 31 March 2018

We are pleased to present our Audit Strategy Memorandum for West Yorkshire Combined Authority for the year ending 31 March 2018.

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.

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 the Authority which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously 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 387 8850.

Yours faithfully



Mark Kirkham

Mazars LLP

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 2018. 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: www.psa.co.uk/audit-quality/terms-of-appointment/

Our responsibilities

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 is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Authority for the year.

Reporting to the NAO

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

Value for Money

We are required to conclude whether the Authority has proper arrangements 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.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the 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.

Our audit does not relieve management or the Governance and Audit Committee, as those charged with governance, of their responsibilities. 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. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Our audit, however, should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Authority is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

2. YOUR AUDIT ENGAGEMENT TEAM



- Mark Kirkham, Partner
- mark.Kirkham@mazars.co.uk
- 0113 387 8850



- Mark Dalton, Senior Manager
- mark.dalton@mazars.co.uk
- 0113 387 8735



- Abi Medic, Assistant Manager
- abi.medic@mazars.co.uk
- 07881 283644



- Martin Baird – IT Audit, Director – Technology Solutions
- martin.baird@mazars.co.uk
- 0191 838 6317

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 business which we consider to have a higher risk of material misstatement, such as those affected 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.

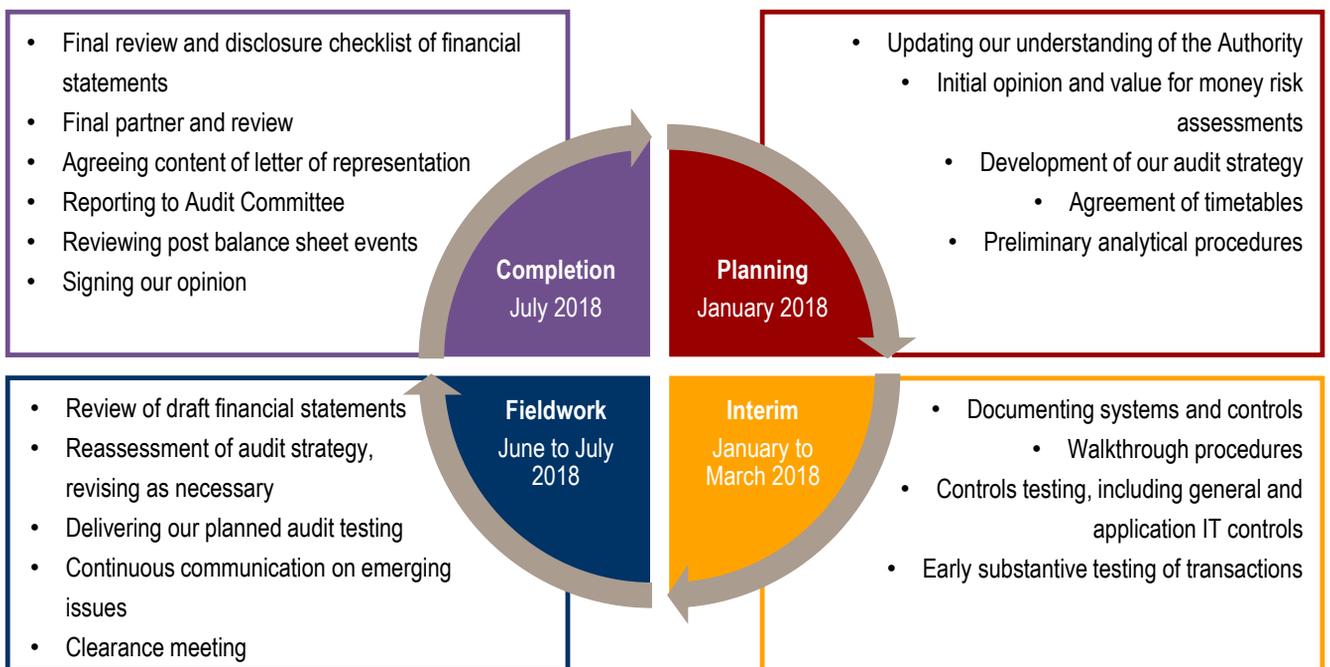
Audit approach

Our approach is risk-based primarily driven by the factors we consider lead to a higher risk of material misstatement. 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 tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account 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 below outlines the procedures we perform at the different stages of the audit.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

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.

Items of account	Management's expert	Our expert
Defined benefit liability	Actuary (Aon Hewitt).	NAO's consulting actuary (PWC).
Property, plant and equipment	Lambert Smith and Hampton	NAO's consulting valuer (Gerald Eve).
Financial instrument disclosures	Capita	NAO.

Service organisations

International Auditing Standards 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.

Reporting deadlines

As we have previously discussed with the Governance and Audit Committee, the statutory timetable for the production and audit of the Authority's financial statements changes for 2017/18. The Authority is now required to produce accounts by 31 May 2018 (1 month earlier) and to publish audited accounts by 31 July 2018 (2 months earlier). We continue to work with the Authority to minimise the risks of the new deadlines being missed and note that the Authority successfully met the earlier timetable in 2016/17 with the majority of the audit work also completed by the end of July 2017.

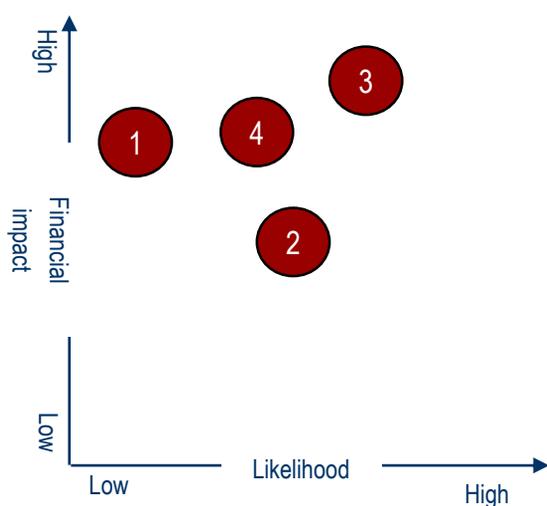
As a result, whilst faster closure remains a key challenge for 2017/18, we do not consider it a significant risk to the audit of the financial statements.

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined 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 (‘RMM’) at audit assertion level other than a significant risk. Enhanced risks incorporate 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.

The summary risk assessment, illustrated in the audit risk continuum below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page. We have not identified other audit risks or key judgement areas to report to you at this stage.



Risk	
1	Management override of control
2	Revenue recognition
3	Property, plant and equipment valuation
4	Defined benefit liability valuation

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We explain the identified risks and our testing approach in the table below. An audit is a dynamic process and if we change our view of risk or our approach to address the identified risks during the course of our audit we will report this to the Governance and Audit Committee.

Significant risks

	Description of risk	Planned response
1	<p>Management override of controls</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>	<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.</p>
2	<p>Revenue recognition – fees and charges</p> <p>In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Authority's range of revenue sources, we have concluded that there are insufficient grounds for rebuttal in 2017/18. We have identified income from fees and charges as the key areas of audit testing. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.</p>	<p>We will evaluate the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we will undertake a range of substantive procedures including testing receipts in March, April and May 2018 to ensure they have been recognised in the right year, testing material year end receivables, testing adjustment journals and obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger.</p>
3	<p>Property, plant and equipment (PPE) valuation</p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes.</p> <p>The Authority employs an internal valuation expert to provide information on valuations. As with many other bodies, there remains a high degree of estimation uncertainty associated with the valuation of PPE due to the significant judgements and number of variables involved in providing valuations. We have therefore identified the valuation of PPE to be an area of audit risk.</p>	<p>We will consider the Authority's arrangements for ensuring that PPE values are reasonable and will engage our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Authority's valuer. We will also assess the competence, skills and experience of the valuer.</p> <p>Where necessary we will also perform further audit procedures on individual assets to ensure that the basis and level of valuation is appropriate.</p>
4	<p>Defined benefit liability valuation</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We will discuss with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we will evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the NAO.</p>

5. VALUE FOR MONEY WORK

Our approach to value for money work

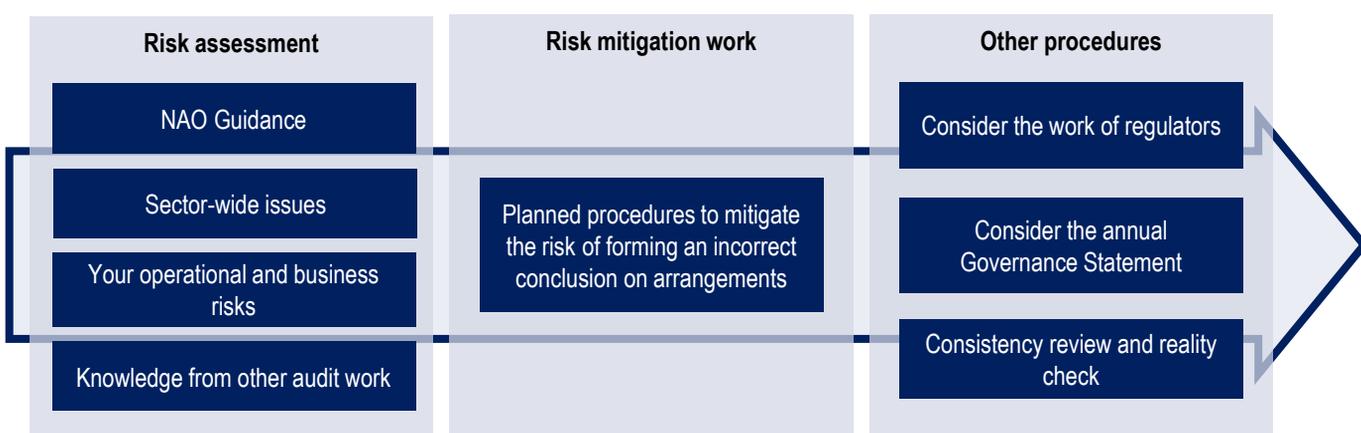
We are required to form a conclusion as to whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the criterion and sub-criteria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

The overall criterion is that, 'in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are provided set out by the NAO:

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

A summary of the work we undertake is provided below.



Significant value for money risks

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

For the 2017/18 financial year, we have identified the following significant risk to our VFM work.

Description of significant risk	Planned response
<p>Sustainable resource deployment</p> <p>Our audit work in previous years has concluded that the Authority has appropriate arrangements in place for Medium Term Financial Planning. The Authority continues to face financial pressures including a reduction in the transport levy by £1m for 2017/18 and by £2m for 2018/19 to 2019/20. A reduction of £1m equates to a circa 2% saving requirement in discretionary expenditure. The Authority has recently updated its medium term financial strategy (MTFS).</p> <p>We need to ensure our knowledge of the Authority's MTFS arrangements and its monitoring of the planned delivery of a balanced budget and related savings, remains up to date in order to ensure we give the correct VFM conclusion.</p>	<p>Building on our work in previous years, we will review the Authority's updated 2018 MTFS to ensure it reflects the latest income projections and funding position from the transport levy. We will also review and update our knowledge of the arrangements the Authority has in place to monitor progress in delivering a balanced budget for 2017/18 and the related savings plans.</p>

6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Authority's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of 20 April 2017.

Service	2016/17 fee	2017/18 fee
Code audit work	£33,720	£33,720

Fees for non-PSAA work

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

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 Financial Reporting Council'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;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- 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, and 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 Kirkham in the first instance.

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

No threats to our independence have been identified.

8. MATERIALITY AND MISSTATEMENTS

Definitions

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.

Summary of initial materiality thresholds

Threshold	Initial threshold (£'000s)
Overall materiality	£5,000
Specific materiality	
• Members allowances	£5
• Senior manager remuneration	£5
• Exit packages	£5
• Related Party Transactions	£50
Trivial threshold for errors to be reported to the Audit Committee	£150

Materiality

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 revenue expenditure. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Governance and Audit Committee.



8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

We consider that gross revenue expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold at circa 1.75% of gross revenue expenditure.

Based on last year's audited accounts we have set materiality for the year ending 31 March 2018 at £5m (£5.354m in the prior year).

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

Misstatements

We aggregate 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 the 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 £150k based on 3% of overall materiality (£161k in the prior year). If you have any queries about this please do not hesitate to raise these with Mark Kirkham.

APPENDIX A – 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	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
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		✓

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Changes relevant to 2017/18

There are no significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2017/18. Minor changes to the Code include:

- introduction of key reporting principles for the preparation and publication of the Narrative Report;
- clarification of reporting requirements on accounting policies and going concern; and
- updating the accounting requirements for the Housing Revenue Account to align these with changes to underlying regulations and directions.

None of the above are anticipated to have a significant impact on the Authority.

Changes in future years

Accounting standard	Year of application	Implications
IFRS 9 – Financial Instruments	2018/19	<p>The standard will replace IAS 39 and will introduce significant changes to the recognition and measurement of the Authority's financial instruments, particularly its financial assets.</p> <p>Although the accounting changes may be complex and may require the reclassification of some instruments, it is likely that the Authority will continue to measure the majority of its financial assets at amortised costs</p> <p>For councils that hold instruments that will be required to be measured at fair value under the new standard, there may be instances where changes in these fair values are recognised immediately and impact on the general fund. At this stage it is unclear whether statutory provisions, over and above those already in place, will be put in place to mitigate the impact of these fair value movements on the Authority's general fund balance.</p>
IFRS 16 – Leases	2019/20	<p>We anticipate that the new leasing standard will be adopted by the Code for the 2019/20 financial year.</p> <p>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17.</p> <p>Lessees will need to recognise assets and liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed.</p> <p>The introduction of this standard is likely to lead to significant work being required in order to identify all leases to which the Authority (and its schools) are party to.</p>

The 2018/19 Code will also apply the requirements of IFRS 15 Revenue from Contracts with Customers, but it is unlikely that this will have significant implications for most local authorities.

Report to: Governance and Audit Committee

Date: 29 March 2018

Subject: **Strategic Internal Audit Plan**

Director(s): Angela Taylor, Director, Resources

Author(s): Russell Gott

1 Purpose of this report

1.1 To approve the strategic internal audit plan commencing 1 April 2018.

2 Information

2.1 This report seeks approval of the strategic internal audit plan and considers options and evaluates the benefits and weaknesses of models for the provision of internal audit within West Yorkshire Combined Authority.

2.2 UK Public Sector Internal Auditing Standards, (PSIAS) require the Chief Audit Executive to deliver an annual audit opinion and report that must be used by the organisation to inform its annual governance statement. The internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Work undertaken within the audit plan is the principal body of evidence required to substantiate the opinion provided by internal audit. In addition, PSIAS state that the Chief Audit Executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's objectives.

2.3 Internal audit has developed an approach which has led to the production of a strategic plan, phased over a rolling three year period. This allows greater flexibility in terms of the frequency and depth of audit assignments undertaken and can be used to quantify both short and medium term assurance resourcing requirements. Nevertheless, it will be necessary to review the plan both in year and on an annual basis, to consider changes in organisational risk and assurance requirements.

2.4 A consultation programme has been conducted with senior officers from within the Combined Authority and with elected members and the independent member of the Governance & Audit Committee. This has provided a valuable

insight into stakeholder assurance requirements and has contributed to the development of the plan.

- 2.5 The plan is presented under corporate risk categories with clear links to directorate objectives which support the attainment of corporate priorities. The plan also incorporates regulatory and compliance requirements along with, counter-fraud and audit follow up activities. This will seek to provide assurance that the governance and control arrangements continue to operate effectively, minimising the risk of misappropriation, loss and error and that key systems and processes are operating as intended. In addition, allowances for value for money and consultancy activities are provided to allow internal audit to support organisational development and process improvements.
- 2.6 Indicative resource allocations for each audit entity are provided, based on previous audit performance in conjunction with an initial assessment of the scope of each review. The depth of audit testing is established through the evaluation of risk and considers the existence and operation of key controls. Where new areas of assurance have been identified the number of days required to perform this work is determined from an initial overview of these areas and from discussions with senior officers from within the relevant directorates. The plan requires 465 audit days in 2018/19 and 457 days in 2019/2020 and 2020/21. Assurance allocations per risk category are represented as:

Risk Category	2018/19	2019/2020	2020/21
<i>Financial Risk - Risk of failing to manage finances in accordance with public sector accounting requirements and funding constraints.</i>	70	63	70
<i>Legal Compliance Risk - Risks arising from non-compliance with legislative requirements.</i>	30	35	30
<i>Governance Risk - Risk that losses or organisational performance is compromised as a result of unclear authorities, structures and accountabilities</i>	51	58	41
<i>Operational/ Risk - Risk of impaired service delivery resulting from inadequate or failed internal processes and systems, error and deficiencies in the performance of external suppliers and stakeholders.</i>	51	38	53

Risk Category	2018/19	2019/2020	2020/21
Delivery Change Risk - <i>Risk that programmes and projects are not delivered in time, within budget and do not deliver agreed benefits. Risk of fraud, misappropriation of funds</i>	55	55	55
Information and Communication Risks - <i>Failing to provide sufficient, appropriate, consistent and timely information to key internal and external stakeholders.</i>	16	16	16
Data Security/Data Protection Risks - <i>Failure to adequately maintain and protect business critical data and appropriately, hold sensitive personal information</i>	35	35	35

- 2.7 The strategic internal audit plan is attached in full as **Appendix 1** to this report.

Current Service Provision

- 2.8 It is important that the level of activity required to enable an independent opinion to be determined on the Combined Authority's control environment, risk management and governance arrangements is undertaken. The internal audit service is currently provided by a small in-house team headed by the Internal Audit Manager plus three Internal Auditors. The cost of providing the function, based on the present approved establishment in 2018/19 is £151,483. Sections 2.9 to 2.18 of this report considers options and evaluates the benefits and weaknesses of models for the provision of the internal audit function within the West Yorkshire Combined Authority.

Delivery Models

In house team

- 2.9 The Combined Authority has operated to date with an experienced and qualified internal audit function. There are a number of advantages to this approach including, a depth of knowledge of the organisation, ability to respond quickly to management requests, availability to provide consultation/ad-hoc advice, insight into organisational risk management activity, including the early identification of emerging risks and how this informs the assurance process.

- 2.10 An important advantage of the internal sourcing model is that it provides the arena for developing staff within the organisation. Members of the internal audit department are trained on various functions within the organisation and obtain a comprehensive understanding of the key risks and challenges. Other advantages include a higher level of ownership of the internal audit function and a better understanding of the organisation that enhances learning, improves the overall effectiveness of the function and permits internal auditors to nurture the relationships with various process owners.
- 2.11 There is a unified internal audit plan and an agreed audit methodology and, if need be, discussion and decisions can be made quickly to adapt the plan. Having an internal audit team gives internal audit a clear identity and profile and it is part of the organisation's culture. It allows the building and retention of knowledge relating to the Combined Authority which enables internal audit to be valued by the business areas. Finally, the annual budget is part of the organisation's costs and means that people who want advice and guidance on a consultancy basis don't have to be afraid to ask for it on the grounds of cost. This helps to reinforce the message that risk management and control are important.
- 2.12 The key disadvantage of the internal sourcing model is the difficulty internal auditors face in acquiring or maintaining the depth and breadth of specialised skills. This is particularly pertinent for a small team. Also, continuous investment in the in-house internal audit department is required with respect to training, recruitment and the technology used.

Co sourcing

- 2.13 In an internal audit co-sourcing model, management retains control over the internal audit function while at the same time leveraging the internal audit resources of the third party service provider, which provides access to valuable and diverse specialised skills as needed. This allows the organisation to retain control over the service and provides access to increased depth of resource and specialisms. This model encourages managers and employees to take an interest in internal audit from the perspective of contributors. The internal audit function is able to contract and expand to reflect fluctuations in demand.
- 2.14 One of the main deficiencies of the internal audit co-sourcing model is that it requires continuous coordination from the organisation to ensure seamless delivery of the internal audit services, as the responsibility of managing the internal audit function remains with the organisation. Considerable investment is required to ensure the required organisational knowledge is retained and successfully transferred.
- 2.15 There are two methods of providing co-sourcing. The first includes the establishment of a core internal audit team, led by the Head of Internal Audit. Members of this team are essentially audit generalists. A partner provides subject matter specialists and covers any resourcing gaps in the in-house

provision. In the second method the Head of Internal Audit is provided in-house but a partner provides the core internal audit team and audit specialists.

- 2.16 Whichever method is selected it is important to ensure that accountabilities and responsibilities (on both sides) are clearly set out in the contract. The organisation needs to establish how it expects the relationship to operate including the frequency of meetings, attendance at Audit Committee, set expectations of time and personnel on site, quality assurance requirements and audit methodology applied. In addition issues relating to communication and reporting lines between the audit function and service provider, and wider business need defining.

Outsourcing

- 2.17 The key benefit of a fully outsourced internal audit service model is that the service provider is ultimately responsible for the internal audit function however, management direction may be limited but is still required. It is likely that the outsource provider will have a wide access to skills and specialisms and responsibility for recruitment and training costs will reside with the provider. There is the prospect that organisational independence may be perceived to be improved.
- 2.18 The main drawback of this option is that expertise does not reside in-house and accordingly, there is a limitation on the ability to transfer knowledge and build the capabilities of the internal audit function within the organisation. There may also be a perception that responsibility for internal control, risk and governance has been transferred outside the organisation and a lack of in-depth understanding of activities reviewed. The perceived quality and skills provided may, in reality, be lower than anticipated. There is a risk that costs may increase unless the scope of engagement is tightly framed and monitored. Finally, independence may be compromised due to management influence on renewing contracts.

Proposed Delivery Model

- 2.19 It is proposed that a model which retains a dedicated internal team but allows for the procurement of identified external audit specialisms will provide the most effective means of delivering the internal audit function to the Combined Authority. These specialisms may be procured on the open market or through a service level agreement with another local authority internal audit function.
- 2.20 It is also necessary to provide improvements to the structure of the internal delivery team to allow increased emphasis and focus on strategy, planning, delivery, reporting, and performance whilst providing greater flexibility and resilience within the function.
- 2.21 To achieve these objectives it is proposed that the post of the Head of Internal Audit be redefined. The key responsibilities of this role would be for setting and delivering strategic objectives and plans, developing and leading the service, developing policies, monitoring and ensuring the adequate resourcing

of the function, liaising with key stakeholders including the Governance & Audit Committee and the Combined Authority's Leadership Team and providing commentary on the status of the organisations control environment, risk management and governance arrangements. The post will also lead on counter-fraud initiatives and investigations and meet statutory requirements by being the Combined Authority's Responsible Officer - this is the person, appointed with overall responsibility for maintaining and operating this whistleblowing policy nominated contact for reported incidents and money laundering reporting officer.

- 2.22 A post of Principal Auditor would allow the day to day supervision of work undertaken within the audit plan to be undertaken and allow capacity to undertake a number of more complex reviews within the plan. In addition, this post would be responsible for ensuring the implementation and operation of internal audit quality processes, determining the scope of audit assignments t and liaising on audit findings, monitoring the progress of management in implementing audit recommendations and deputising for the Head of Internal Audit when necessary.
- 2.23 Internal auditor post(s) will perform the bulk of audit testing under the direction of the Principal Auditor. These are audit generalists roles and would include participation in the audit planning process, performing audit testing, participating in audit closures and the completion of internal audit reports to draft stage. These roles may be suitable for employees appointed through the Combined Authority's apprenticeship scheme. The internal team would then be supplemented by external specialist resource. Further work would be required to identify the most appropriate mix of directly and indirectly employed resource.
- 2.24 This approach will allow the necessary number of audit days required to deliver the audit plan in each of the three years of the strategy to be delivered, as well as ensuring the required skills to be secured.

3 Financial Implications

- 3.1 The costs of resourcing the current internal audit establishment are identified at £151,483. These include on-costs for employers National Insurance and pension contributions and are set at the top of current grading bands.
- 3.2 Costs will need to be established for any preferred option and an appropriate budget established.

4 Legal Implications

- 4.1 The Accounts & Audit Regulations require the West Yorkshire Combined Authority to maintain an adequate and effective internal audit.

5 Staffing Implications

- 5.1 The preferred option would require the reappraisal of the internal audit structure and roles. Full consultation would take place with any affected staff.

6 External Consultees

- 6.1 No external consultations have been undertaken.

7 Recommendations

- 7.1 That the Strategic Internal Audit Plan be approved.
- 7.2 That the Committee consider the options and determine if it wishes to progress with the proposed option put forward or whether further information is required, for example with regard to costs, in order to reach a decision.
- 7.3 That the Committee determine whether it wishes to consider further detailed and costed options at its next meeting or to delegate a final decision to the Chair.

8 Background Documents

None.

9 Appendices

Appendix 1 - Strategic Internal Audit Plan

This page is intentionally left blank

Internal Audit Strategic Plan 2018-2021

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	2019/2020 Days	2020/21 Days
Financial Risk <i>Risk of failing to manage finances in accordance with public sector accounting requirements and funding constraints.</i>			70	63	70
	Robust Financial Management	Creditors Payments	10	5	10
	Robust Financial Management	Main Accounting – General Ledger	10	10	10
	Robust Financial Management	Debtors, Debt Management	8	4	8
	Robust Financial Management	Treasury Management	12	12	12
	Attainment of Value for Money. Statutory Compliance	Procurement including Tendered Subsidised Bus Service Contracts.	10	20	10
	Robust Financial Management	Payroll	12	6	12

35

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	2019/2020 Days	2020/21 Days
	Robust Financial Management	VAT		6	
	Robust Financial Management	Expenses & Allowances – compliance with guidance	8		8
Legal Compliance Risk <i>Risks arising from non-compliance with legislative requirements.</i>			30	35	30
	Improved Transparency	Gifts & Hospitality	8		8
	Statutory Compliance	Health & Safety including CDM.	10	20	10
	Statutory Compliance	Employment Law & HR processes		15	
	Statutory Compliance	Information Governance	12		12
Governance Risk <i>Risk that losses or organisational performance is compromised as a result of unclear authorities, structures and accountabilities</i>			51	58	41

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	2019/2020 Days	2020/21 Days
	Effective Corporate Planning & Performance	Corporate Risk Management Framework	15	15	15
	Improved Transparency	Code of Corporate Governance Declarations of Interest	10	10	10
	Effective Corporate Planning & Performance	Business Recovery/Contingency		12	
	Improved Transparency	West Yorkshire Combined Authority/LEP Governance - Decision making arrangements, authorities and delegations.		15	
	Attainment of Value for Money.	Engagement and use of Consultants	10		10
	Statutory Compliance	Recruitment Procedures & Temporary Employment Arrangements	10		
	Statutory Compliance	Annual Governance Statement	6	6	6

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	2019/2020 Days	2020/21 Days
Operational/ Risk <i>Risk of impaired service delivery resulting from inadequate or failed internal processes and systems, error and deficiencies in the performance of external suppliers and stakeholders.</i>			51	38	53
	Bus Services Provision	Prepaid Tickets & Concessionary Fares	25	12	25
	Bus Services Provision	Tendered Subsidised Bus Services Management/Monitoring	8	18	8
	Retail Services	Metro Travel Centre Operations	18	8	8
	Retail Services	English National Concessions Travel Scheme			12
Delivery Change Risk <i>Risk that programmes and projects are not delivered in time, within budget and do not deliver agreed benefits. Risk of fraud, misappropriation of funds</i>			55	55	55

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	2019/2020 Days	2020/21 Days
	<p>Delivery of Projects & Programmes</p> <p>Robust Financial Management</p> <p>Attainment of Value for Money.</p> <p>Statutory Compliance</p>	<p>PMO Feasibility and Assurance controls, due diligence/approval management,</p> <p>Programme Monitoring. Programmes/ Projects; reporting, risk management, cost control, compliance with conditions of funding, fraud prevention controls.</p> <p>Includes; Transport Fund, Enterprise Zones, Resource Efficiency Fund, Housing & Regeneration, Skills Capital, Business, Sector Skills Initiative, Growth Programme. Superfast Broadband, Growing Places Fund – management of loans, Leeds Public Transport Investment Fund, Ultra-Low Emissions Vehicles</p> <p>ERDF and ESIF funding regimes.</p> <p>State Aid requirements.</p> <p>Use of third party service suppliers – procurement, administration and project management services.</p> <p>Operation of PIMs, reporting</p>	55	55	55
<p>Information and Communication Risks</p> <p><i>Failing to provide sufficient, appropriate, consistent and</i></p>			16	16	16

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	2019/2020 Days	2020/21 Days
<i>timely information to key internal and external stakeholders.</i>					
	Improved Transparency	Transparency Code Compliance	8	8	8
	Improved Transparency	Freedom of Information Requests	8	8	8
Data Security/Data Protection Risks <i>Failure to adequately maintain and protect business critical data and appropriately, hold sensitive personal information</i>			35	35	35
	Secure Systems	Data Security/Data Protection - ICT systems and network controls,	15	15	15
	Statutory Compliance	Safeguarding children and vulnerable adults. (SEN Contracts, Concessionary Fares), GDPR compliance	10	10	10
	Secure Systems	Cyber Attack/Systems Penetration testing	10	10	10
Counter Fraud			26	26	26
	Statutory Compliance	Pro-active counter fraud, data matching tests	6	6	6

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	2019/2020 Days	2020/21 Days
	Robust Financial Management				
	Statutory Compliance Robust Financial Management	Allowance/contingency to investigate any allegations of suspected fraud, bribery or corruption.	20	20	20
Value for Money			20	20	20
	Attainment of Value for Money.	Allowance for value for money reviews of functions and processes in operation.	20	20	20
Consultation			12	12	12
	Secure Systems	Allowance for the provision of advice in relation to the development and implementation of new or significant changes to systems and processes	12	12	12
Certification			54	54	54
	Head of Internal Audit Assurance	Access Innovation Fund	3	3	3
	Head of Internal Audit Assurance	Growth Deal Fund	8	8	8
	Head of Internal Audit Assurance	Growth Hub Grant	3	3	3

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	2019/2020 Days	2020/21 Days
	Head of Internal Audit Assurance	Resource Efficiency Fund	8	8	8
	Head of Internal Audit Assurance	Local Transport Fund	8	8	8
	Head of Internal Audit Assurance	Interreg SHARE North	8	8	8
	Head of Internal Audit Assurance	City Cycle Grant	2	2	2
	Head of Internal Audit Assurance	L-CREATE, ERDF & ESIF	6	6	6
	Head of Internal Audit Assurance	Strategic Business Growth Fund	8	8	8
Follow up			25	25	25
	Head of Internal Audit Assurance	Allowance for the follow up of progress in implementing agreed actions to significant control weaknesses	25	25	25
General Contingency		Contingency for the requirement for Internal Audit to perform unplanned work.	20	20	20
Total			465	457	457

Report to: Governance and Audit Committee

Date: 29 March 2018

Subject: **Internal Audit Progress Report**

Director(s): Angela Taylor, Director, Resources

Author(s): Russell Gott

1 Purpose of this report

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

2 Information

- 2.1 In accordance with the Accounts & Audit (England) Regulations 2015, the Combined Authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.
- 2.2 This report provides details of activities undertaken by the Internal Audit Section in the period from 1 January 2018 to 31 March 2018 and provides progress in delivering the 2017/18 audit plan, audit opinion on reviews undertaken, summarises any significant issues identified and the status of any high priority audit recommendations which have not been implemented within the agreed timescales.
- 2.3 The Internal Audit Section has completed work contained within the Combined Authority's audit plan through the performance and release of the following audit reports:
- Risk Management - Requires Improvement
 - English National Concessionary Travel Scheme - Requires Improvement
 - Resource Efficiency Fund - Requires Improvement
 - Tendered Subsidised Bus Services - Controlled
 - Creditors Payments System - Controlled
- 2.4 There were three reviews where a 'requires improvement' opinion was provided. The key issues resulting from these audits are;

Risk Management

- 2.5 This review recognised that the corporate risk management framework is currently being developed and that much has been achieved. However, there are now opportunities to further develop risk management within the Combined Authority so that it becomes an effective component of organisational governance.
- 2.6 It was recommended that, to ensure that risk management is embedded within the organisation, further training and workshop initiatives be undertaken to support this process.
- 2.7 The structure of reporting and escalation of risk be clearly provided within the corporate risk management strategy. This should include the review of the terms of reference of the Combined Authority's Audit & Risk Management Group.
- 2.8 To maintain a consistent and effective risk management system it was recommended that all risk registers throughout the organisation be consolidated into one corporate system.
- 2.9 To assist the development of a risk aware culture it was identified that additional guidance be provided in support of the Risk Management Strategy particularly in relation to the identification, assessment and treatment of risk.

Resource Efficiency Fund

- 2.10 It was established that clarification is required in respect of responsibility for financial management and reporting of the performance with the different teams within the programme. In addition, the validation of financial information reported should be authenticated by the Combined Authority's Finance Section.
- 2.11 In respect of the Resources Efficiency Fund Steering Group, it was established that the terms of reference require reviewing and updating to set out action to be taken if a major issue arises and to clarify the group's responsibilities concerning financial management arrangements.

English National Concessionary Travel Scheme

- 2.12 There are agreements in place with some operators which provide an agreed payment to reimburse them for providing concessionary travel. The Combined Authority has invested in the development and roll out of smart card technology. One of the benefits of this system is that it provides more precise data in relation to the use of these products on the bus network. To improve transparency of monitoring arrangements, it was recognised that formal reporting of actual usage of concessionary passes against the value of fixed payments should be provided and compared with contract tolerances.

2.13 The development of smartcard technology is delivered through a programme team set up within the Combined Authority. The governance arrangements for this programme include a programme board and a project direction team. It was recommended that programme governance arrangements be clarified. This to be achieved through the formal definition of the role and purpose of the project direction team particularly in respect of cost control/ budget monitoring and financial reporting.

Work in progress

2.14 In addition to the completion of scheduled audit reviews provided in section 2.3 of this report, a number of audit reviews are currently in progress and include;

- Data Hosting
- Growing Places Fund
- Housing & Regeneration Fund
- Superfast Broadband
- Payroll
- Health & Safety
- Business Growth Programme
- Prepaid Tickets & Concessionary Travel
- Debtors

Outstanding Audit Actions

2.15 The following high priority audit recommendations were overdue at the time of writing this report;

Audit Review	Recommendation	Risk	Progress
Health and Safety	Emergency Evacuation Procedures. That emergency evacuation procedures are designed and tested regularly to ensure they are appropriate for each site. These procedures to be readily available at each site and centrally on the network drive.	Emergency evacuation procedures are not appropriate and are not accessible.	Due Date: 30/06/17 Completion: 90% Work is underway to update procedures to ensure they reflect latest advice on bomb and fire evacuations from the bus stations. Current procedures are stored locally on site.
ICT	That written procedures be developed for business critical systems to comply with ISO27001001	Data/System loss	Due Date: 30/12/17 Completion: 20% To help determine business critical

	guidelines. These procedures to include all application projects in development and 'live' system applications.		systems, it was agreed to initially identify systems which contain sensitive data. This has now been established as part of the Information Governance project. ICT are now considering the requirement for specialist resource to write procedures.
Business Continuity	A disaster recovery policy that includes clear roles and responsibilities and a review and maintenance schedule be developed.	There is inadequate corporate oversight of business continuity systems.	Due Date: 30/09/17 Completion 95% Completed in draft, awaiting sign-off
ICT	Periodic test restores of key programmes/data from back up media should be undertaken and documented.	Data/System loss	Due Date: 30/12/17 Completion: 80% Simple restores completed April 2017. System restores to separate environment (at same site) completed December 2017. Reproduction of major applications to DR environment (at different site) scheduled for March 2018.

Resource

- 2.16 Internal audit have secured further resource to enable the 2017/18 to be delivered in full. At the time of writing this report, it is anticipated that there will be a slight overrun into April 2018 before this work is completed. These measures will allow a sufficient body of work to be undertaken on which to base the annual internal audit opinion.

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 The performance of some elements of the audit plan require the buying-in of audit specialisms.

6 External Consultees

6.1 No external consultations have been undertaken.

7 Recommendations

7.1 That this report be noted.

8 Background Documents

None.

9 Appendices

Appendix 1 - Internal Audit Dashboard

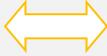
This page is intentionally left blank

Internal Audit Dashboard February 2018

Audit	Overview of Assurance	Resource Requirement 2017/18	Actual Resource	Assurance	Direction of Travel	Status
Period 1 49		115 Days	75 Days			
City Cycle Ambition Grant ¹	Consideration of procurement arrangements and officer appointments	12	6	Controlled	↔	Completed
LTP Capital Programme Management	Assessment of the extent of compliance with WYCA's assurance framework including arrangements to identify, monitor, control and report on the Capital Programme.	12	11	Controlled	↓	Completed
Data Sharing	Assessment of the arrangements for the secure transfer and sharing of data.	10				Contractor
C.A. Members Code of Conduct	Review of compliance with the requirements of the code of conduct including declarations of interest	6	4	Controlled	↔	Completed

¹ Request from CA –Governance & Audit Committee

Code of Corporate Governance	Assessment to ensure compliance with applicable standards and assessment against SOLACE/CIPFA principles framework including appropriate arrangements for the safeguarding and accountability of public funds, clear and effective communication with WYCA's stakeholders, clearly defined roles and responsibilities at the head of the organisation.	8	7	Controlled		Completed
Annual Governance Statement	Financial reporting including compliance with relevant standards and codes of corporate governance. The establishment, monitoring and reporting on the systems of internal control.	5	3	N/A	N/A	Completed
50 Gifts, Hospitality & Interests	Assessment of arrangements in place for officers' declarations of gifts, hospitality and interests. Independent examination of records.	8	8	Well Controlled		Completed
Pro –Active Anti- Fraud Exercise	Statistical analysis for duplicate payments, data matching for creditor payments into staff inappropriate bank accounts. Sample review of changes to bank payment master records.	6				
Anti-Fraud, Corruption & Bribery.	Review of policy and supporting guidance and processes	6	6	N/A	N/A	Drafted
Money Laundering	Development of WYCA's policy in respect of Money Laundering Regulations.	8	6	N/A	N/A	Drafted

Access Innovation Fund	Head of IA assurance. Periodic report and claim review and certification	3	3	Controlled		Completed
Growth Deal Fund	Head of IA assurance. Periodic report and claim review and certification	8	6	Controlled		Completed
Growth Hub Grant	Head of IA assurance. Periodic report and claim review and certification	3	3	Controlled		Completed
Data Hosting Arrangements	To provide assurance on the delivery of robust service in line with contract and ensure adequate management controls exist relating to operations and the security of data including recovery if necessary.	12	4			In progress
Resource Efficiency Fund	Head of IA assurance. Periodic report and claim review and certification	8	8	Controlled		Completed
Period 2		111 Days	89			
Sector Skills Initiative	Operation of controls in respect of Digital, Manufacturing and construction initiatives	12				Deferred
Resource Efficiency Fund	Governance framework, operation & application of assurance framework, programme management, monitoring & reporting, cost control, risk management.	12	15	Requires Improvement	First Review	Completed
SCIP Programme	Provision of independent, 3rd line of defence programme assurance in respect of Smart transactions Web and development of on-line payment facilities.	12	9	Controlled		Completed

Growing Places Fund	Evaluation of expressions of interest, business case, due diligence, loan agreements, drawdown arrangements, monitoring of loans. Administration of loans, evaluation criteria and monitoring procedures.	16	17			Drafted
Cashbook/Treasury Management	Review of the operation of key controls including treasury management, segregation, review, authorisation, third part services and assurances.	12	12	Controlled		Completed
Data Security/ Protection	System penetration testing -arrangements to protect WYCA ICT systems from attack	15				Contractor
52 Local Transport Plan	Head of IA assurance. Periodic report and claim review and certification Systems and procedures to control the allocation of payments and provide evidence of eligible expenditure.	8	10	Controlled		Completed
Interreg SHARE NORTH	Head of IA assurance. Periodic report and claim review and certification	4	4	Controlled		Completed
Cycle City Grant	Head of IA assurance. Periodic report and claim review and certification	3				
L- CREATE – ERDF & ESIF	Head of IA assurance. Periodic report and claim review and certification	4	3	Controlled		Completed
Green Deal Communities Fund	Head of IA assurance. Periodic report and claim review and certification	3				
Housing & Regeneration	Healthcheck.	10	9			Drafting

Projects ²	Publicity & promotion, outline business case appraisal, full basis case evaluation, due diligence, loan agreements, drawdown, programme monitoring, cost management.					
Period 3		136 Days	78			
Human Resources	Assessment of employee engagement, recruitment & selection, performance management, training & development and compliance with employment law.	15				Deferred
Metro Travel Centre Operations 53	To review the adequacy of Ticket sales, stock, cash handling security, reconciliations & reviews performed Cash collected is administered and properly controlled to reduce the risk of loss or fraud. Associated back-office operations	15	12	Controlled		Completed
Tendered Subsidised Contracts	Tendering arrangements, batches, de minimis contracts, insurance, operator's licences, lost mileage, payment calculations and processes. Arrangements support and provide contract compliance. To include "gross cost" contracts.	20	18	Controlled		Completed
English National Concessions Travel Scheme	Validation rules for applicants, disabled and blind person applications are processed in liaison with district social services departments, robust processes and validation requirements for issuing replacements and	12	12	Requires Improvement		Completed

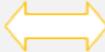
² Light touch follow up on review completed in 2016/17

	renewals. Awareness and communication of requirements of Concessionary Bus Travel Act					
Skills Service & Skills Fund	Processes & procedures, assessment of grant applications Compliance with funding agreements	12				
West Yorkshire + York Broadband	Processes & procedures, Certification of expenditure, Compliance with funding agreements and compliance with partnership agreements/claw back provisions.	20	18			Drafting
Payroll 54	Review of the operation of key controls including arrangements for starters, leavers, pay points, member's allowances, expenses & deductions	12	12			Drafting
Health & Safety ³	Health & Safety Policy meets legal requirements as provided in the Health & Safety at Work Act and other relevant Acts. Workplaces and welfare requirements, recording accidents, illness and first aid, use and maintenance of work equipment, control of exposure to hazardous substances, electrical equipment, noise and radiation. Provision of protective clothing or equipment, Reporting of injuries, diseases and dangerous occurrences to the enforcing authority	10	4			In progress

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

	(RIDDOR). The control and management of asbestos, management of contractors, smoke free legislation, alcohol and substance abuse.					
Business Growth Programme/ Access to Capital Grants Programme	Appraisal of applications & due diligence, grant claims and payment processes, project monitoring/reporting, compliance with SLA, cost monitoring control. WYCA expenditure - over £100k Compliance with SLA for schemes administered by LCC – less than £100k.	20	2			Planning/Scoping
Period 4 55		145 Days	50			
Prepaid Tickets & Concessionary Travel	Calculations of prepaid ticket pool and distribution, concessionary fares reimbursements, on account payments and quarterly adjustments, Haven system controls and reporting. Arrangements for accounting for stocks, cash. Consider controls for smartcard transactions. Payzone sales processing system.	25	16			In progress
Business Continuity ⁴	Assessment of the plan to be implemented in the event of incident(s) which impact on WYCA being able to operate.	8				

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

CDM Compliance ⁵	Compliance with The Construction (Design and Management) Regulations 2015	8				
Growth Deal	Independent assessment of the extent of compliance with WYCA's assurance framework for a selection of specific schemes including governance, programme management – scheme evaluation, risk, cost, progress/delivery.	28 ⁶				
Main Accounting – General Ledger	Review of the operation of key controls including System user rights, review, control, adequacy and timeliness, budgetary control, systems interface – education, bleep, and payroll. VAT.	10	6			In progress
Creditors	Review of the operation of key controls including segregation, authorisation, reconciliation of statements, BACS controls	10	9	Controlled		Completed
Debtors	Test arrangements for write offs, requisitioning, reporting, review of accounts, debt age monitoring and reporting	8	2			In progress
Procurement	Review of the operation of key controls including tendering, ordering, commitments, compliance with SOFRs, e- procurement, purchasing cards. Examination of the procurement of consultants services including an independent assessment of vfm and management arrangements	16				

⁵ Light touch follow up of review undertaken in 2016/17

⁶ Revised allocation

Risk Management	Effectiveness of risk management processes, risk management guidance and support, Identification of risk, risk evaluation, risk mitigation and control, monitoring risks, reporting the status of key risks and controls, recording the management of risks, including the effectiveness of the controls and other responses to them, risk awareness and training	20	17	Requires Improvement		Completed
Fraud Investigations	Contingency for any required investigations in response to allegations of fraud, bribery or corruption	20 Days	4	n/a		
Audit Plan Contingency 57	Contingency for any requirement for additional audit assurance and for other unplanned audit work identified in year.	25 Days	10	Poorly Controlled		HR data protection review and follow up
Total		540	296			

Work required to complete the 2017/18 161

To be provided by;

Internal Team	128	
Contractor	25	(153)

*Estimated Shortfall 8

Report to: Governance and Audit Committee

Date: 29 March 2018

Subject: **Internal Controls and Financial Monitoring**

Director(s): Angela Taylor, Director, Resources

Author(s): Jonathan Sheard

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 and to consider the current financial position.

2 Information

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

Internal controls

- 2.2 There have been no significant changes to internal controls in the period. The Combined Authority meeting of 1 February 2018 approved the 2018/19 revenue budget and associated financial limits for treasury management.
- 2.3 Regular governance meetings continue to be held with Leeds City Council (LCC) to consider and review the transactions relating to investments and treasury management being carried out jointly with LCC.
- 2.4 The strategic internal audit plan commencing April 2018 includes a number of days set aside for the delivery of programme and project reviews (55days annually). It is intended to use a proportion of these days to review the internal control framework and environment operating with a number of projects on an impromptu basis.

Key indicators

- 2.5 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.
- 2.6 There have been no reportable (RIDDOR) accidents in the period 1 April 2017 to 28 February 2018.
- 2.7 Key indicators are monitored in relation to the suite of financial controls undertaken monthly in both the finance and the concessions and integrated ticketing team. These are both up to date as at the time of writing this report.

Financial monitoring – revenue budgets

- 2.8 The table at **Appendix 1** shows the original budget and original forecast for 2017/18 and the budget for 2018/19 as approved by the Combined Authority on 1 February 2018 (including early projections for 2019/20 and 2020/21). The presentation of the budget lines has been revised to align with the revised directorate structures agreed as part of the One Organisation Programme and to align to directorate business plans. The approved budget includes a levy cut of £1m, with further cuts expected in future years and work is continuing on ways in which service provision can be reshaped to enable spending reductions to be achieved.
- 2.9 The table at **Appendix 2** presents the same figures for 2017/18 and 2018/19 but in a subjective format (ie analysis by salaries, premises, supplies & services, income etc.) and also includes a revised forecast for 2017/18 based on the updated actuals as at February 2018. It is proposed that future financial performance reports to this Committee are presented in this subjective format and the view of the Committee is sought on this proposal.
- 2.10 Using the figures presented in **Appendix 2** the Committee is asked to note and comment on the following:
- i. Overall the forecast position as at 31st March 2017/18 is a deficit of £2.5m which is to be funded by general reserves. This is an improved position both against the original budget and original forecast which was at £3.5m to be funded by reserves.
 - ii. The main changes in the figures are summarised as follows:
 - a. Salary budgets are providing savings of £1.19m, due to staff vacancies arising from both recruitment lag and in certain teams a recruitment freeze whilst 2018/19 budgets were being prepared;
 - b. Some of the salary budget savings are in the delivery directorate and impact / reduce the amount to be capitalised and offset against the pension deficit. This impacts the revenue forecast by £292k cost / under recovery;

- c. The bus services operating grant (BSOG) at £2.06m is higher than originally estimated in the budget / forecast. This provides a further £122k towards the bottom line.

Financial monitoring – capital budgets

- 2.11 Delivery of the West Yorkshire-plus Transport Fund and Local Growth Fund projects is being monitored by the Investment Committee and information on this is available via the papers on the website.
- 2.12 The budget approved 1st February 2018 set out the full position with regard to capital funding and expenditure and these tables are set out below for information.

CAPITAL FUNDING	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	TOTAL £000
Local Growth Fund	72,228	74,349	73,510	100,338	320,425
Local Growth Fund C/Fwd	73,160				73,160
Leeds Public Transport Investment Programme	21,000	48,700	49,100	54,700	173,500
Local Transport Plan Integrated Transport	13,104	13,104	13,104	13,104	52,416
Local Transport Plan Integrated Transport C/Fwd	780				780
Highways Maintenance Block	25,971	23,507	23,507	23,507	96,492
Highways Maintenance Incentive Funding	2,432	4,896	4,896	4,896	17,120
Pothole Action Fund	3,857	2,231			6,088
National Productivity Investment fund	6,925				6,925
DfT Cycle City Ambition Grant	14,641				14,641
West Yorkshire Cycling and Walking Fund	2,140				2,140
Ultra Low Emission Vehicles	495	495	990		1,980
European Regional Development Fund	2,968	1,823			4,791
Broadband UK (BDUK)	2,968	1,823			4,791
Growing Places Fund	3,740	4,426	4,929	2,365	15,460
HS2	1,079				1,079
One Public Estate	385	160			545
Capital Receipts	600				600
Carry forward from prior year		73,653	59,469	7,500	
WY+TF Borrowing	0	5,300	13,537	103,369	122,206
TOTAL	248,473	254,467	243,042	309,779	915,139

CAPITAL EXPENDITURE	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	TOTAL £000
Growth Deal	100,150	102,080	105,960	129,350	437,540
Call For Projects	0	14,282	42,847	85,693	142,822
Leeds Public Transport Investment Programme	2,000	15,000	40,000	50,000	107,000
Local Transport Plan Integrated Transport	13,100	13,104	13,104	13,633	52,941
Ultra Low Emissions Vehicles	180	1,027	1,028	0	2,235
Highways Maintenance Block	25,970	23,507	23,507	23,507	96,491
Highways Maintenance Incentive Funding	2,432	4,896	4,896	4,896	17,120
Pothole Action Fund	3,857	2,231	0	0	6,088
National Productivity Incentive Fund	6,925	0	0	0	6,925
DfT Cycle City Ambition Grant	10,547	4,094	0	0	14,641
West Yorkshire Cycling and Walking Fund	1,019	1,121	0	0	2,140
WY Broadband Programme	5,936	3,646	0	0	9,582
Growing Places Fund	800	4,550	2,000	2,000	9,350
HS2	1,079				1,079
One Public Estate	385	160			545
WYCA Corporate Projects	440	5,300	2,200	700	8,640
TOTAL	174,820	194,998	235,542	309,779	915,139

Risk management

- 2.13 There have been no significant changes to risk since the last meeting of this Committee. A separate report on this agenda considers the latest version of the risk register and the Committee will receive further detailed reports on risk management arrangements as these are finalised following input from this Committee, the Combined Authority and the Overview and Scrutiny Committee.

3 Financial Implications

- 3.1 As set out in the 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 information contained in this report.

8 Background Documents

None.

9 Appendices

Appendix 1 - West Yorkshire Combined Authority Summary - 2017/18 to 2018/19 (and 2019/20 - 2020/21)

Appendix 2 - West Yorkshire Combined Authority - Summary 2017/18

West Yorkshire Combined Authority Summary - 2017/18 to 2018/19 (and 2019/20 - 2020/21)

	2017/18	2018/19					2019/20	2020/21
	Forecast	Salary & Pay Related	Salary Recovery	Other Expenditure	Other Income	Total	Total	Total
	£	£	£	£	£	£	£	£
Transport Services								
Subsidised Services	19,181,000	0	0	27,397,250	(8,710,000)	18,687,250	17,345,421	15,851,650
Bus Station & Services	4,917,328	3,649,676	0	6,349,153	(5,654,284)	4,344,546	4,417,539	4,491,993
Concessions + Integrated Ticketing	55,755,478	0	0	56,270,200	0	56,270,200	57,676,955	59,118,879
Prepaid Tickets Income	0	0	0	31,500,000	(31,500,000)	0	0	0
Passenger Information	1,303,055	1,478,349	0	323,024	(617,993)	1,183,380	1,212,947	1,243,105
Travel Centres	498,516	568,798	0	40,340	(80,000)	529,138	540,514	552,117
Telematics	810,118	200,382	0	763,050	(226,000)	737,432	741,440	745,527
Transport Services	82,465,495	5,897,205	0	122,643,017	(46,788,277)	81,751,945	81,934,816	82,003,271
Delivery	(145,262)	3,401,966	(3,740,650)	56,200	0	(282,484)	(289,258)	(296,167)
Economic Services	1,356,314	2,657,421	(576,725)	5,738,783	(6,958,932)	860,548	1,092,161	1,134,608
Policy, Strategy & Communications	4,210,592	5,219,803	(317,596)	855,771	(254,224)	5,503,754	5,515,798	5,545,803
Resources	5,219,319	3,107,347	0	2,088,408	0	5,195,755	5,213,902	5,277,292
Corporate	7,292,512	830,952	(1,355,000)	8,992,287	(2,379,520)	6,088,719	6,263,226	6,618,793
Other Directorates	17,933,475	15,217,489	(5,989,971)	17,731,449	(9,592,676)	17,366,292	17,795,830	18,280,329
Capitalisation	(1,000,000)	0	(1,500,000)	0	0	(1,500,000)	(1,530,000)	(1,560,600)
Enterprise Zone Receipts	(712,000)	0	0	0	(1,968,000)	(1,968,000)	(3,804,000)	(6,525,000)
Transport Levy	(95,198,000)	0	0	0	(94,198,000)	(94,198,000)	(93,198,000)	(92,198,000)
Other	(96,910,000)	0	(1,500,000)	0	(96,166,000)	(97,666,000)	(98,532,000)	(100,283,600)
Further Resources Required	3,488,971					1,452,237	1,198,646	0
Transfer from Reserves	(3,488,971)					(1,452,237)	(1,198,646)	(0)
Balanced Budget	0					0	0	0

	Balance at 31/3/17	2017/18	2018/19	2019/20	2020/21	Balance at 31/3/21
	£	£	£	£	£	£
Available Reserves						
General Reserve	(7,102,000)	3,488,971	0	0	0	(3,613,029)
Transport Fund Reserve	(7,751,000)		1,452,237	1,198,646	0	(5,100,117)
Total	(14,853,000)	3,488,971	1,452,237	1,198,646	0	(8,713,147)

This page is intentionally left blank

West Yorkshire Combined Authority - Summary 2017/18

Title	Original Budget 2017/18 £	Actual Feb 2018 £	Original Forecast 2017/18 £	% Actual to Original Forecast	Desktop Forecast (based on Feb 2018 actuals) £	Variance to Original Forecast £	Comment
Expenditure							
Salary & Pay Related Costs	16,392,961	15,771,489	18,336,263	86.0%	17,220,000	(1,116,263)	High vacancies throughout year - impacts capitalisation as well
Indirect Employee Related Costs	485,481	829,959	800,634	103.7%	870,000	69,366	Mainly severance - OD's above original forecast
Premises Related Costs	6,344,277	4,866,047	6,217,693	78.3%	6,217,693	0	Assumed at original forecast due to timing (in arrears) of premises related costs.
Travel, Transport & Subsistence Related Costs	92,650	112,334	125,380	89.6%	125,380	0	
Member Related Costs	153,168	138,206	153,168	90.2%	153,168	0	
Office Supplies & Services	682,585	639,447	822,556	77.7%	770,000	(52,556)	Assumed savings in CIT Ticket Printing (based on February figures)
ICT & Telephony Costs	2,401,884	2,279,070	2,461,451	92.6%	2,461,451	0	
Professional & Consultancy Fees	642,935	1,001,425	1,131,676	88.5%	1,131,676	0	
Corporate Subscriptions	25,364	109,739	21,597	508.1%	21,597	0	Miscoded February actual (£80k) - should be ICT and included in that forecast
Marketing & PR Costs	922,200	977,494	1,331,598	73.4%	1,331,598	0	Assumed at original forecast - though February actual suggest could come in lower.
Insurance	303,400	254,576	263,880	96.5%	263,880	0	
Operator Payments (Transport)	26,924,000	26,503,611	27,832,000	95.2%	27,832,000	0	Assumed same as original forecast discussed with Transport Services
Pre Paid Ticket Cost	29,580,000	29,617,740	31,000,000	95.5%	31,000,000	0	
Concessions	55,994,000	50,569,568	55,755,478	90.7%	55,755,478	(0)	Assumed same as original forecast discussed with Transport Services
Additional Pension Costs	2,495,292	2,093,578	2,241,300	93.4%	2,261,000	19,700	
Financing Charges	5,256,000	1,545,685	5,618,000	27.5%	5,598,000	(20,000)	Latest forecast as provided by Leeds CC. Likely to reduce further due to more interest earned on balances.
Grants	5,572,560	2,789,086	6,315,156	44.2%	6,315,156	(0)	Kept at original forecast. Actual costs are held in project codes and transferred at year end.
Other Miscellaneous Costs	385,400	513,086	458,037	112.0%	458,037	(0)	Miscoding February actuals - should be in capital projects (Strategic Heat Network Consultancy)
Admin Recharges	(1,842,070)	(1,852,947)	(2,073,267)	89.4%	(2,073,267)	0	
Contribution to External / Related Parties	258,699	268,949	263,076	102.2%	268,949	5,873	
Capitalisation of Revenue Costs	(484,242)	(1,281,674)	(4,312,169)	29.7%	(4,020,000)	292,169	Impact of vacancies in delivery - less to capitalise. Plus £1m still assumed for Corporate/Other
Additional Savings Target	(220,000)	0	0	0.0%	0	0	
Contingency	1,319,360	0	0	0.0%	0	0	
Total Expenditure	153,685,904	137,746,466	154,763,507	89.0%	153,961,796	(801,711)	
Income							
Rail Income	(904,000)	(636,698)	(918,000)	69.4%	(918,000)	0	Will be at original forecast.
LEP General Funding Income	(1,233,875)	(614,426)	(1,234,000)	49.8%	(1,234,000)	0	Forecast at original level. Awaiting accruals for a number of partner contributions.
LEP Grant Income	(8,469,577)	(592,096)	(7,561,478)	7.8%	(7,561,478)	(0)	Kept at original forecast. Actual income are held in project codes and transferred at year end.
Growing Places Fund Interest	(179,000)	0	(300,000)	0.0%	(300,000)	0	GPF interest still forecast at £300k and accrued at year end.
Enterprise Zone Receipts	(669,000)	99,891	(712,000)	-14.0%	(712,000)	0	Accrued at year end. Current information from Leeds CC is still on forecast.
Transport Levy	(95,198,000)	(90,396,753)	(95,198,000)	95.0%	(95,198,000)	0	
BSOG	(1,942,000)	(2,063,592)	(1,942,000)	106.3%	(2,063,592)	(121,592)	BSOG higher than original forecast and same as previous year.
Education Contribution to Transport	(6,747,000)	(4,790,259)	(6,709,000)	71.4%	(6,709,000)	0	Assumed same as original forecast discussed with Transport Services
Bus Station Tenant Income	(1,343,624)	(1,361,451)	(1,398,794)	97.3%	(1,398,794)	0	Assumed at original forecast but February actual suggests could be higher.
Bus Station / Services - Other Income	(2,824,939)	(2,096,379)	(2,728,957)	76.8%	(2,728,957)	(0)	Assumed at original forecast - departure charges, other income in arrears.
Pre Paid Ticket Income	(29,580,000)	(28,960,837)	(31,000,000)	93.4%	(31,000,000)	0	
Other Income	(1,072,813)	(3,592,980)	(1,586,526)	226.5%	(1,586,526)	(0)	Miscoding February actuals - should be in capital projects (CCAG, One Public Estate)
Total Income	(150,163,828)	(135,005,580)	(151,288,754)	89.2%	(151,410,347)	(121,593)	
Net Expenditure	3,522,076	2,740,886	3,474,753	78.9%	2,551,449	(923,304)	

91.7%

This page is intentionally left blank

Report to: Governance and Audit Committee

Date: 29 March 2018

Subject: **2017/18 Annual Accounts Year End**

Director(s): Angela Taylor, Director, Resources

Author(s): Jonathan Sheard

1 Purpose of this report

- 1.1 To provide an update to the Committee on the year-end procedures for the 2017/18.

2 Information

- 2.1 Planning is underway for the 2017/18 annual accounts, with detailed working papers, procedures and timetable in place. The overall timetable has been brought forward for public authorities and the key milestone dates are as follows:

- 13 April 2018 - all year end processing is closed for non-finance staff;
- 3 May 2018 - final outturn figures available for reporting;
- 31 May 2018 - draft accounts are completed and published on the website for public inspection;
- 4 June 2018 – external audit commences;
- Xx July 2018 (date to be confirmed) – audited accounts signed by Governance and Audit Committee.
- 31 July 2018 - final deadline for 2017/18 final audited accounts.

Annual Governance Statement

- 2.2 The annual accounts include the Annual Governance Statement which in turn requires the approval of this Committee. Attached to this report at **Appendix 1** is the 2016/17 statement for information and reference. Work is underway to consider the changes and updates required and are likely to include the following:

- LEP Governance arrangement changes.
- Combined Authority governance changes.
- Internal audit annual report findings.

- Code of Corporate Governance updates.
- Key policy, procedural and systems changes during 2017/18.

2.3 The Committee is asked to consider the Annual Governance Statement and provide feedback on changes that should be reflected in the 2017/18 version.

2.4 The final version will form part of the 2017/18 annual accounts and will require formal approval at the July 2018 meeting, the date of which is to be confirmed.

2.5 The paper brought to the last meeting of this Committee by Mazars set out a number of questions regarding arrangements in place to prevent and detect fraud and to comply with applicable laws and regulations. A draft response is attached as **Appendix 2** for consideration and approval.

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 provide feedback on the key changes to be included in the 2017/18 Annual Governance Statement.

8 Background Documents

None.

9 Appendices

Appendix 1 - WYCA Annual Governance Statement 2016/17

Appendix 2 - Draft response from those charged with governance.

WYCA Annual Governance Statement 2016/17

1. Scope of Responsibility

West Yorkshire Combined Authority ('the CA') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The CA also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the CA is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions including arrangements for the management of risk. The CA has previously approved a Code of Corporate governance that was consistent with the principles of CIPFA Solace framework "Delivering good governance in Local Government" issued in 2007. This framework was updated in 2016 and a revised Corporate Governance Code and Framework has been produced ensuring all relevant governance elements have been properly reflected.

In accordance with the Accounts and Audit Regulations 2015 this Annual Governance Statement (AGS) considers compliance with the Corporate Governance Code and Framework, and sets out how the CA 'ensures that the financial management is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.'

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the CA is directed and controlled and its activities through which it accounts to and engages with the community. It enables the CA to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services for its customers.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the CA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the CA throughout the year ended 31 March 2017 and up to the date of approval of the financial statements.

3. The governance framework

There are a number of key elements of the systems and processes that comprise the CA's governance arrangements. They are also encapsulated in the revised Corporate Governance Code and Framework which has been approved by the CA and which is available on its website. The CA took on accountable body status for funding awarded to the Leeds City Region Enterprise Partnership (LEP) from 1 April 2015 and governance arrangements reflect this responsibility and continue to develop to further enhance this. The LEP Board and its panels provide the policy direction and guidance with the CA providing the financial approvals.

- a) Corporate policies and objectives are set and communicated by the CA. The CA has clearly defined its ambitions to work with its partners across the region to effect economic growth in the Leeds City Region; these ambitions are set out in the Strategic Economic Plan (SEP). Originally produced in 2014 by the LEP and revised during 2015/16, the SEP presents investment priorities across the four pillars of supporting business, developing a skilled workforce, building a resource smart City Region and delivering the infrastructure for growth. The SEP has been endorsed by both the LEP and CA Boards and will be kept under review to ensure it continues to align with the region's needs and recognises relationships with new and emerging strategies such as the Industrial Strategy for example.
- b) The statutory Local Transport Plan (LTP) is also undergoing a refresh and will be relaunched later in 2017 as the Single Transport Plan. This will provide close links to the SEP and include new projects and initiatives that have emerged since the LTP was published in 2011. The CA will continue to work closely with its partner authorities in the delivery of projects under the LTP3 heading. Whilst the CA has responsibility for expenditure officers and Members from across all the partner authorities are engaged in establishing the types of interventions to be put forward for funding through the LTP.

A suite of supporting plans and strategies set out further detail on a range of priority areas, including housing and regeneration, digital infrastructure, green infrastructure, skills and trade and investment.

- c) The Leeds City Region Growth Deal Assurance Framework was produced in 2015, building on existing good practice and drawing on government guidance. This has been updated and refreshed in 2016/17 with a detailed review by Overview and Scrutiny Committee and endorsement from the Investment Committee, LEP and CA Boards. It supports decision making on projects and guides investment decisions across the full portfolio of capital interventions. It sets out the appropriate safeguards and processes to be put in place to ensure the proper use of public funds and that value for money is secured and outcomes are clearly agreed when investing in schemes. This includes the prioritisation process for identifying the schemes that are included for funding with a three stage approval process now in place to enable the prioritisation of schemes. As a minimum all projects will formally need to pass decision points 2 and 5 as set out below, highlighted in green below, with the requirement to meet the intervening activities deemed on a project by project basis. The Investment Committee will consider all projects at these points with the CA making the decisions.



- d) The CA's scrutiny arrangements are fulfilled through an Overview and Scrutiny Committee. This meets regularly and consists of 18 members co-opted from the five West Yorkshire Councils and City of York Council and reflecting political balance. During its second year of operation the Committee has not exercised its call-in function but has continued to engage positively in the development and understanding of policy and projects across the region. Task and finish groups have been established and have met regularly to consider progress on devolution and on achieving organisational priorities.

In addition Scrutiny committees within the West Yorkshire Districts and City of York Council will also often challenge the work being undertaken by the CA in such areas as accessibility and local bus services. The District Consultation Sub-Committees in each District give a level of local involvement and allow the public the opportunity to scrutinise any new policy initiatives.

- e) The CA's Governance and Audit Committee is responsible for overseeing the effective operation of the systems of governance, risk management and internal control. It oversees the work programme of the Internal Audit team and scrutinises the annual accounts including the Annual Governance Statement. During the year changes in legislation enabled the Committee to take responsibility for the approval of financial matters, including the annual accounts, rather than having to refer these on the CA Board. An officer Audit and Risk Management Committee chaired by the Director, Resources, provides an operational level of management and review of arrangements in place.
- f) Roles are defined and documented through new style role profiles which have started to be introduced during 2016/17. These set out clear competencies and accountabilities for each role and are key to making successful recruitment decisions. Appointments have been made to all the posts required by statute, including Head of Paid Service (which forms part of the Managing Director's role), s73 Officer (Director, Resources), and the Monitoring Officer (Head of Legal and Governance Services).
- g) Staff behaviours are guided by CA's values and its Code of Conduct and a similar Code exists for Members; both employees and Members are required to maintain a register of interests. The values and behaviours expected of all employees were redefined during 2016/17 with input from a wide range of internal and external stakeholders.
- h) The Authority conforms to the requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2015)*. The Chief Financial Officer is the Director, Resources who is a key member of the leadership team and is responsible for the proper administration of the CA's financial arrangements through a suitably qualified and resourced Finance function.

- i) An internal team provide the internal audit service to the CA. Public Sector Internal Audit Standards (PSIAS) require the purpose, authority and responsibility of the internal audit activity to be defined in an internal audit charter, consistent with the definition of Internal Auditing, the Code of Ethics and the Standards. The Internal Audit Charter establishes internal audit's position within the organisation, including the mandatory nature of the Chief Audit Executive's role; functional reporting relationship with the management team; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.
- j) Compliance with established procedures, laws and regulations is ensured by a system that requires all decisions to set out all legal and financial implications. Schemes of officer delegation ensure that decisions are made at the appropriate level within the CA. Procedures and policies are in place to ensure compliance with the Freedom of Information Act, Data Protection Act and Health and Safety requirements. A whistleblowing policy and guidance notes are available on the website.
- k) Risk management is embedded in the activities of the CA with regular reviews of the risk registers and exception reporting through the officer Audit and Risk Management Group and through the Member Governance and Audit Committee. A Risk Manual, endorsed by the Governance and Audit Committee, sets out the risk management strategy in place and the way in which risks are identified, recorded and monitored. Covalent, the CA's performance management system, is available for the recording of operational risk registers and can provide reports based on a traffic light system, highlighting 'red' risks that may require action. Comments provided from an internal audit review of the CA's risk management framework have been considered and a plan agreed to develop these arrangements.
- l) Communication on transport operational matters has taken place with stakeholders through the District Consultation Sub-Committees and Operator Groups. Consultation events have taken place during the year on the Strategic Economic Plan, the Single Transport Plan, major schemes and the bus area network reviews which have successfully sought to contain costs but retain accessibility for bus users.
- m) A system of Procedure and Contracts Standing Orders and Financial Regulations protect the organisation. These are reviewed annually. Procedural manuals and notes underpin these and ensure the reporting of financial transactions is properly managed. Officer schemes of delegation are also considered on an annual basis.
- n) External reviews carried out by auditors and other agencies to achieve Customer Service Excellence and other accreditations with any recommendations identified creating a workplan for future improvements.
- o) With regard to the transport ticketing systems the CA has in place arrangements whereby an enhanced assurance statement is sought from Northern stating that their systems have operated adequately with no material errors or weaknesses. Payzone sales have replaced the Post Office network and are reconciled to the

back office system ensuring that card sales through payzone are fully reimbursed to the CA.

4. Review of Effectiveness

The CA has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of the Internal Audit section and that of management within the CA who have responsibility for the development and maintenance of the internal control environment, and also by comments made by External Auditors.

The CA has in place a system based on a framework of standing orders, financial regulations and administrative controls including codes of conduct and administrative policies and procedures. All key administrative controls and financial instructions are reviewed on a regular basis by the CA's management and Internal Audit. Standing orders and financial regulations are updated as required and re-approved annually by the CA at its Annual Meeting. In terms of financial accounting the CA utilises a core financial system which is tested and evaluated annually by Internal and External Audit. During the last year the Chief Financial Officer has provided to the Governance and Audit Committee a regular confirmation that key controls have been operating in the period. Regular reports are also provided to the Audit and Risk Management Group that key controls have been operating in the period.

One of the key responsibilities within the CA is to determine, agree and monitor the annual budget. This responsibility involves setting an appropriate budget to fulfil the resource requirements of the CA in undertaking its transport, economic development and regeneration activities. For 2016/17 this budget was an integrated one for the full breadth of the activities of the CA and work was undertaken during 2015/16 with the Members to understand the changes and opportunities introduced by the bringing together of transport and economic policy funding. During 2016/17 organisational redesign and restructuring has been taking place to ensure the most effective arrangements are in place to enable delivery of the CA's objectives and the budget has been redefined to follow these new arrangements.

The budget setting process requires a comprehensive budget report to be presented to the full CA which gives a detailed forecast outturn for the current financial year and the proposed budget for the forthcoming financial year. The budget process is overseen and scrutinised by Members.

Regular review of revenue and capital budgets is undertaken through Organisational Management Team and Leadership Team with regular updates to the CA presented through the year.

Within the CA budgetary responsibility is devolved to Budget Holders and Controllers who are responsible for monitoring and controlling their assigned budget. Regular budget performance reports are prepared by Finance for those charged with governance to ensure ongoing budgetary control is achieved.

The Treasury Management function for the CA is undertaken in conjunction with Leeds City Council. Their internal audit section provide an annual certification confirming the work they have undertaken during the year and their conclusions reached.

An internal team provides the internal audit resource for the CA. The work of Internal Audit is informed by an assessment of risk and a strategic audit plan is devised based on these assessments. This plan and the audit reviews are submitted to the CA's Governance and Audit Committee for consideration and approval. Regular update reports are provided to the Governance and Audit Committee by the Internal Audit Manager, including progress made on the implementation of audit recommendations. Within the CA the Covalent system is used to monitor progress in implementing audit recommendations and is regularly reviewed by the directorate management teams and the Audit and Risk Management Group.

The CA continues to develop and refine its project management framework to ensure that there is greater accountability and improved governance with regard to the management and delivery of projects. During 2016/17 a new Delivery Directorate was defined and senior appointments made to the team. A Portfolio Management Office was established along with a three stage pipeline approval process, designed to support the Leeds City Region Assurance Framework. All partner authorities delivering schemes funded by the CA follow this assurance and approval framework and closer working with partner authorities will be key to successful delivery of the portfolio.

Regular reports are provided to the Investment Committee and the CA on progress with Local Growth Deal schemes, including the projects within the West Yorkshire plus Transport Fund.

The CA has in place comprehensive risk management arrangements. Reviews of risk take place at directorate management team level, supported by the Risk Manual which provides guidance on the identification, assessment and reporting of risk. A risk appetite statement has been developed and approved. An officer Audit and Risk Management Group meets on a periodic basis to ensure consistency in the assessment and management of risk and to provide an overview of the process. The CA's strategic risk register is considered regularly by the Governance and Audit Committee. These arrangements will evolve and be further developed to meet the changing needs of the CA. Work is also underway to better align risks to corporate objectives and priorities which are in the process of being further developed following the review of the SEP and the organisational restructuring which is underway.

Internal Audit's Quality Assurance and Improvement Program ensures that activity is assessed against the requirements of professional standards, the definition of Internal Audit and the Code of Ethics as specified by the Institute of Internal Auditors. The CA has reviewed its systems of internal control, including the internal audit function and concluded that it complies with the requirements of PSIAS and the Local Government Application Note.

5. Programme of Improvement

During 2016/17 the CA embarked on its 'One Organisation' Programme aimed at ensuring the CA has the right structures, processes and people to enable the successful delivery of its objectives and priorities. Over the last twelve months significant progress has been made with regard to new directorate structures and subsequent alignment of budgets and a new set of values. Improvements planned for the coming year include embedding the values and behaviours throughout the organisation, and further recruitment to posts particularly in the Delivery directorate to maintain the focus on project delivery. Discussions have taken place with the LEP and CA Members on how to enhance current

decision making processes and proposals to bring together LEP Panels with CA Committees will be considered during 2017/18. The focus on transparency continues with the timely publication of LEP agendas and minutes during the year. In 2017/18 new ICT systems to be introduced will facilitate and streamline the production of all meeting papers and all CA and LEP papers will be readily available to the public; enhanced information on Members, declarations of interest and attendance at meetings will also be available.

Other developments with regard to transparency and scrutiny include the appointment in 2017/18 of an independent person to be part of the Governance and Audit Committee, the designation of a Scrutiny Officer and the extension of call in arrangements to significant officer decisions as well as Member decisions. From May 2017 a forward plan of decisions will be made available on the CA website.

6. Significant Governance Issues

This section considers any significant issues that have arisen during the year. This is by exception only.

No such significant issues have arisen in the year.

We are satisfied that an effective system of internal control has been in place throughout the financial year and is ongoing.

Throughout 2016/17 the CA has demonstrated an ongoing commitment to best practice and good corporate governance consistent with the principles of the CIPFA/SOLACE Framework in Local Government and this is clearly demonstrated by the adoption of a revised Corporate Governance Code and Framework which captures and summarises these updated principles. We are also satisfied with the improvements that are continuing under the guidance of the Governance and Audit Committee.

Councillor Box

B Still

Chair

Managing Director

July 2017

This page is intentionally left blank

Request for Information

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

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

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

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

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

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

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

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

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

2. How do you oversee management processes for identifying and responding to possible breaches of internal control? Are you aware of any significant breaches of internal control during 2017/18?

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

We are not aware of any significant breaches of internal control during 2017/18.

3. How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of significant non-compliance during 2017/18?

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

To our knowledge there have been no instances of significant non-compliance during 2017/18.

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

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

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

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

Report to: Governance and Audit Committee

Date: 29 March 2018

Subject: **Corporate Risk Register**

Director(s): Angela Taylor, Director, Resources

Author(s): Louise Porter

1 Purpose of this report

- 1.1 To provide the Governance and Audit Committee with an update on the corporate risk register.

2 Information

- 2.1 As previously reported to Governance and Audit Committee, work has been undertaken to review and update the Combined Authority's corporate risk management arrangements. Routine consideration of the risk management approach is vital to ensure that the organisation remains proactive in identifying risks and managing these in a timely manner.
- 2.2 The Governance and Audit Committee considered the draft corporate risk management strategy and the corporate risk register at their meeting in January and provided feedback on these. The Combined Authority also held a risk workshop prior to the Combined Authority meeting held on 1st February to consider corporate risk management arrangements and provide feedback on these.
- 2.3 In light of the feedback received further work is in progress to update the risk reporting and escalation processes identified in the corporate risk management strategy, to ensure that these are fully integrated with the requirements of the General Data Protection Regulation (GDPR). This includes ensuring that the role of the Senior Information Risk Owner required under the GDPR is clearly defined in the corporate risk management arrangements.
- 2.4 Following the feedback received on the Corporate Risk Register, this has also been updated to show a separate risk associated with meeting the provisions of the GDPR, rather than showing this as part of a general risk regarding regulatory compliance. Discussions are continuing to take place with the new Data Protection Officer who joined the organisation in mid-February to focus

on ensuring appropriate control measures are in place to proactively manage this risk.

2.5 Individual risk workshops are also currently in progress with each Directorate to review and update directorate level risk registers. These workshops are considering the key business priorities for each directorate in the 2018/19 financial year and the potential risks to achieving these priorities. Any strategic risks identified through these workshops which require escalation will be added to the corporate risk register as appropriate.

2.6 A copy of the current corporate risk register is provided at **Appendix 1**.

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 consider any updates required to the corporate risk register.

8 Background Documents

None.

9 Appendices

Appendix 1 - Corporate Risk Register

Corporate Risk Register

Current Date: Feb 18

Current Version: v0.03

ID	Date raised	Type	Description	Cause	Consequences	Probability	Impact	Rating	Existing Controls	Action Countermeasure and Owner	Risk Owner	Last Review Date	Status
CS1	04/08/2017	Communication/Stakeholder Management	Failure to properly communicate the purpose of WYCA/LEP to internal and external stakeholders	Poor communications Lack of identity / brand	WYCA/LEP reputation harmed Poor relationships Low staff morale Lack of progress in delivery	Possible	Moderate	High risk	1. New communications team established 2. Brand/identity rolled out internally on 5th Feb 3. Brand/identity being rolled out externally from 12 Feb	1. continued implementation of brand / identity project - Comms team	Head of Comms & Marketing	28/02/2018	Open
F1	03/08/2017	Financial	Failure to secure enhanced funding and devolved powers	Unsuccessful devolution deal	Failure to meet WYCA's vision and objectives Poor WYCA/LEP reputation	Possible	Highly Significant	Very high risk	1. Devolution discussions continuing as a key organisational priority	1. Continue devolution discussions taking account of recent developments in South Yorkshire	Director of Policy, Strategy & Comms	28/02/2018	Open
F2	14/11/2017	Financial	Failure to secure continued funding for key economic services including the Growth Service, Skills Service, Apprenticeship support and Enterprise in Education programmes;	Current funding sources due to expire	reductions to service withdrawal of services reputational failure to meet objectives	Possible	Highly Significant	Very high risk	1. BEIS is currently negotiating with HMT to secure additional funding for post April 18 2. Business Rates Pool application submitted in August 17	1. Regularly review funding opportunities 2. Lobbying activities	Executive Head of Economic Services	28/02/2018	Open
F3	14/11/2017	Financial	National and local investment in the Inclusive Industrial Strategy is insufficient to make the transformational change we need	National strategy does not meet expectations Local strategy does not meet Government aspirations	Limited funding opportunities negative impact on Devolution discussions Reputational	Possible	Major Disruption	High risk	1. Ongoing dialogue with Government	1. Continued development of draft strategy	Director of Policy, Strategy & Comms	28/02/2018	Open
HR1	03/08/2017	Human Resources	Failure to have in place the capacity and resources to deliver the increased workload	WYCA structure not fit for purpose Unable to recruit	Poor WYCA/LEP reputation Lack of progress in delivery Low staff morale Risk of no further funding from government	Possible	Major Disruption	High risk	1. One Organisation Change programme has identified new organisational structures to address this and these are now largely implemented	1. Complete implementation of One Organisation Change programme - Corporate Planning and Performance 2. Complete recruitment - Directors	Director of Resources	28/02/2018	Open
PC1	03/08/2017	Partnerships/Commercial	Failure to develop appropriate working arrangements with districts	Poor relationships Unclear vision and objectives	Worsening relationships WYCA/LEP reputation harmed Lack of progress in delivery	Unlikely	Major Disruption	High risk	1. Work to strengthen key partnerships being led by policy teams 2. Assurance process implemented and contributing towards more consistent working arrangements on the delivery of projects and programmes with districts	1. Continue to strengthen key partnerships - policy teams 2. Embed assurance process - PMO	Director of Policy, Strategy & Comms	28/02/2018	Open
R2	14/11/2017	Regulatory/Legal	Risk of legal challenge as a result of not being compliant with regard to HR, Financial, procurement and Governance Legislation	Policies and procedures not followed correctly Processes not understood/embedded	Reputational Financial loss	Unlikely	Major Disruption	High risk	1. Policies and processes in place 2. Training undertaken	1.Continued review of policies and procedures	Director of Resources	28/02/2018	Open
R3	28/11/2017	Regulatory/Legal	Risk of financial penalty/legal proceedings as a result of not being compliant with the new GDPR regulations when they come into force in May 2018	New GDPR legislation requires significant changes to be introduced in limited timeframe DPO appointed but not in post until February 2018	Financial loss Reputational damage	Possible	Major Disruption	High risk	1. LCC have undertaken and audit on our behalf and action plan has been identified 2. Working group set up to implement action plan 3. Training rolled out to all staff	1. Data Protection Officer now in post and undertaking detailed review of action plan to re-prioritise as needed	Director of Resources	28/02/2018	Open
SD1	26/07/2017	Service Delivery/Service User Risk	Failure to deliver WYCA objectives and outcomes to demonstrate that WYCA/LEP is making a difference		Poor WYCA/LEP reputation Lack of progress in delivery Low staff morale Risk of no further funding from government	Unlikely	Highly Significant	High risk	1. One Organisation programme is delivering structure and process changes designed to deliver key organisational objectives	1. Complete One Organisation programme to deliver structure and process changes - Directors	Director of Resources	28/02/2018	Open
SD3	14/11/2017	Service Delivery/Service User Risk	Failure to meet spend targets on Growth Deal	Lower capacity in Districts Recruitment and retention challenges Unforeseen project specific issues	Reputational loss of funding failure to meet objectives	Possible	Highly Significant	Very high risk	1. Significant monitoring and controls in place through PMO	1. Call for projects to ensure healthy pipeline of projects/programmes	Director of Delivery	28/02/2018	Open
SS1	14/11/2017	Safety/Security	Risk of Major incident at WYCA facility, accident or injury to vulnerable person(s)	Policies and procedures not followed correctly Incident outside the control of WYCA affecting facility	Danger to Human Life Financial loss Reputational damage disruption to services	Possible	Highly Significant	Very high risk	1. policies, procedures and processes in place 2. staff training 3. Ongoing review of Health and Safety risks	1. Working with district emergency planning units to share knowledge and develop joint plans 2. Continued working with police on preventative measures	Director of Transport Services	28/02/2018	Open

This page is intentionally left blank

Report to: Governance and Audit Committee

Date: 29 March 2018

Subject: **General Data Protection Regulation Progress**

Director(s): Angela Taylor, Director, Resources

Author(s): Rebecca Brookes

1 Purpose of this report

- 1.1 To provide details of the key changes made by the General Data Protection Regulation (GDPR) to the current data protection framework and to provide a progress report on the readiness of the West Yorkshire Combined Authority for implementation of the GDPR.

2 Information

Background

- 2.1 The General Data Protection Regulation (GDPR) will come into force on 25 May 2018, it will have direct effect across all EU member states and will bring significant changes to the law on data protection.
- 2.2 The aim of the new legislation is to modernise the law on data protection to ensure it is effective in the years to come and to ensure consistency across EU member states. It applies to all business and organisations that process personal data including the Combined Authority.

Key changes to the data protection legal framework

- 2.3 The key changes arising out of the new legislation are:
- An obligation to appoint a Data Protection Officer who is involved in all issues relating to the protection of personal data, is adequately resourced, permitted to act independently without instruction, is the organisation's point of contact for the Information Commissioner and data subjects and reports directly to the highest level of management.
 - New specific obligations to "demonstrate compliance" and "maintain records" signifying a "whole systems" approach towards compliance.

- Changes to the lawful bases for processing personal data (the justifications for processing data), including higher standards for relying on data subject consent for processing and the recording of consent.
- New “special categories” of personal data, previous known as categories of “sensitive” personal data including genetic and biometric data categories.
- Stricter requirements for the giving of privacy notices including communicating the processing of children’s personal data.
- Changes to the rights of data subjects including the abolition of the £10 subject access fee, restricting the time for compliance with requests to 1 month and rights in respect of the deletion and restriction of data processing, data rectification, data quality, data portability and automated decision making.
- Mandatory requirements to complete Data Protection Impact Assessments for high risk processing activities, consider the use of technical measures including encryption, anonymisation and pseudonymisation and an obligation to consult the ICO before carrying out high risk processing.
- Introduction of the concepts of “data protection by design” and “data protection by default”. “Data protection by design” requires taking data protection risks into account throughout the design of a new process or service and taking appropriate measures to address any risks to the rights of data subjects. “Data Protection by default” requires ensuring mechanisms are in place within the organisation to ensure that by default, only personal data necessary for each specific purpose are processed (“data minimisation”), data is stored no longer than is necessary and access is restricted to that necessary for each purpose.
- Specific requirements for data processing and contractual arrangements including ensuring that data processors offer sufficient guarantees of compliance with the GDPR, the use of mandatory clauses within contracts and giving clear instructions to processors on data processing activities.
- A new requirement to report data breaches that result in a risk to individuals’ rights and freedoms to the ICO and within 72 hours of the organisation becoming aware of the breach.
- A new requirement to notify data subjects of data breaches without undue delay where there is a high risk to the individuals’ rights and freedoms.
- Increased enforcement powers for the Information Commissioner including the power to impose fines of up to 20 million Euros (approx. £17 million) or 4% of annual turnover whichever is greater (raised from the current £500,000 maximum fine).

Action Taken

- 2.4 The report provided to Governance and Audit Committee on 25 January 2018 gave an update on the preparatory work already taken by officers.

- 2.5 Since that date, the author of this report and Data Protection Officer (DPO) has joined the organisation, analysed progress taken to date, further developed the action plan that was developed following the information audit and has produced a further iteration of the specific GDPR implementation plan.
- 2.6 The GDPR implementation plan is divided into 6 work streams comprising of individual tasks, full details of which can be found at Appendix 1:

Governance and Reporting

- 2.7 A significant amount of work has already been undertaken on this work stream and preparations are almost complete. Prior to 25 May the reporting arrangements of the DPO will be finalised.

Awareness and Training

- 2.8 Talks are underway with the Combined Authority's current training provider to ensure that the data protection e-learning platform can be updated for GDPR compliance. Staff will be required to complete the training on an annual basis and arrangements are being put in place to ensure that staff complete the training prior to accessing data held by the Combined Authority.
- 2.9 Further awareness sessions are being held by the DPO and Information Governance Officer (IGO) to prepare staff for the changes that GDPR brings, embed information governance throughout the organisation and to engage staff in the implementation project plan.
- 2.10 The dedicated Information Governance intranet mini –site has been launched.
- 2.11 An internal communications strategy is being developed to communicate key messages to staff regarding GDPR and their involvement in the implementation project.

Records and Audits

- 2.12 Further work is required by Information Asset Owners (IAOs) to fully populate the Information Asset Register, map data flows throughout the organisation and address compliance gaps. An electronic information audit questionnaire is being developed to streamline this task which will be shortly rolled out for completion by IAOs within April. This will enable compliance gaps to be assessed and addressed before the implementation date.
- 2.13 A process of reviewing and destroying information which the organisation should no longer hold is underway with some records having been transferred to the West Yorkshire Archive, however further work is required and the scale of this task should not be underestimated. Dedicated resource will be required in order to complete the review. This work is required not only to support the GDPR implementation project but also to support the wider organisational transformation programme and the corporate technology strategy.

Policies and procedures

- 2.14 A suite of information governance policies are already in place and work has commenced on reviewing all of the organisation's policies for GDPR implications and compliance.
- 2.15 A new data and systems security incident policy has been put in place to facilitate a quick and co-ordinated response to any data incidents and enable compliance with the new breach notification timescales.

Projects and Initiatives

- 2.16 Legal and procurement officers are in the process of updating the Combined Authority's standard contract clauses and tender documentation to ensure that the Combined Authority complies with its obligations in respect of data processors for all new arrangements.
- 2.17 A review will be carried out of all existing data processor arrangements to ensure that our processors offer sufficient guarantees of compliance and to vary contracts to meet the requirements of the GDPR.

Security and Systems

- 2.18 A systems audit will be carried out across all the Combined Authority's systems and data storage facilities to check for compliance with GDPR, identify any compliance gaps in those systems and put measures in place to address or mitigate any risks arising.
- 2.19 Much of the work arising out of this work stream ties into the Combined Authority's corporate technology strategy and the wider one organisation programme.

Progress Report

- 2.20 A progress report monitoring each of the work streams and progress of individual task can be found at Appendix 2.
- 2.21 A significant amount of work has already been undertaken in preparation for the new regulations with those tasks marked as green either complete or due to be completed imminently. Work on those tasks marked as amber is well under way, however further work is required between now and 25th May to ensure that those tasks are completed on time.
- 2.22 There are two tasks that are marked as red within the progress report which present a higher risk to the Authority. The first of these is records management. Historically the organisation has relied on papers records and the use of network drives for record storage across many services. Whilst this method of storage in itself does not result in non-compliance with the legislative framework, it does place heavy reliance on the manual control of

records and application of retention periods. As part of the Corporate Technology Strategy work will be carried out to redesign network folders, introduce data management and information rights management infrastructure, and to implement new and refreshed corporate systems. This will address many of the challenges facing the Authority in the use of current data storage methods. In the meantime, and prior to 25th May, the author together with the Authority's Information Governance Officer will work with IAOs to put in place a records management strategy for each service area including a timeline for reviewing existing records.

- 2.23 The second area marked as a risk to the Authority is the potential upgrade or replacement of non-compliant systems and the review of network security. A plan is in place to review all existing systems for compliance by 25th May and where possible put in place measures to mitigate any risks to an acceptable level. Beyond 25th May many of the Authority's systems are planned for upgrade or replacement as part of the Corporate Technology Strategy and compliance with GDPR will form part of the specification for those systems. Priority one on the Corporate Technology Strategy is Security and Compliance which includes making improvements to the Authority's defences, introducing government secure email for sensitive information and obtaining Public Services Network accreditation for external partner integration, this will deliver confidence that the Authority's systems and data are not compromised by malicious threats.
- 2.24 On the whole the Authority is in an advanced state of readiness for implementation of GDPR by 25th May. The month of April will see a significant amount of further work throughout the Authority to progress and complete those tasks that remain ongoing. Where risks do exist, plans are in place to manage and mitigate those risks as set out above.

3 Financial Implications

- 3.1 Additional resource will be required to ensure GDPR compliance, in particular for GDPR compliant training, records management and ICT security and systems. Consideration is currently being given to how best to meet those resource requirements.

4 Legal Implications

- 4.1 Non-compliance with the GDPR could potentially lead to personal data being processed unlawfully giving rise claims against the organisation, reputational damage and enforcement action by the Information Commissioner in the form of external audits, corrective action, or financial penalties.

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 Governance and Audit Committee notes the key changes arising from GDPR, the approach the Combined Authority has developed to ensure compliance and readiness prior to implementation on 25 May 2018 and the progress made to date and provide any feedback on this.

8 Background Documents

None.

9 Appendices

Appendix 1 - GDPR Implementation Plan

Appendix 2 - GDPR Progress Report

GDPR work streams

89



Work stream tasks

Governance & Reporting

06

- Designate a Data Protection Officer and SIRO and define responsibilities, distinguish from ICT security responsibilities
- Determine reporting arrangements to the Leadership Team and Governance and Audit Committee
- Put in place a SIRO board for incidence response management and decision making
- Draft an IG strategy
- Develop an IG risk register
- Update ICO notification

Work stream tasks

Awareness & Training

91

- Arrange SIRO and Information Asset Owner Training
- Produce An internal communications plan for the project
- Arrange GDPR compliant staff data protection training
- Produce briefing notes and guides for staff
- Update the Information Governance intranet page
- Ensure staff induction includes data protection training

Work stream tasks

Records & Audit

- Carry out an information audit to map data flows, update the Information Asset Register and identify GDPR compliance gaps
- Address any compliance gaps
- Identify risks where compliance gaps cannot be addressed
- Review legal basis for processing including use of consent
- Put in place audit arrangements and timetable
- Develop a records management and data quality strategy

Work stream tasks

Policies & Procedures

63

- Review and revise existing data protection policies and procedures including data subject requests and complaints identify where policy and procedure gaps exist and implement as appropriate
- Review and revise policies and procedures involving the processing of personal data
- Review privacy notices including those that cover the processing of children's data
- Review all children's data processing
- Review processes for obtaining and recording consent
- Review use of social media and guidance
- Review employee code of conduct and contracts

Work stream tasks

Projects & Initiatives

- Review Procurement documentation including PQQ/ITT/ITQ/specification/evaluation criteria and ensure adequate due diligence arrangements are in place
- Draft standard GDPR compliant contractual clauses for data processing contracts
- Review and revise standard privacy impact assessment template and embed into project processes, policies and procedures
- Create contract register, identify data processors, assess compliance of existing processors and vary existing contracts
- Review data sharing arrangements and agreements

Work stream tasks

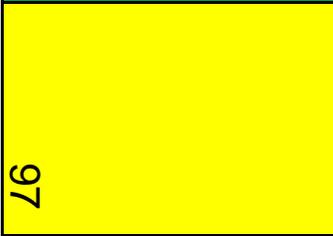
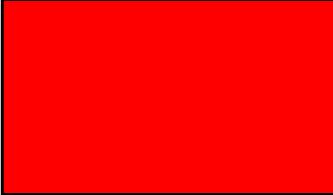
Security & Systems

95

- Create systems register and carry out a systems audit
- Review current technical security and access to data
- Review ability to ensure on-going confidentiality, integrity and resilience of systems
- Review ability to restore availability and access (BCDR)
- Consider availability of pseudonymisation and encryption as a technical security measure and build into DPIAs
- Consider formatting requirements and data portability
- Review physical and organisational access arrangements
- PSN certification
- Review the need for secure email
- Raise awareness of the large file transfer system

This page is intentionally left blank

Task Allocation and project progress map

Risk Level	Description
	Task has been completed or is due for completion.
	Task is ongoing/ due to commence and is anticipated to be completed by 25 May 2018 with appropriate resource allocation.
	Task is at risk of not being completed by the implementation date due to constraints of time and/or the absence of measures available to address risks.

97

Task allocation and project progress map

Governance and Reporting

Task	Owner	Progress
Designate a DPO and SIRO	Leadership	Complete
Define responsibilities of DPO and SIRO	Leadership	Complete
Determine reporting arrangements to Senior Leadership Team and Governance and Audit	DPO	Complete
Put in place a SIRO board for incidence response management and decision making	DPO	Complete
Draft an IG strategy	DPO	In Progress
Develop an IG Risk Register	Information Governance Officer (IGO)	In Progress
Update ICO notification	DPO	Complete

Task allocation and project progress map

Awareness and Training

Task	Owner	Progress
Communications strategy for the project	DPO/ Communications	Complete
SIRO and IAO Training	DPO	In Progress
GDPR compliant staff data protection training	DPO	In Progress
Produce briefing notes and guides for staff	DPO/IG	Complete
Update the IG intranet page	IG	Complete
Staff induction DP training	DPO	Complete

Task allocation and project progress map

Records and Audit

Task	Owner	Progress
Information audit – produce audit questions and guidance	DPO	Complete
Information audit – produce e-form	DPO	Complete
Information audit - responses	IAOs	In Progress
Information audit – map data flows	IGO	In Progress
Information audit – identify compliance gaps	IGO/DPO	In Progress
Information audit – address compliance gaps	IAOs (& IG)	In Progress
Information audit - identify risks	DPO	In Progress
Review legal basis for processing & consent	IAOs/DPO	In Progress
Audit arrangements and timetable	Audit DPO	In Progress
Develop a Records Management Strategy	DPO/IG	Not Started

Task allocation and project progress map

Policies and Procedures

Task	Owner	Progress
Review existing DP policies and procedures including data subject requests	DPO/IGO	Complete
Review policies and procedures that involve personal data and link to data protection policies	DPO/IGO	In Progress
Identify and address gaps in DP policy and procedure	DPO/IGO	Complete
Privacy notices including those that cover the processing of children's data	DPO/IGO	In Progress
Children's data compliance	DPO/IGO	In Progress
Obtaining and recording consent	IAOs (& IGO)	In Progress
Use of social media and guidance	Communications	In Progress
Employees/Members/LEP members codes of conduct and employee contracts	HR/Legal	In Progress

Task allocation and project progress map

Projects and Initiatives

Task	Owner	Progress
Review Procurement documentation – due diligence	DPO/Procurement	
Draft GDPR data processing clauses	DPO/Legal	
Review Data Protection Impact Assessment template and embed into project processes	DPO/Projects	
→ Create contract register, identify data processors,	Procurement	
Assess compliance of existing processors obtain guarantees	IAOs	
Vary existing contracts	Legal	
Create data sharing agreement register	IGO	
Review data sharing agreements	DPO	

Task allocation and project progress map

Security and Systems (1)

Task	Owner	Progress
Create systems register	Head of ICT	Complete
Create audit questions for systems audit for compliance with technical and organisational security and data subject rights	DPO/IGO	Complete
103 Carry out audit on systems	Head of ICT	In Progress
Create risk register for systems	Head of ICT	In Progress
Review current technical security and access to data	Head of ICT	In Progress
Review ability to ensure on-going confidentiality, integrity and resilience of systems	Head of ICT	In Progress

Task allocation and project progress map

Security and Systems (2)

Task	Owner	Progress
Review ability to restore availability and access	Head of ICT	
Consider availability of pseudonymisation and encryption as a technical security measure and build into PIAs	Head of ICT	
Consider formatting requirements and data portability	Head of ICT	
Review physical security, access and organisational measures	Head of ICT	
Replace /upgrade non-compliant systems and security measures	Head of ICT/ IAOs	

Report to: Governance and Audit Committee

Date: 29 March 2018

Subject: **Consultation by the Committee on Standards in Public Life on Local Government Ethical Standards**

Director(s): Angela Taylor, Director of Resources

Author(s): Elizabeth Davenport

1 Purpose of this report

- 1.1 To provide information about and seek views on a consultation exercise being carried out by the Committee on Standards in Public Life.

2 Information

- 2.1 The Committee on Standards in Public Life is undertaking a review of local government ethical standards. The review covers all levels of local government administration, including combined authorities. As part of this review, the Committee is holding a public stakeholder consultation. The consultation is open until 18 May 2018.
- 2.2 Attached as **Appendix 1** to this report is a consultation document setting out the terms of reference for the review and a number of questions. **Appendix 2** provides background information relating to the statutory structure, processes and practices which are being examined as part of the review, and the West Yorkshire Combined Authority's current practices.
- 2.3 Although anyone with an interest may respond to the consultation, the stakeholders to which it is aimed include local authorities and standards committees. This committee carries out functions in relation to ethical standards – see further paragraph 4 below.
- 2.4 To date, no complaints have been received by the Combined Authority in relation to any allegation of a breach of the Members' Code of Conduct.
- 2.5 An issue which Governance and Audit Committee members may wish to consider in their response to this consultation relates to the recent best practice guidance for local enterprise partnerships issued by the Ministry for Housing, Local Government and Communities further to the recent 'Review of Local Enterprise Partnership Governance & Transparency' by Mary Ney. The LEP has recently approved revised a code of conduct for LEP Members, which not only complies with that best practice guidance but goes further to

reflect the broader Ney recommendations by putting in place additional safeguards in respect of, (for example), requiring disclosure of interests arising from close connections (personal interests), and disclosure of interests when applying for an economic loan or grant and contracting for work or services with the LEP. A copy of the LEP's Code can be found [here](#).

3 Financial Implications

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

4 Legal Implications

- 4.1 Under its terms of reference, the Governance and Audit Committee has responsibility for:
- promoting and maintaining high standards of conduct by Members of the Combined Authority;
 - advising the Combined Authority in relation to the Members' Code of Conduct, appointing an independent person, and arrangements for dealing with allegations of failing to comply with the Members' Code; and
 - determining any allegation of failing to comply with the Members' Code.

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 notes the report and determines whether to respond to the consultation; and

7.2 Subject to the Committee agreeing to respond to the consultation, that the Committee provides its views on the consultation questions (with individual members asked to provide any further views they may have to the Head of Legal and Governance Services by 20 April 2018), and delegates authority to the Head of Legal and Governance Services in consultation with Chair of the Combined Authority and the Chair of the Governance and Audit Committee to respond on behalf of the Committee.

8 Background Documents

None.

9 Appendices

Appendix 1 - Committee on Standards in Public Life: review of Local Government Ethical Standards – stakeholder consultation document

Appendix 2 - Background information on standards arrangements

This page is intentionally left blank

Review of Local Government Ethical Standards: Stakeholder Consultation

The Committee on Standards in Public Life is undertaking a review of local government ethical standards.

Robust standards arrangements are needed to safeguard local democracy, maintain high standards of conduct, and to protect ethical practice in local government.

As part of this review, the Committee is holding a public stakeholder consultation. The consultation is open from 12:00 on Monday 29 January 2018 and closes at 17:00 on Friday 18 May 2018.

Terms of reference

The terms of reference for the review are to:

1. Examine the structures, processes and practices in local government in England for:
 - a. Maintaining codes of conduct for local councillors;
 - b. Investigating alleged breaches fairly and with due process;
 - c. Enforcing codes and imposing sanctions for misconduct;
 - d. Declaring interests and managing conflicts of interest; and
 - e. Whistleblowing.
2. Assess whether the existing structures, processes and practices are conducive to high standards of conduct in local government;
3. Make any recommendations for how they can be improved; and
4. Note any evidence of intimidation of councillors, and make recommendations for any measures that could be put in place to prevent and address such intimidation.

The review will consider all levels of local government in England, including town and parish councils, principal authorities, combined authorities (including Metro Mayors) and the Greater London Authority (including the Mayor of London).

Local government ethical standards are a devolved issue. The Committee's remit does not enable it to consider ethical standards issues in devolved nations in the UK except with the agreement of the relevant devolved administrations. However, we welcome any evidence relating to local government ethical standards in the devolved nations of the UK, particularly examples of best practice, for comparative purposes.

Submissions will be published online alongside our final report, with any contact information (for example, email addresses) removed.

The Committee will publish anonymised submissions (where the name of the respondent and any references to named individuals or local authorities are removed) where a respondent makes a reasonable request to do so.

Consultation questions

The Committee invites responses to the following consultation questions.

Please note that not all questions will be relevant to all respondents and that submissions do not need to respond to every question. Respondents may wish to give evidence about only one local authority, several local authorities, or local government in England as a whole. Please do let us know whether your evidence is specific to one particular authority or is a more general comment on local government in England.

Whilst we understand submissions may be grounded in personal experience, please note that the review is not an opportunity to have specific grievances considered.

- a. Are the existing structures, processes and practices in place working to ensure high standards of conduct by local councillors? If not, please say why.
- b. What, if any, are the most significant gaps in the current ethical standards regime for local government?

Codes of conduct

- c. Are local authority adopted codes of conduct for councillors clear and easily understood? Do the codes cover an appropriate range of behaviours? What examples of good practice, including induction processes, exist?
- d. A local authority has a statutory duty to ensure that its adopted code of conduct for councillors is consistent with the Seven Principles of Public Life and that it includes appropriate provision (as decided by the local authority) for registering and declaring councillors' interests. Are these requirements appropriate as they stand? If not, please say why.

Investigations and decisions on allegations

- e. Are allegations of councillor misconduct investigated and decided fairly and with due process?
 - i. What processes do local authorities have in place for investigating and deciding upon allegations? Do these processes meet requirements for due process? Should any additional safeguards be put in place to ensure due process?
 - ii. Is the current requirement that the views of an Independent Person must be sought and taken into account before deciding on an allegation sufficient to ensure the objectivity and fairness of the decision process? Should this requirement be strengthened? If so, how?
 - iii. Monitoring Officers are often involved in the process of investigating and deciding upon code breaches. Could Monitoring Officers be subject to conflicts of interest or undue pressure when doing so? How could Monitoring Officers be protected from this risk?

Sanctions

- f. Are existing sanctions for councillor misconduct sufficient?

- i. What sanctions do local authorities use when councillors are found to have breached the code of conduct? Are these sanctions sufficient to deter breaches and, where relevant, to enforce compliance?
- ii. Should local authorities be given the ability to use additional sanctions? If so, what should these be?

Declaring interests and conflicts of interest

- g. Are existing arrangements to declare councillors' interests and manage conflicts of interest satisfactory? If not please say why.
 - i. A local councillor is under a legal duty to register any pecuniary interests (or those of their spouse or partner), and cannot participate in discussion or votes that engage a disclosable pecuniary interest, nor take any further steps in relation to that matter, although local authorities can grant dispensations under certain circumstances. Are these statutory duties appropriate as they stand?
 - ii. What arrangements do local authorities have in place to declare councillors' interests, and manage conflicts of interest that go beyond the statutory requirements? Are these satisfactory? If not, please say why.

Whistleblowing

- h. What arrangements are in place for whistleblowing, by the public, councillors, and officials? Are these satisfactory?

Improving standards

- i. What steps could *local authorities* take to improve local government ethical standards?
- j. What steps could *central government* take to improve local government ethical standards?

Intimidation of local councillors

- k. What is the nature, scale, and extent of intimidation towards local councillors?
 - i. What measures could be put in place to prevent and address this intimidation?

Who can respond?

Anyone with an interest may make a submission. The Committee welcomes submissions from members of the public.

However, the consultation is aimed particularly at the following stakeholders, both individually and corporately:

- Local authorities and standards committees;
- Local authority members (for example, Parish Councillors, District Councillors);
- Local authority officials (for example, Monitoring Officers);

- Think tanks with an interest or expertise in local government;
- Academics with interest or expertise in local government; and
- Representative bodies or groups related to local government.

How to make a submission

Submissions can be sent either in electronic format or in hard copy.

Submissions must:

- State clearly who the submission is from, i.e. whether from yourself or sent on behalf of an organisation;
- Include a brief introduction about yourself/your organisation and your reason for submitting evidence;
- Be in doc, docx, rtf, txt, ooxml or odt format, not PDF;
- Be concise – we recommend no more than 2,000 words in length; and
- Contain a contact email address if you are submitting by email.

Submissions should:

- Have numbered paragraphs; and
- Comprise a single document. If there are any annexes or appendices, these should be included in the same document.

It would be helpful if your submission included any factual information you have to offer from which the Committee might be able to draw conclusions, and any recommendations for action which you would like the Committee to consider.

The Committee may choose not to accept a submission as evidence, or not to publish a submission even if it is accepted as evidence. This may occur where a submission is very long or contains material which is inappropriate.

Submissions sent to the Committee after the deadline of 17:00 on Friday 18 May 2018 may not be considered.

Submissions can be sent:

1. Via email to: public@public-standards.gov.uk
2. Via post to:
 - Review of Local Government Ethical Standards
 - Committee on Standards in Public Life
 - GC:07
 - 1 Horse Guards Road
 - London
 - SW1A 2HQ

If you have any questions, please contact the Committee's Secretariat by email (public@public-standards.gov.uk) or phone (0207 271 2948).

Standards regime - overview

The Localism Act 2011 introduced a new standards regime for relevant authorities, including combined authorities and district councils.

By way of context, the main features of the previous regime, were:

- a Standards Board for England, which regulated the Code of Conduct and had oversight over standards committees,
- mandatory standards committees, the membership of which had to include independent persons, and
- jurisdiction over local government standards by the First Tier Tribunal.

The Secretary of State had power to specify principles to govern the conduct of Members and issue a mandatory model Code of Conduct.

This regime was abolished and replaced in response to concerns that it was inconsistent with the principles of localism and provided a vehicle for vexatious or politically motivated complaints.

Under the current provisions, a relevant authority has a duty to promote and maintain high standards of conduct. There is no statutory requirement to appoint a standards committee. (The Combined Authority has delegated responsibilities relating to Members' conduct to the Governance and Audit Committee).

a) Code of Conduct

An authority must by law adopt a Members' Code of Conduct, with which any voting Member of an authority (including co-opted members of a committee) must comply. The requirement to comply with the Code does not extend to any activity in a Member's private life.

There is no requirement to adopt a model Code (although "illustrative text" has been issued for guidance), and no limit to requirements which may be included by an authority in its Code, provided that the Code:

- is consistent with the principles of standards in public life ie, selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
- includes provision for the disclosure and registration of pecuniary and other interests – see further below.

The Combined Authority's Members' Code of Conduct may be found [here](#). It is more comprehensive than the "illustrative text", including, for example provisions prohibiting disclosure of confidential information.

b) Investigating alleged breaches

An authority must have arrangements in place to investigate and decide allegations. The nature of these arrangements is not prescribed, other than that the authority must appoint at least one independent person whose views are to be taken into account by the authority before making a decision on an allegation.

The independent person's views may also be sought by any person who is the subject of an allegation. (Note – the role of independent person in this context is distinct from the role of independent person required to be appointed to a combined authority's audit committee).

The Combined Authority has adopted a detailed procedure for considering complaints alleging a failure to comply with the Members' Code of Conduct, which may be found [here](#).

However, where an allegation is that a Member has breached the provisions relating to the disclosure of pecuniary interests, a complaint may be directed to the police for investigation, as a potential criminal offence – see below.

c) Enforcement and sanction

No sanctions are provided for in the Act in the event that a member is found to have breached the general provisions of the Code. In practice, this means that sanctions are limited to the issue of a formal letter, removal from a particular committee, or formal censure by the relevant authority.

In contrast, it is a criminal offence to fail to comply with the disclosure duties relating to pecuniary interests, or to participate in meetings where the member has a disclosable pecuniary interest in relevant matters – see further paragraph d). The offence is punishable by way of a fine or disqualification from office. The sanctions are summarised in Annex 2 of the Combined Authority's Code.

d) Declaring interests and managing conflicts of interest

An authority must maintain a public register of interests and Members are obliged to reveal disclosable pecuniary interests to be recorded in the register. "Sensitive" interests, whose disclosure would give rise to a risk of violence or intimidation do not need to be published.

Pecuniary interests are defined by regulations, and include a Member's partner's or spouse's interests, as set out in Annex 1 of the Combined Authority's Code.

Members may not, as a general rule, participate in discussion or vote during meetings of the authority where they have a disclosable pecuniary interest in the matter being discussed. There are some statutory exceptions, such as where they have been granted a dispensation.

e) Whistleblowing

Statutory provisions protect whistle-blowers from reprisal, and therefore to encourage workers to speak out when they are aware of wrongdoing in the workplace or dangers such as risks to health and safety. The provisions are technical and specific; only limited categories of disclosure qualify for protection and only if made in prescribed ways – generally through an

employer's whistleblowing procedure. The Combined Authority's whistleblowing procedure may be found [here](#).

This page is intentionally left blank